



Marijuana Taxation

State Tax Impacts & Local Tax Options

Margaret Lenhart

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Overview

- Tax Trivia
- Current Tax Structure and State of Industry
- Proposed Tax Changes: HB 91
- Municipal Impacts
 - Local-level marijuana taxation
 - Marijuana local option
 - Revenue sharing



Marijuana Tax Trivia: Four Questions

Alaska's state marijuana tax is weight-based (\$/ounce) rather than percentage-based (X% of sale price). Of the 20 other states that tax recreational marijuana, how many impose ONLY a weight-based tax?

- A. 5**
- B. 8**
- C. 2**
- D. 0**

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D. 0

Alaska is the only taxing state that does not have a percentage-based tax.

Marijuana Tax Trivia

True or false: Marijuana tax is a shared tax in Alaska. That is, does the state distribute a share of the revenue directly to municipalities?

True **False**

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True **False**

Marijuana *tax* revenue is not shared, but marijuana business licensing fees are shared. Municipalities with a designated regulatory authority receive half the value of new licenses, transfer licenses, and license renewals.

Marijuana Tax Trivia

According to the Department of Revenue (DOR), is marijuana tax revenue forecasted to increase, decrease, or remain the same from FY 2024 – FY 2026? (In nominal dollars)

- A. Increase**
- B. Decrease**
- C. No change**

Marijuana Tax Trivia

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- A. Increase
- B. **Decrease**
- C. No change

Fiscal Year	Tax Revenue (Millions)
2024	\$27.3
2025	\$27.0
2026	\$26.3

Back of Napkin Calculation:

Per unofficial, public data from DOR, FY25 tax revenue was **\$25.5M**, decline of 6.8%. This decline rate would project a revenue of **\$23.8M for FY26.**

Marijuana Tax Trivia

Dozens of Alaskan communities have selected a “local option” for alcohol. How many cities, boroughs, and unincorporated communities have selected a marijuana local option?

- A. 0-10**
- B. 10-25**
- C. 25-50**
- D. >50**

Marijuana Tax Trivia

Dozens of Alaskan communities have selected a “local option” for alcohol. How many cities, boroughs, and unincorporated communities have selected a marijuana local option?

A. 0-10

B. 10-25

C. 25-50

D. >50

As of Nov. 2024, **23** communities have a marijuana local option. Of these, only two also have an alcohol local option: Kipnuk and Togiak.

Marijuana: History and Current State

Legalization

Alaska was the 3rd state to legalize recreational marijuana, voting on the issue in 2014. Sales began in October 2016. As of 2025, 24 states have legalized recreational marijuana.

Taxation

Since 2019, the marijuana tax has been:

- \$50/oz Bud and Flower
- \$25/oz Immature
- \$15/oz Trim
- \$1/plant Clone

Distributed as:

- 50% Recidivism reduction
- 25% Marijuana education and treatment
- 25% General fund

Industry Trends

- Rapid growth FY 2017-2021 (↑)
- After 2021, revenue and production decouple.
 - Production grows slowly then stagnates. (↑, --)
 - Revenue stagnates then declines slowly. (--, ↓)



