

FINANCIAL IMPACT OF THE NEVADANS FOR SENSIBLE MARIJUANA LAWS INITIATIVE

FINANCIAL IMPACT – CANNOT BE DETERMINED

OVERVIEW

The Nevadans for Sensible Marijuana Laws Initiative (Initiative) proposes to add new language and amend various sections of *Nevada Revised Statutes* to legalize and regulate the sale, possession, and use of one ounce or less of marijuana and marijuana paraphernalia within the state of Nevada, by persons at least 21 years of age, under certain circumstances. The Initiative makes various changes to existing penalties for the illegal importation or distribution of controlled substances related to marijuana. The Initiative also provides for licensure of wholesalers and retailers of marijuana, requires the collection of state and local sales taxes on marijuana sold by retailers, and requires the Nevada Department of Taxation to collect an excise tax on marijuana sold by wholesale marijuana suppliers.

FINANCIAL IMPACT OF THE INITIATIVE

The provisions of the Initiative require that sales and use tax be collected on the retail sale of marijuana in the state and require an excise tax of \$50 per ounce of marijuana to be paid by each supplier in the state. The Initiative requires that retail marijuana stores and restricted and unrestricted suppliers of marijuana obtain licenses from the Department of Taxation, creating initial and annual renewal fees of \$2,500 for the licensure of retail marijuana stores, and creating initial and annual renewal fees of \$5,000 for the licensure of restricted and unrestricted marijuana suppliers. The Initiative also creates fines that must be paid to state and local courts for violations of certain provisions established by the Initiative.

Proceeds from the sales and use tax generated from the retail sales of marijuana are to be distributed to the State General Fund, school districts, and local governments in the county in which the retail sale occurred, based on existing state law. Proceeds from the initial license fee of \$2,500 for a retail marijuana store, which is payable to the board of county commissioners in the county which the retail store is to be located, are to be distributed to the State General Fund, less an amount sufficient to defray the entire cost to the county of administering the provisions of the Initiative. Proceeds from the annual renewal license fee of \$2,500 for retail marijuana stores, the initial and annual renewal fees of \$5,000 for restricted and unrestricted marijuana suppliers, and the \$50 per ounce excise tax are to be credited to the State General Fund, less an amount sufficient to defray the entire cost to the Department of Taxation to administer the provisions of the Initiative.

The provisions of the Initiative requiring retailers to collect state and local sales taxes on any marijuana sold would result in additional sales tax revenue for the State General Fund, school districts, and local governments in the county in which the retail sale occurs, based on the distribution formulas currently existing in statute. However, because the Fiscal Analysis Division cannot reasonably estimate the amount of marijuana sold in Nevada that would be subject to the sales and use tax, the additional revenue that may be generated for the state and local governments, including school districts, cannot be established with any reasonable degree of certainty.

The provisions of the Initiative requiring that revenues generated from the \$50 per ounce excise tax, the annual \$2,500 renewal fee for retail marijuana stores, and the initial and annual \$5,000 license fees for restricted and unrestricted suppliers, less the administrative costs retained by the Department of Taxation, be deposited in the State General Fund would result in additional revenue for state government. The Fiscal Analysis Division cannot reasonably estimate the number of license applications that the Department would receive or the amount of excise tax that would be generated by marijuana legally sold under the provisions of the Initiative. Therefore, the revenue impact to the State General Fund cannot be determined with any reasonable degree of certainty.

The provisions of the Initiative requiring the Department of Taxation to regulate and enforce the sale of marijuana by wholesalers and retailers would require the Department to incur costs related to the development and administration of regulations regarding licensing and collection of the license fees and excise taxes specified within the Initiative. Although the provisions of the Initiative allow the Department to retain a portion of the proceeds of the license fees and excise tax collected by the Department that is sufficient to cover the entirety of the administrative costs incurred by the Department that is necessary to undertake the requirements of the Initiative, an estimate of the administrative costs necessary for the Department to enforce these provisions is not known. Thus, the Fiscal Analysis Division cannot estimate whether the revenue generated from license fees and excise taxes would be sufficient to offset the entirety of these costs with any reasonable degree of certainty.

The provisions of the Initiative related to regulations and criminal penalties for the sale and distribution of marijuana in Nevada may affect the amount of resources necessary for state and local governments to administer and enforce these provisions. State and local courts and law enforcement agencies may need additional resources or the reallocation of current resources to administer and enforce the provisions of the Initiative, though some of these costs may be defrayed by fines that are collected for violations of the provisions of the Initiative, and some expenses may be reduced as a result of the legalization of the possession and use of marijuana. Additionally, local governments are entitled to receive the portion of the \$2,500 initial license fee collected for retail marijuana stores that is sufficient to defray the entire cost of administering the provisions of the Initiative.

However, because it is not possible to reasonably estimate the resources that may be required by state and local governments due to the legalization of marijuana under this Initiative, the specific financial impact on the state or local governments related to the enforcement of the provisions of the Initiative cannot be determined with any degree of certainty.

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