



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 434** HLS 21RS 493
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|-------------------------------------|----------|----------------------------------|
| Date: May 13, 2021 | 11:10 AM | Author: NELSON |
| Dept./Agy.: Revenue | | Analyst: Benjamin Vincent |
| Subject: Sales Tax: Cannabis | | |

TAX EG INCREASE GF RV See Note Page 1 of 1
 Levies taxes on sales of cannabis and provides for the use of the avails of the taxes

Proposed law provides definitions regarding cannabis products, retailers, and wholesalers. Proposed law levies a tax of 15% on the retail sale price of cannabis products, and specifies that the tax upon retail sales is in addition to any state or local sales taxes. Proposed law directs 50% of the avails of the tax to political subdivisions and sheriffs, depending on the location of retail sales. The 50% balance of the avails will flow to the state general fund.

Proposed law also removes the existing excise tax and tax stamp requirements for marijuana dealers, and retains the tax and stamp requirements for dealers of other dangerous controlled substances.

Effective upon enactment and effectiveness of HB 699 of the 2021 Regular Session.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|------------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| State Gen. Fd. | \$475,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$759,000 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$475,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$759,000 |

| REVENUES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

LDR reports that proposed law would incur a material upfront cost for implementing the new tax and the associated returns in addition to collection system programming, testing, and development costs, and identification and notification for affected taxpayers. The tax in proposed law would likely require one additional position for administration and compliance, which is indicated in the table above as the recurring cost of approximately \$71,000.

REVENUE EXPLANATION

Proposed law levies a 15% tax on the retail sales price on cannabis, and dedicates a total of 50% of the avails to political subdivisions, depending on the geographic breakdown of retail sales and whether the sales occur in municipalities. This is reflected as dedicated funds in the Revenue table above. The remaining 50% of the avails of the tax would accrue to the state general fund. To the extent that cannabis sales occur, state general fund and dedicated revenues will increase by an indeterminable amount.

For information purposes, based on sales in states that have recently allowed these purchases and on industry market research estimates for the state, an estimate of approximately \$77 million in annual sales of raw or crude marijuana is anticipated initially, ramping up to \$553 million in sales over time. This estimate accounts for the state's limited network of eligible Louisiana retailers imposed by current law, which limits the maximum number of licensed dispensaries, and results in each existing dispensary covering between four and twelve parishes. Industry research estimates that this ramp-up would be achieved by FY26. (Note: these taxable sales estimates differ from those in HB 514, as HB 514 only applies the levy to raw or crude marijuana, whereas proposed law levies the taxes on cannabis products generally.)

In the event that this level of sales materialized, it would imply a revenue impact of approximately \$12 million initially (\$6 million to state general fund and \$6 million dedicated), and approximately \$82 million in FY26 (\$41 million to the general fund and \$41 million dedicated).

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
 Gregory V. Albrecht
 Chief Economist