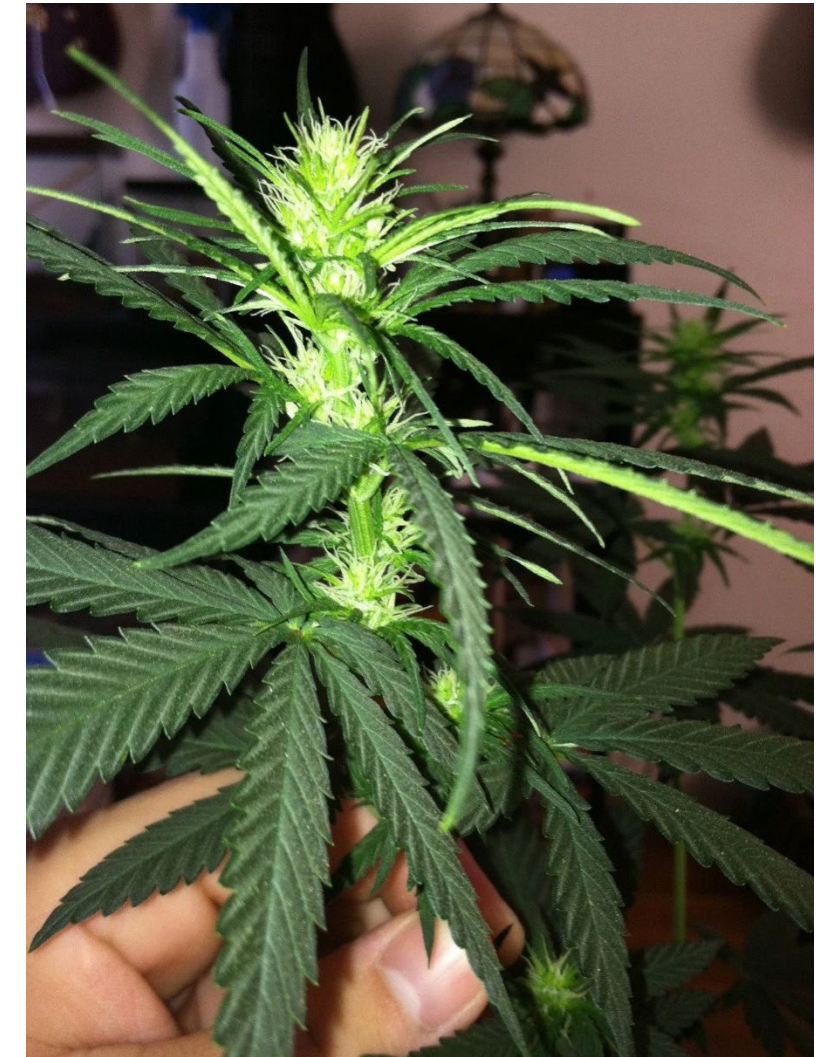
Tax Structure



Trim: Leaves and stems
\$15/oz



Immature: also called seedy; failed bud
\$25/oz



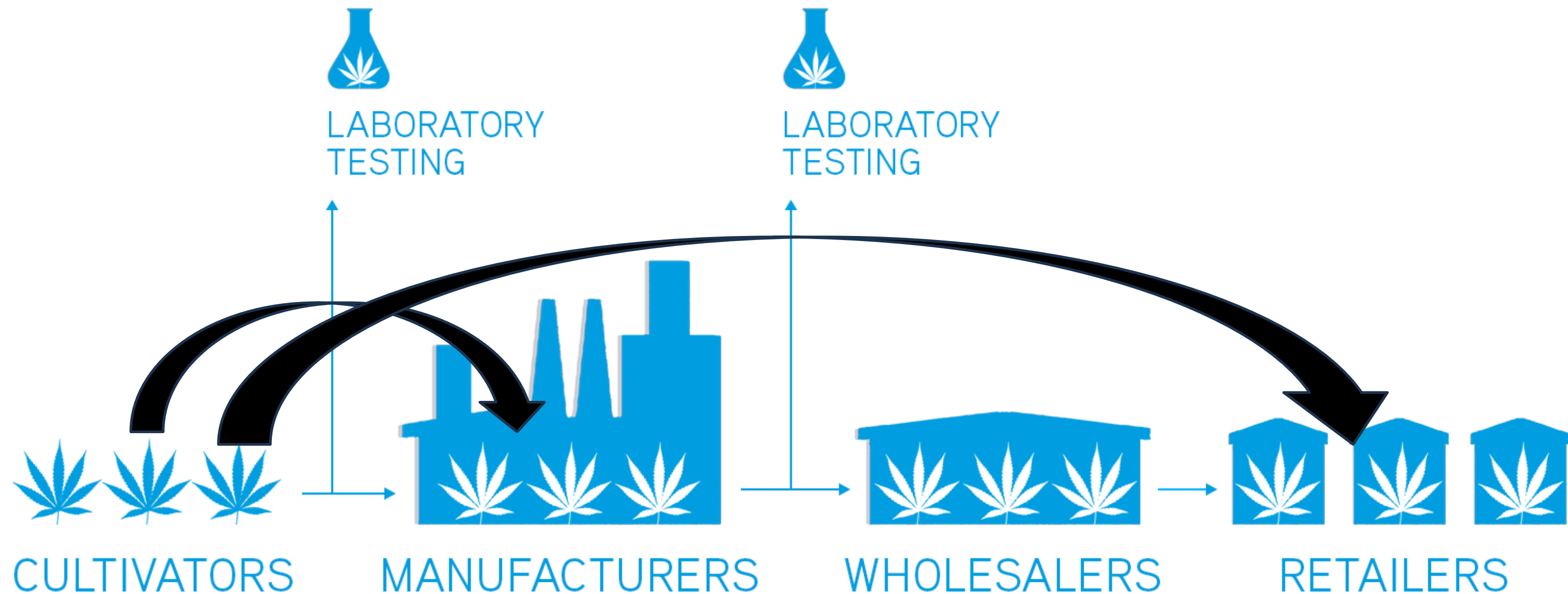
Bud and flower:
