

Municipal Impact Statement

Senate Bill 73 (SB 73) proposes significant changes to the state's marijuana taxation and regulatory framework. The bill aims to standardize the tax rate for marijuana at a flat \$12 per ounce, replacing the current variable rates that range from \$12 to \$50 per ounce, depending on the product type. Additionally, SB 73 seeks to transition marijuana establishment registrations from annual to biennial renewals and renew the state corporate income tax exemption for small businesses, which is set to expire this year.

Impact on Local Governments:

1. Revenue Implications:

- **Potential Decrease in State Revenue:** The proposed reduction in the marijuana tax rate could lead to a decrease in state revenue. An analysis by the Department of Revenue estimates that the measure would result in the state foregoing about \$14 million in annual revenue.
- **Effect on Revenue Sharing:** If local governments currently receive a portion of marijuana tax revenues through state revenue-sharing programs, a decrease in state collections could reduce the funds distributed to municipalities.
- **Local Taxation Authority:** SB 73 does not appear to directly alter municipalities' authority to levy local taxes on marijuana businesses. However, the reduced state tax burden might provide local governments with the flexibility to adjust their local tax rates to better support local priorities without overburdening businesses.

2. Enforcement Implications:

- **Regulatory Adjustments:** The shift from annual to biennial registration renewals for marijuana establishments could reduce administrative workloads for both state and local regulatory bodies. This change may allow local governments to allocate enforcement resources more efficiently.
- **Market Dynamics:** By lowering the state tax rate, SB 73 aims to make legal marijuana products more competitive against black-market and hemp-based THC products. A more competitive legal market could potentially reduce illicit activities, thereby easing enforcement challenges for local authorities.

Considerations for Municipalities:

- **Budget Planning:** Municipalities should assess the potential impact of reduced state marijuana tax revenues on their budgets, especially if they rely on state revenue-sharing programs. Proactive financial planning will be essential to mitigate any negative effects.
- **Local Tax Policy:** Local governments might consider evaluating their own marijuana tax structures in light of the proposed state tax reduction. Adjusting local tax rates could help balance the objectives of supporting local businesses and generating necessary revenue.
- **Enforcement Strategies:** With the anticipated decrease in black-market activity due to more competitive pricing in the legal market, municipalities could reallocate enforcement resources to other priority areas.

In summary, while SB 73 primarily addresses state-level taxation and regulation of the marijuana industry, it carries significant implications for local governments in terms of revenue and enforcement. Municipalities should carefully analyze these potential impacts and consider adjustments to their fiscal and regulatory policies to align with the proposed state changes.