

March 23, 2015

Colorado Tax Revenue for Recreational Marijuana Lower Than Expected

Last month, the Colorado Department of Revenue **released** the December sales tax data for recreational marijuana, bringing the total for Colorado's first full calendar year of taxes on recreational marijuana to about \$44 million. This amount was significantly below the initial forecast of \$70 million.

Adding medical marijuana numbers, the total amount of fees and tax revenue generated by Colorado from the sale of both medical and recreational marijuana was in 2014 approximately \$76 million. This amount includes licensing and application fees imposed on marijuana industry participants, as well as preexisting sales taxes on medical marijuana products. The total amount of taxes and fees associated with medical sales was nearly \$20 million.

The Colorado state sales tax rate on all tangible personal property, including marijuana, is 2.9 percent. Consumers also pay a 10 percent sales tax on all retail sales of recreational marijuana and marijuana-infused products in the state. Additionally, recreational marijuana is subject to a 15 percent excise tax on the average market rate of retail marijuana, which is included in the price of the product. Medical marijuana is not subject to the additional 10 percent sales tax or the 15 percent recreational marijuana state excise tax.

Not surprisingly, Denver County had the highest medical and recreational marijuana sales in the state. During 2014, Denver reported on average \$430,000 per month in medical marijuana sales tax and about \$1.44 million per month in recreational marijuana sales tax.

Notably, the amount of taxes and fees from recreational sales increased over the course of 2014. In January, the state collected \$2.11 million in taxes and fees for recreational marijuana sales. Six months later, in June, the state collected \$4.65 million in taxes and fees. And in December, the state collected \$6.93 million in taxes and fees. Although recreational marijuana sales increased over the course of the year, medical marijuana sales remained relatively constant. In January, Colorado collected \$1.41 million from taxes and fees associated with medical marijuana; whereas, in December it collected \$1.62 million.

All in all, the numbers suggest that marijuana has been a revenue generator for the state, though perhaps not at the levels anticipated. While medical marijuana numbers seem to have stabilized, increased sales in recreational marijuana numbers may suggest it has not yet found stable market numbers.

Headquartered in Denver, with offices throughout the western United States and in Atlantic City and the District of Columbia, Brownstein Hyatt Farber Schreck, LLP assists clients to navigate the growing array of marijuana laws, while maintaining compliance with federal, state and local law. To this end, Brownstein has developed a detailed 50-state survey of the different kinds of marijuana laws currently in effect. These laws vary widely, even with respect to states that allow the medical or recreational use of marijuana. Brownstein will continue to update the survey, and Bill and Matt will continue to monitor

March 23, 2015

changing marijuana laws and will provide periodic updates on significant developments in the area. If you or your company would like assistance with marijuana-related compliance issues, or would like to receive a copy of the 50-state survey and periodic updates, please email Bill Berger at bberger@bhfs.com or Matt Arentsen at marentsen@bhfs.com.

This document is intended to provide you with general information regarding tax revenue for marijuana in Colorado. The contents of this document are not intended to provide specific legal advice. If you have any questions about the contents of this document or if you need legal advice as to an issue, please contact the attorney listed or your regular Brownstein Hyatt Farber Schreck, LLP attorney. This communication may be considered advertising in some jurisdictions.

Bill C. Berger

Shareholder

bberger@bhfs.com

303.223.1178

Matthew C. Arentsen

Associate

marentsen@bhfs.com

303.223.1152