\$50/oz

Clone: segment cut from mature
plant
\$1/plant (rarely seen in Alaska sales)



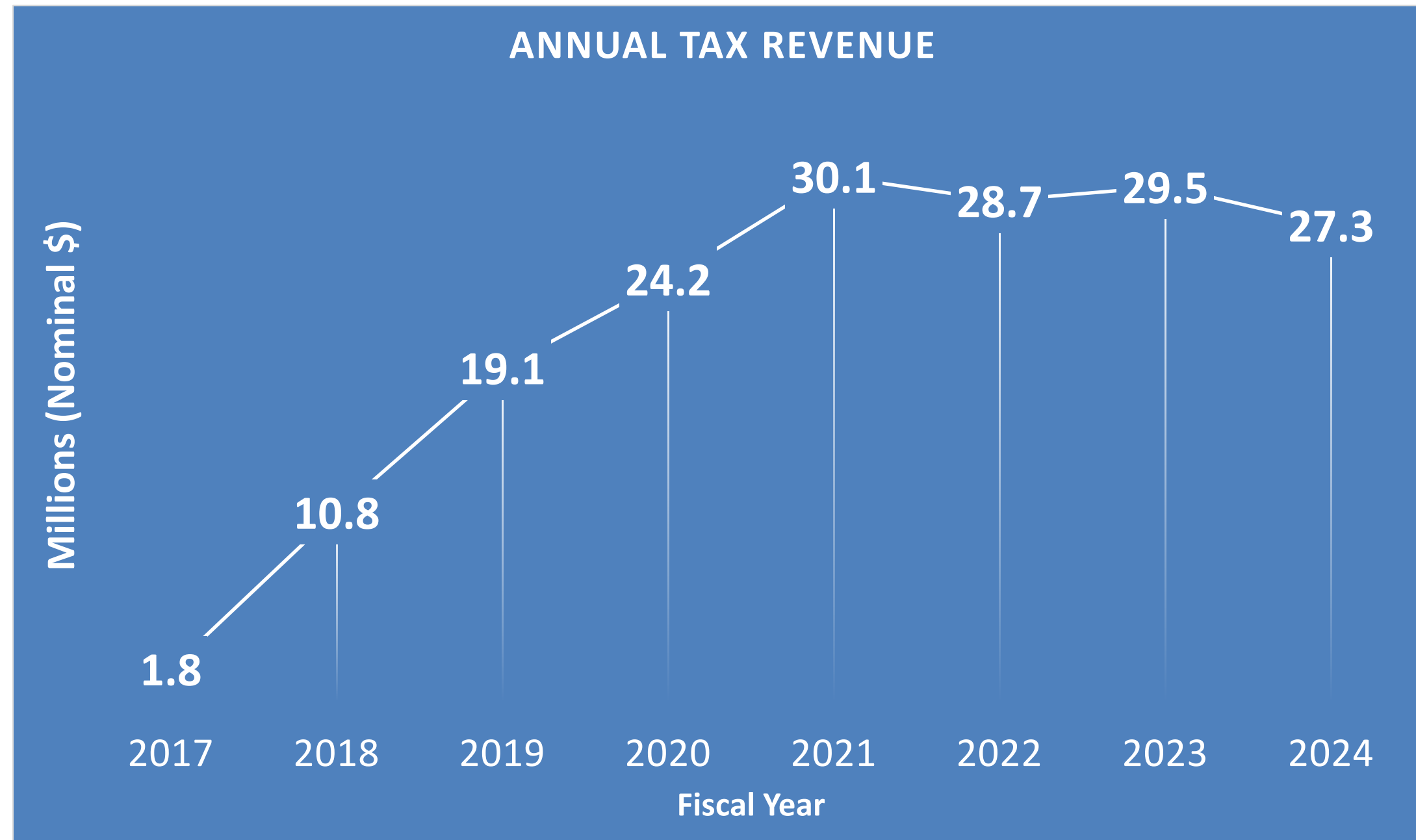
*Equal to 25-50% of value sold

When is the tax applied?



