

Debunking the myth: Every dollar of marijuana tax revenue is associated with \$4.50 in costs



Legalization of marijuana and tax revenue illustration by Greg Groesch / The Washington Times Legalization of marijuana and tax revenue ... more >

COMMENTARY

By Luke Niforatos
Wednesday, February 7, 2024

OPINION:

Those who have been following the legalization of marijuana have likely heard the familiar industry refrain that commercializing the drugs will generate a mound of tax revenue. But the reality is that the industry is largely unregulated and serves for cash. As legal weed marks a decade, the

Back

... marijuana accounts for a nearly negligible share of state revenue and is outweighed by numerous costs.

Former Colorado Gov. John Hickenlooper deserves credit for his honesty a decade ago when he described marijuana tax revenue as “a drop in the bucket,” adding that “it’s not going to pay for early childhood education or solve any social ill.” His candor

was drowned out by the industry's promises of a windfall.

Today, revenue from marijuana accounts for only 0.78% of Colorado's fiscal 2022-23 budget, according to research by Smart Approaches to Marijuana. The state saw tax revenue from marijuana decline by nearly 25% between 2021 and 2022. The numbers for 2023 are projected to be worse.

Nor is this reality unique to Colorado. In Washington state, it's estimated that marijuana accounts for only 0.77% of the budget. California has cut marijuana taxes in hopes of curtailing the illicit market, resulting in a minuscule 0.44% of a budget facing a \$68 billion deficit. In Oregon, marijuana taxes account for 0.28%, and in Alaska, they account for just 0.013% of the state budget.

Even those paltry revenue numbers are a mirage, because they don't account for the high costs for states that chose to legalize. For alcohol, the public health and safety costs were more than 10 times the tax revenue. With 16 million Americans on average still dealing with the health impacts of smoking, the costs of tobacco are even worse. The societal and therefore government costs of drugs such as marijuana follow the same pattern.

The Centennial Institute at Colorado Christian University estimated that every dollar in marijuana tax revenue is associated with \$4.50 in costs. These costs range from increased traffic deaths to lost productivity. Its report stated that "the costs associated with commercial marijuana are only going to go up as the long-term health consequences have not been fully determined."

MY TIMES

[VIEW ALL](#) 

GOP's Steve Garvey has a shot at advancing Tuesday in California's U.S. Senate race
Hunter Biden says business partner paid for Porsche with money from unknown source
Ilhan Omar, Pramila Jayapal make secret trip to Cuba, drawing outrage from Republicans

A recent study from the Federal Reserve Bank of Kansas City determined that marijuana legalization is associated with a 17% increase in substance use disorders (addiction), a 35% increase in chronic homelessness, and a 13% increase in arrests — all of which have an economic and revenue impact.

It also found “arrests for both violent and property crimes rose, suggesting a potential increase in law enforcement activity.”

Even the pot-friendly media is finally catching on to the ruse. In December, Colorado Public Radio definitively stated: “Cannabis taxes did not solve Colorado’s budget woes.”

Legalization of marijuana has also led to an explosion in the illicit market. Perhaps counterintuitively, legalization provided cover for illicit actors to expand their operations. This has played out across the nation, from New York to California. After legalizing so-called medical marijuana, Oklahoma became a hotbed for cartel-linked marijuana growing. Today, more than 70% of the marijuana sold in California is illegal.

Legalization, with its expansion of the illicit market, increases the caseload for law enforcement. Rather than working to solve more serious crimes, law enforcement is working to counter the black market.

The added costs to law enforcement must be factored into the tax revenue debate. Regardless of any potential tax revenue, the legalization of marijuana has made our communities less safe.

The marijuana industry regularly complains that taxes are already too high. Growers and sellers argue that taxes undermine the viability of the industry. Legislators must decide whether they want to support the addiction industry or safeguard public health and safety. Unless states are going to backtrack on legal drugs, the only way to even come close to paying for this policy is with higher taxes on these products.

Many have known all along that legalization would fall short of its rosy promises. From the outset, it sounded too good to be true. Despite evidence to the contrary, many continue to believe that we can simply legalize marijuana to replace the black market with licensed dispensaries or pot shops, and it will generate billions in tax revenue. Legislators need to accept the truth that this has not and will not happen.

The legalization of marijuana will never be able to close budget deficits or fund expansive social programs. States would be lucky to break even and generate enough to offset the growing costs of a policy that hobbles more people with addictive drugs. Voters and politicians must know the data and ignore the hype. Marijuana is no silver bullet for fiscal challenges.