

Here's how much Massachusetts could make off legal marijuana

The legal marijuana market in Massachusetts could lead to \$64 million in state tax revenue in its first year, according to an analysis released Monday.

Officials from the Massachusetts Department of Revenue, which wrote the analysis, on Monday testified in front of the Legislature's Committee on Marijuana Policy as lawmakers seek to change the pot law passed by voters in November.

The law broadly legalized recreational marijuana use for adults over the age of 21. Marijuana remains illegal under federal law.

Retail marijuana sales are slated to start on July 1, 2018. They were originally set for January 2018, but Massachusetts lawmakers quickly enacted a six-month delay, giving themselves time to make additional changes.

The tax rate embedded in the new law could be one of the things they change. Under the current law, there is a 6.25 percent sales tax, a 3.75 percent excise tax and a potential 2 percent "local option" tax.

Marijuana legalization activists say a change in the law's tax rate is unnecessary and they said Monday that the Department of Revenue's analysis bolsters their claim.

But some lawmakers - and the official tasked with implementing the new law, Treasurer Deb Goldberg - say the rate is too low and point to revenue experts who had a word of caution about the estimates. Goldberg last year pointed to some of the first states to legalize marijuana, like Colorado and Washington, where excise tax on marijuana is 29 percent and 37 percent, respectively.

Michael Heffernan, the state's revenue commissioner emphasized to lawmakers on Monday that the revenue estimates came with a "high degree of uncertainty."

Heffernan said it's difficult to estimate how many buyers will enter the legal marijuana market, at what volume, at what price, and how much that could change over time.

After a ramp-up period, "annual taxable sales of marijuana in Massachusetts could range between \$707 million and \$1.312 billion, with a middle point estimate of \$1.010 billion," the Department of Revenue's analysis said.

The analysis added that it's likely that some recreational marijuana will be sold to people who cross the border into Massachusetts.

"Given that, relative to Colorado and Washington, Massachusetts has more densely populated neighboring states with easy highway access to the state, it seems reasonable to assume that Massachusetts would have relatively larger visitor demand," the analysis said.

The analysis also pointed to a number of factors that could affect the estimates. "As more states legalize the recreational use of marijuana, the legal market may increase over time," the analysis said.

That means there is a "great deal of uncertainty as to sales in subsequent years. (e.g., more states legalizing recreational marijuana could potentially impact the marijuana market in Massachusetts)," the analysis added.

The analysis said it's "unclear" how the legal recreational market would affect medical marijuana in Massachusetts. The Massachusetts Department of Revenue does not collect taxes on medical marijuana, which voters legalized in 2012.

Heffernan said his office had no recommendation on the level of taxation on marijuana.

His department's analysis was prepared at the request of state Sen. Michael Rodrigues, D-Westport, according to Heffernan.

By: Gintautas Dumcius