“The marijuana tax is imposed when marijuana is sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility.”

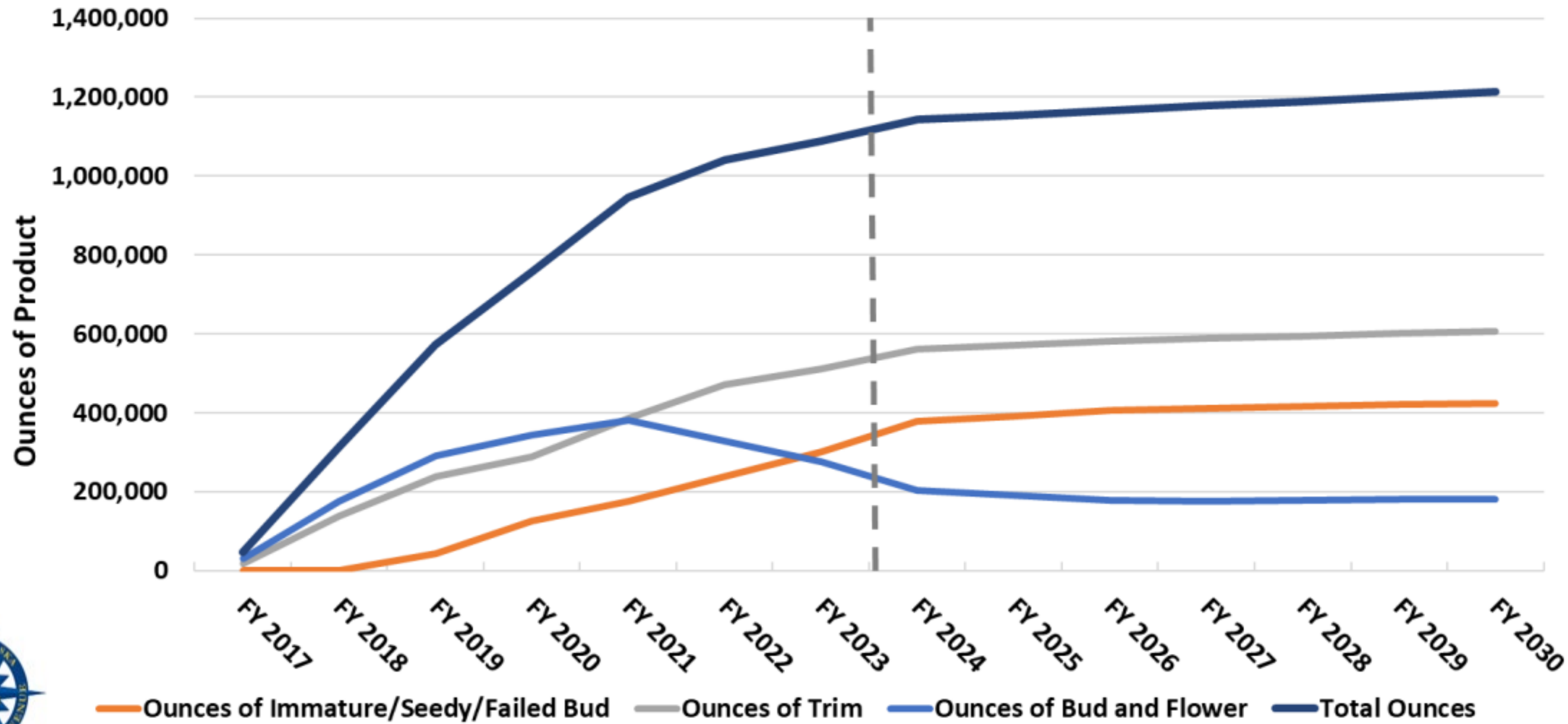
State Tax Revenue Trends



Fiscal Year	Tax Revenue (Millions \$)
2017	1.8
2018	10.8
2019	19.1
2020	24.2
2021	30.1
2022	28.7
2023	29.5
2024	27.3

