

Cannabis Tax would Raise Needed Revenue and Create Jobs

Position Statement Supporting Senate Bill 927

Given before the Senate Budget and Taxation Committee

The state of Maryland recognized the failures of prohibition of marijuana when the General Assembly passed a decriminalization bill in 2014. Many policy experts now agree that policing marijuana is costly, does little to reduce drug use, and has disproportionately targeted African Americans.ⁱ With the full legalization of marijuana now under discussion, Maryland has the opportunity not only to reduce policing and incarceration costs but to raise revenue for important state investments. Regulating and taxing marijuana in a manner similar to alcohol is the logical next step for Maryland. Successes in places like Colorado and Washington indicate it can bring in tens of millions of dollars without harm to the economy or society as a whole. **For these reasons, the Maryland Center on Economic Policy supports Senate Bill 927.**

In 2010 Maryland spent \$106 million enforcing marijuana possession laws.ⁱⁱ That year, there were 23,729 arrests for marijuana possession.ⁱⁱⁱ Marijuana possession arrest levels rose during the early 2000s and remained high from 2010 to 2014 with an average of 23,851. In 2015, the first year following decriminalization, arrests for marijuana possession dropped to 14,329. The 37 percent reduction in marijuana-related arrests from 2014 to 2015 likely meant significant savings for Maryland taxpayers. If annual expenditures enforcing marijuana possession laws decreased by an equivalent 37 percent, the state would have saved \$39.2 million. This does not factor in the cost of lost productivity or the other costs drug arrests create for affected individuals and their families. Still, decriminalizing small amounts of marijuana has not had the intended effects on a large portion of the underground economy if we are continuing to arrest over 14,000 people a year for marijuana possession.

While arrests for possession of marijuana decreased 37 percent from 2014 to 2015, arrests for sale or manufacturing of marijuana increased 5 percent.^{iv} This indicates that since decriminalization the state has shifted some resources from policing marijuana possession to policing marijuana distribution. These costs would be avoided if the industry was legal and taxed.

In Colorado, a state with a smaller population than Maryland, revenue from a marijuana tax reached \$200 million

in 2016.^v The Colorado tax is structured similarly to the proposal included in Senate Bill 927. In addition, the new and fast-growing industry created 18,005 full time equivalent jobs in Colorado in 2015, 12,591 of them directly.^{vi} The other 5,414 included jobs like security guards, real-estate agents, construction workers, consultants, and other business services. Additional economic benefits were generated by these new employees' increased demand for everyday goods and services. Washington State has seen similar results, bringing in more than \$256 million in excise taxes on marijuana in 2016.^{vii}

Under the proposed legislation, marijuana would be subject to a state sales tax of 9%, the same rate as alcohol, as well as excise taxes on production and distribution. After covering the administrative costs of the program, tax revenue would go to education, addiction treatment, workforce development programs, and public education and law enforcement training to reduce driving under the influence. This policy would allow police to spend more time and resources on serious crime, and improve community relations. The combined benefits of reduced costs and increased revenue are clear.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee give a favorable report to Senate Bill 927.

ⁱ “The Maryland War on Marijuana in Black and White.” Maryland American Civil Liberties Union, October 2013. http://www.aclu-md.org/uploaded_files/0000/0470/aclu_marijuana_in_md_report_whitecover.pdf.

ⁱⁱ Ibid.

ⁱⁱⁱ Maryland State Police Uniform Crime Report 2010, 2015. <http://mdsp.maryland.gov/Pages/Downloads.aspx>.

^{iv} Maryland State Police Uniform Crime Report 2015.

^v Marijuana tax revenue hit \$200 million in Colorado as sales passed \$1 billion, Trey Williams, Market Watch, February 10, 2017. <http://www.marketwatch.com/story/marijuana-tax-revenue-hit-200-million-in-colorado-as-sales-pass-1-billion-2017-02-10>.

^{vi} “The Economic Impact of Marijuana Legalization in Colorado.” Marijuana Policy Group, October 2016. <http://www.mjpolicygroup.com/pubs/MPG%20Impact%20of%20Marijuana%20on%20Colorado-Final.pdf>

^{vii} Maryland lawmakers renew push to legalize and tax marijuana, Pamela Wood, The Baltimore Sun, January 30, 2017. <http://www.baltimoresun.com/news/maryland/politics/bs-md-legal-marijuana-20170130-story.html>.