



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 612** HLS 23RS 259
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2023	8:33 AM	Author: NEWELL
Dept./Agy.: Revenue		
Subject: Cannabis Tax		Analyst: Deborah Vivien

TAX OR SEE FISC NOTE GF RV See Note Page 1 of 2
 Levies taxes on sales of cannabis and dedicates revenues derived from those taxes

Proposed law authorizes a cannabis tax of 10% on the retail sale remitted by retailers to be levied in addition to any state and local sales tax or any other applicable taxes and 5% on wholesale transactions remitted by the production facility. All barter or in lieu of sales are also subject to taxation. Hemp and therapeutic marijuana are excluded. Proposed law directs collections to a number of dedications, including 40% to local uses, with 15% remaining in the state general fund. Proposed law directs the Department of Revenue (LDR) to collect the tax and authorizes LDR to promulgate rules.

Contingent upon passage of HB 17 of 2023 Regular Session, which limits the number of cannabis retailers.

Effective January 1, 2024

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW					
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>	<u>\$0</u>
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

LDR anticipates system development and programming costs, in addition to requiring additional personnel to administer the new tax. If implemented, LDR reports expected expenditures reflecting \$440,000 in one-time system costs, in addition to annual costs of \$86,519 for an additional Revenue Tax Analyst and recurring support expenditures of \$71,200 for office supplies, courier services, etc. (roughly half year impact in FY 24). LDR would not likely begin incurring costs until legalization and required permitting of these operations and products have occurred. For illustrative purposes, if the legalization were already in effect, LDR estimates annual total expenses at \$511,650 in FY 24 and \$160,315 in FY 25, climbing to \$168,578 in FY 28 and beyond. Additional self-generated spending by LDR may lead to less SGF revenue. In isolation, this measure does not create an expenditure obligation. In the event of legalization, the expenditure obligation would be significant.

Treasury will create and administer the funds. Responsibilities concerning addiction treatment programs to which 10% of proceeds are directed is unclear. Should aggregate impacts of all enacted legislation from the session increase Treasury's workload substantially, additional resources may be required, including a position and support equipment at an annual cost of about \$80,450.

Expenses related to investigation of "in lieu of" retail transactions and, potentially the valuation of those sales could cause the department to incur additional expenses, potentially significant, depending on the circumstances.

REVENUE EXPLANATION

The avails of the proposed taxes on retail and wholesale sales of cannabis would increase state general fund and statutorily dedicated revenue by an indeterminate amount. Proposed law would dedicate the majority of the avails of the excise tax as listed on page 2 of this note.

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<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Alan M. Boxberger
 Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION (Continued from page 1)

Any assumption of future legalization of these products or estimate of future sales would be speculative, and the bill does not appear to apply to therapeutic marijuana or hemp. To the extent that wholesale and retail purchases and barter of cannabis are legally conducted, general fund and dedicated revenues will increase.

40%: Cannabis Tax-supported Local Assistance Fund (created in bill)
50% to Municipalities and Sheriffs (outside of municipalities) by location of tax generated for law enforcement.

12.5% to parishes without cannabis retailers pro-rata (assumed split equally) for law enforcement (if Orleans, half to Sheriff, half to City Police). If a retailer is permitted, the parish share goes half to Early Childhood Education Fund and half to state general fund. If all parishes have permitted retailers, then 6.25% to state general fund and 6.25% to the Early Childhood Education Fund

37.5% to District Attorneys for law enforcement

- 15%: State General Fund
- 15%: Transportation Trust Fund
- 10%: State Police Operations Fund (created in the bill)
- 10%: Early Childhood Education Fund
- 10%: To fund addiction treatment programs (Treasury)

Senate

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

Dual Referral Rules

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}

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