Production increases, bud/flower stagnant

Legal Marijuana Products: History and Projections



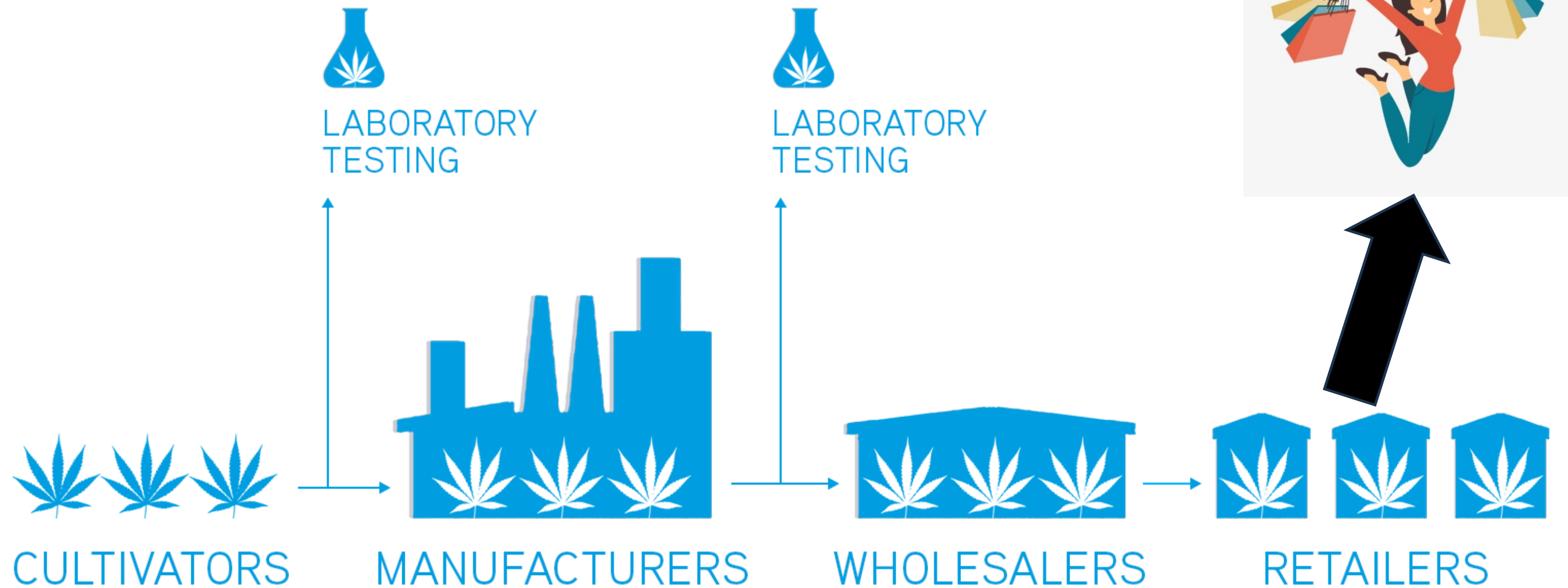
Response: House Bill 91

Introduced in the 34th Legislative Session by Rep. Ashley Carrick, HB 91 would:

- Change marijuana tax to \$12.50/oz for all types from July 1, 2025 – December 31, 2025. Then, change tax to 6% of retail sale value, effective January 1, 2026.
- Extend marijuana business license length from one year to two years.
- Allow marijuana taxes to be paid quarterly, rather than monthly¹⁷
- Reallocates 25% of revenue from General Fund to Public Education Fund



When is the tax applied?



Tax Revenue Impacts: What forces are at play?

