

**TAXING MARIJUANA:
THE WHAT, WHERE, HOW AND WHEN OF
BEST STATE TAX POLICIES AND PRACTICES**

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ABSTRACT

State tax policies regarding the taxation of medical and recreational marijuana have evolved over the last decade as more and more states have legalized medical marijuana and, more recently, recreational marijuana. Presently, there are twenty-nine states and Washington D.C. that have legalized medical marijuana and eight states and Washington D.C. that have legalized recreational marijuana to some extent. Each of these states subjects these marijuana transactions to tax in some manner. Nationwide, experts have estimated that potential marijuana taxes range from approximately \$3.1 to \$6.8 billion as compared to \$6.5 billion raised by state and local alcohol taxes and \$17.6 billion raised by state and local cigarette taxes. This paper will explore the various structures that states currently use to tax marijuana and discuss lessons learned as well as best practices to date. Additionally, the authors will discuss market forces that will over time affect marijuana sales and corresponding tax revenue including increasing number of states entering the market place through legalization, homegrown marijuana, possibility of federal legalization, and substitution of marijuana for heavily taxed alcohol and cigarettes.

Keywords: medical marijuana, recreational marijuana, marijuana tax policy, excise taxes, sales taxes