

# New York Barely on Pace to Eclipse Montana in First Year Adult-Use Cannabis Tax Revenue

## Illinois Generated 5x More Tax Revenue

At the start of 2023, New York [projected it would generate \\$56 million](#) in state cannabis tax revenues in the first year of legal adult-use sales with most of the money — \$40 million — coming from licensing fees paid by growers and sellers.

As a result of the state Office of Cannabis Management's (OCM) anemic pace of licensing, which has allowed the illicit market to thrive, New York (population 19.84M), is barely on pace to eclipse Montana, (population 1.1M), which generated nearly \$42 million in cannabis excise taxes last year.

Even if New York reached its \$56 million projection, which experts agree is extremely unlikely at the current pace, the state will have generated less adult-use cannabis tax revenue than Massachusetts, Oregon and Michigan did in their first year of sales, and less than half of the \$120 million Nevada generated in its first year.

Through May, New York's cannabis industry has made [just \\$16.5 million in retail revenue](#) since opening its first dispensary in late December. To date, only 13 legal adult-use dispensaries are up and running across the state. Other key data points related to OCM's dismal adult-use rollout include:

- New York committed to open at least 120 CAURDs across the state, but just 12 are operating;
- The \$200 million social equity fund the state pledged would be n fully funded for the past nine months, has raised \$0; and
- A special "NYS Cannabis Revenue" fund was entirely depleted in March, dropping from \$5.2 million on March 1 to negative \$447,000 in just four weeks, suggesting the state is spending more on the recreational cannabis market rollout than it has generated.

While other states were able to adult-use cannabis industries far quicker than New York is proving capable, generating hundreds of millions of dollars in community investments and government funds, OCM is failing the State's taxpayers. Under the Marijuana Regulation and Taxation Act (MRTA), New York's adult-use cannabis tax revenues are supposed to be distributed as follows:

- 40% for Education
- 40% to the Community Grants Reinvestment Fund, which would award grant funding to neighborhood-based nonprofits and local governments for:
  - Job placement and skill services;
  - Adult-education;
  - Mental Health and Addiction Treatment Services;
  - Housing, and more.
- 20% to the Drug Treatment and Public Education Fund for:
  - Implementing a youth-focused public health education and prevention campaign; and
  - Creating a statewide public health campaign focused on the health effects of cannabis and legal use.

# Top 10 2022 Adult-Use Cannabis Tax Revenue States



**\$1.07 billion**

In its first full year of adult-use cannabis sales, California generated over \$397 million in tax revenue.

California brought in a total of just over \$1 billion in cannabis taxes in 2022 even as sales dropped by 8% last year, from \$5.7 billion in 2021 to \$5.3 billion in 2022. In addition to the persisting illicit market and plummeting wholesale prices, as in New York, extreme delays in local licensing have been cited as a cause for the decline. As with every other mature market, however, California's 2022 tax revenue outpaced the years prior to the pandemic.

**Where it goes:** The voter-approved legalization law directs a significant portion of its cannabis tax revenues to local nonprofit programs that benefit people adversely impacted by punitive drug laws. By April 2021, more than \$100 million had already been distributed to community groups. The state also invests significant portions of cannabis revenue into child care services and environmental programs.



**\$562 million**

In its first full year of adult-use cannabis sales, Illinois generated over \$216 million in tax revenue.

Illinois has generated nearly \$1.3 billion in adult-use cannabis taxes since 2020.

**Where it goes:** Illinois' law puts a strong emphasis on social equity and repairing harms caused by enforcement of laws that criminalized cannabis. In addition to investing 20% of adult-use cannabis tax revenue into mental health services, the state directs 25% of the funds to the Recover, Reinvest, and Renew Program, which supports local organizations in developing programs that benefit disadvantaged communities.



**\$529 million**

In its first full year of adult-use cannabis sales, Washington generated over \$159 million in tax revenue.

Washington has generated nearly \$3.5 billion in cannabis excise and sales taxes since 2014. In every fiscal year since 2019, state officials reported that revenue from the 37% cannabis retail tax outpaced alcohol tax revenue, despite the fact that many more adults consume alcohol than cannabis.

**Where it goes:** For every \$1 billion in revenue collected from the cannabis sales tax, nearly \$600 million is funneled into public health initiatives, including a fund that provides health insurance for low-income families.

4 Michigan



## \$326 million

In its first full year of adult-use cannabis sales, Michigan generated nearly \$82 million in tax revenue.

Michigan has generated \$618 million since December 2019. As a newer market, with additional areas coming on board, Michigan saw increased tax revenues in 2022.

**Where it goes:**

- 15% to municipalities that host one or more retail stores or microbusiness, in proportion to number in the municipality
- 15% to counties that host one or more retail stores or microbusiness, in proportion to number in the county
- 35% to the School Aid Fund for K-12 education
- 35% to the Michigan Transportation Fund for roads

5 Colorado



## \$305 million

In its first full year of adult-use cannabis sales, Colorado generated over \$46 million in tax revenue.

Colorado has generated over \$2.1 billion in adult-use cannabis taxes since 2014, not counting local sales tax revenues, which have been significant. The city of Denver, for example, applies its standard local sales tax of 4.81% and an additional 5.5% sales tax on adult-use cannabis and has collected an estimated \$63.2 million in revenue in 2022.

**Where it goes:** At least \$745.6 million of the revenue has been dedicated to improving Colorado's public school system.

6 Massachusetts



## \$250 million

In its first full year of adult-use cannabis sales, Massachusetts generated over \$62 million in tax revenue.

MA has generated over \$657 million in adult-use cannabis taxes since late 2018. In 2022, the state collected 10% more in cannabis excise and cannabis-related sales taxes than in 2021.

**Where it goes:** With adult-use cannabis tax revenue collected so far, the state has invested the money into public transportation and boosted the coffers of local governments.

7 Arizona



## \$223 million

In its first full year of adult-use cannabis sales, Arizona generated over \$153 million in tax revenue.

In just its second year of legal sales, Arizona brought in nearly \$224 million in cannabis excise taxes and transaction privilege taxes on adult-use cannabis.

**Where it goes:** After regulatory and enforcement costs are paid, Arizona's law distributes a third of the cannabis tax revenue to community colleges, along with 10% to public health and criminal justice programs.

8 Nevada



**\$196 million**

In its first full year of adult-use cannabis sales, Nevada generated over \$120 million in tax revenue.

Nevada has generated over \$900 million in adult-use cannabis taxes since 2017.

**Where it goes:** A substantial piece of the 15% wholesale tax paid by cannabis cultivators goes to local governments, while the remainder is deposited into the state's Distributive School Account to fund public education. The 10% cannabis retail tax has added hundreds of millions of dollars to the state's rainy day fund.

9 Oregon



**\$150 million**

In its first full year of adult-use cannabis sales, Oregon generated over \$68 million in tax revenue.

Oregon has generated over \$820 million in adult-use cannabis taxes since 2016, with revenues in 2022 totalling \$150.3 million. The below annual tax revenues do not include the 3% sales tax some localities impose. From February 2017 through 2022, the local taxes collected totaled \$118.9 million.

**Where it goes:** Of the cannabis-related tax revenue it collects, the state distributes 40% to public schools, 15% to law enforcement, and 25% to mental health and treatment programs.

10 Montana



**\$42 million**

In its first full year of sales, 2022, Montana generated nearly \$42 million in cannabis excise taxes.

**Where it goes:** State law directs that revenue to substance abuse recovery programs, conservation efforts, and services for veterans and their families.