Fiscal Year	2026	2027	2028	2029	2030	2031
Change in tax revenue, millions	(\$9.9)	(\$7.6)	(\$7.0)	(\$6.5)	(\$6.0)	(\$5.5)

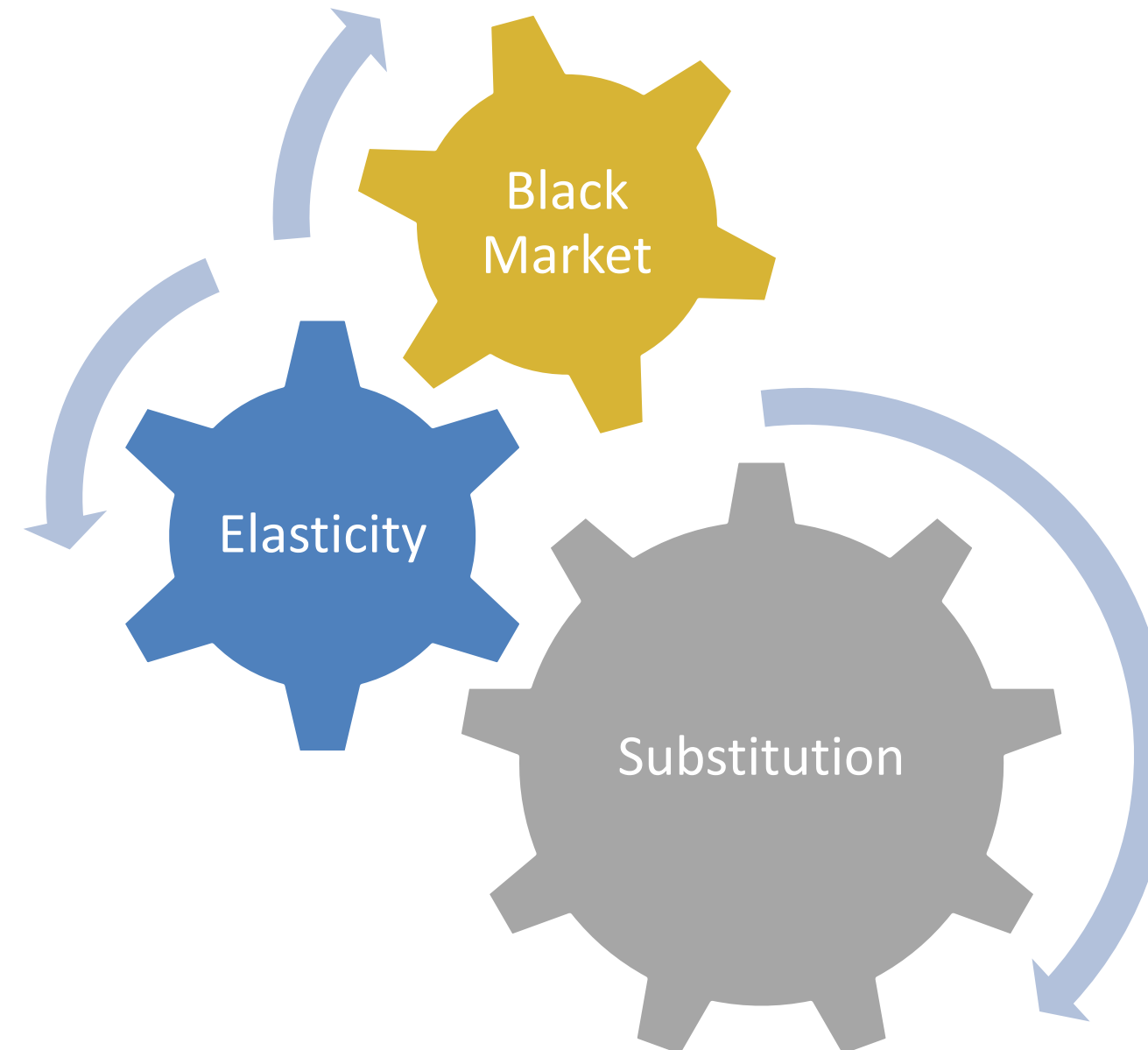
The revenue gap decreases overtime because of inflation and retail market growth.

Inflation doesn't impact wholesale tax forecast because it is quantity-based; A tax reduction will stimulate supply-side growth.

Elasticity:
1% decrease in price = 1% increase in quantity demanded

Inflation:
2.5% annually

Population growth:
DOL Population Projections for 21+



Municipal Marijuana Action:

What options are available, in statute and code?

- Municipal marijuana taxation
- Marijuana local options
- Marijuana license revenue sharing

Discussion:

What options are available, **in practice**?

- What barriers does your community experience to breaking into the industry?
 - Start-up costs?
 - Administrative capacity?
 - Regulatory?
 - Logistics (off-road system)?
 - Political dissent?

Cities with Marijuana Taxes (10)

<u>City</u>	<u>2024 Revenue (in thousands, \$)</u>	<u>Rate</u>
*Anchorage	5,835	5%
*Bethel	791	15%
*Cordova	70	6%
Craig	No data	10%
Dillingham	77	10%
*Fairbanks	1,592	5%
*Houston	185	3%
Ketchikan	195	5%
Utqiagvik (2022)	189	8%
Wrangell	0.6	\$12/oz, all types

City has marijuana local option; *Conference attendee

Boroughs with Marijuana Taxes (9)

<u>Borough</u>	<u>2024 Revenue (in thousands, \$)</u>	<u>Rate</u>
Denali	66	5%
*Fairbanks North Star	313	5%
*Haines	19	2%
*Juneau	458	3%
Ketchikan Gateway	116	5%
Matanuska-Susitna	1,142	5%
*Northwest Arctic	600	\$25/oz, bud and flower; \$10/oz, trim
*Petersburgh	22	\$25/oz, all types
Sitka	328	8%

Borough has marijuana local option; *Conference attendee

Local Tax Overview (19 locales)

Total marijuana tax revenue from all municipalities (2024): **\$12M**

Mode tax rate: **5%** (used by 7 of 19)

3 communities have wholesale tax

2%-15%: Range of retail tax rates

\$140K: Shared license revenue 2022

7 of 19 have a local option

Local Option Statute

Per AS 17.38.300,

“If a majority of the voters voting on the question vote to approve the option, an established village shall exercise a local option to prohibit the operation of one or more of the following...”

1. The sale or importation of marijuana or any marijuana product
2. The operation of one or more of the following: ²⁵
 1. Marijuana cultivation facilities
 2. Marijuana product manufacturing facilities
 3. Marijuana testing facilities
 4. Retail marijuana stores



Local Option Bounds

Per 3 AAC 306.200(e),

“A local government may not prohibit the personal use and possession of marijuana and marijuana products as authorized under AS 17.38.020.”

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License Revenue Sharing

As of 2022, 28 cities and boroughs utilized state-local revenue sharing for marijuana licenses.

One potential barrier:

- Formally designating a local regulatory authority to receive the funds
 - Per AS 17.38.210(c),
 - “A local government may designate a local regulatory authority that is responsible for processing applications submitted for a registration to operate a marijuana establishment within the boundaries of the local government...”
 - Per AS 17.38.200(c),
 - “Upon receiving an application or renewal application for a marijuana establishment, the board shall immediately forward a copy of each application and half of the registration application fee to the local regulatory authority for the local government in which the applicant desires to operate the marijuana establishment, unless the local government has not designated a local regulatory authority pursuant to AS 17.38.210(c).”

Local Regulatory Authority



Togiak City Office, 2018 (DCRA Photo Library)

- Typically designated by ordinance, less commonly, resolution
- Existing regulatory authorities include city and tribal councils, clerks, and advisory boards
- If no authority is designated, default is city council or borough assembly
- Unincorporated communities in Unorganized Borough must designate a regulatory authority, there is no default

License Revenue Sharing

Communities that received license revenue in 2022 include:

Anchorage*	Bethel*	Craig	Denali Borough	Dillingham	Fairbanks*	Fairbanks North Star Borough*
Haines Borough	Homer	Houston*	Juneau City and Borough*	Kachemak	Kenai*	Kenai Peninsula Borough
Ketchikan	Ketchikan Gateway Borough	Kodiak*	Kodiak Island Borough	Kotzebue*	Matanuska-Susitna Borough	Nome*
Petersburg Borough*	Seward	Sitka City and Borough	Skagway*	Utqiagvik	Valdez	

*Conference attendee

Questions?

Name: Margaret (Maggie) Lenhart

Email: Maggie@akml.org

Website: www.akml.org