

Marijuana Revenue

Pat Oglesby

newrevenue.org

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• Most who photograph of tobacco leaves held today have their hands in a lot of the American tobacco leaf.

"Lucky Strikes pay higher prices"

"—to get lighter, milder leaf like this!" says Ray Oglesby, tobacco auctioneer of Winterville, N. C.


LISTEN to the bidding at 'most any tobacco auction... and you'll see right fast that Luckies pay higher prices to get the finest, lightest leaf. Like any...

"—to get lighter, milder leaf like this!" says Ray Oglesby, tobacco auctioneer of Winterville, N. C.

WITH MEN WHO KNOW TOBACCO BEST—IT'S LUCKIES 2 TO 1

First U.S. marijuana tax

Oakland, CA, July 21, 2009: 1.8 percent of gross receipts

Measure F		
Result	Votes	Percentage
 Yes	40,439	80.0%
No	10,107	20.0%

Next?

- Lots of bills
- November: Oregon and Alaska vote
- Vermont legislative study
- California Lt. Gov. Blue Ribbon Commission

Questions for marijuana tax

- What base?
- Where collected?
- What exceptions?
- How much tax?
- What enforcement?

What base?

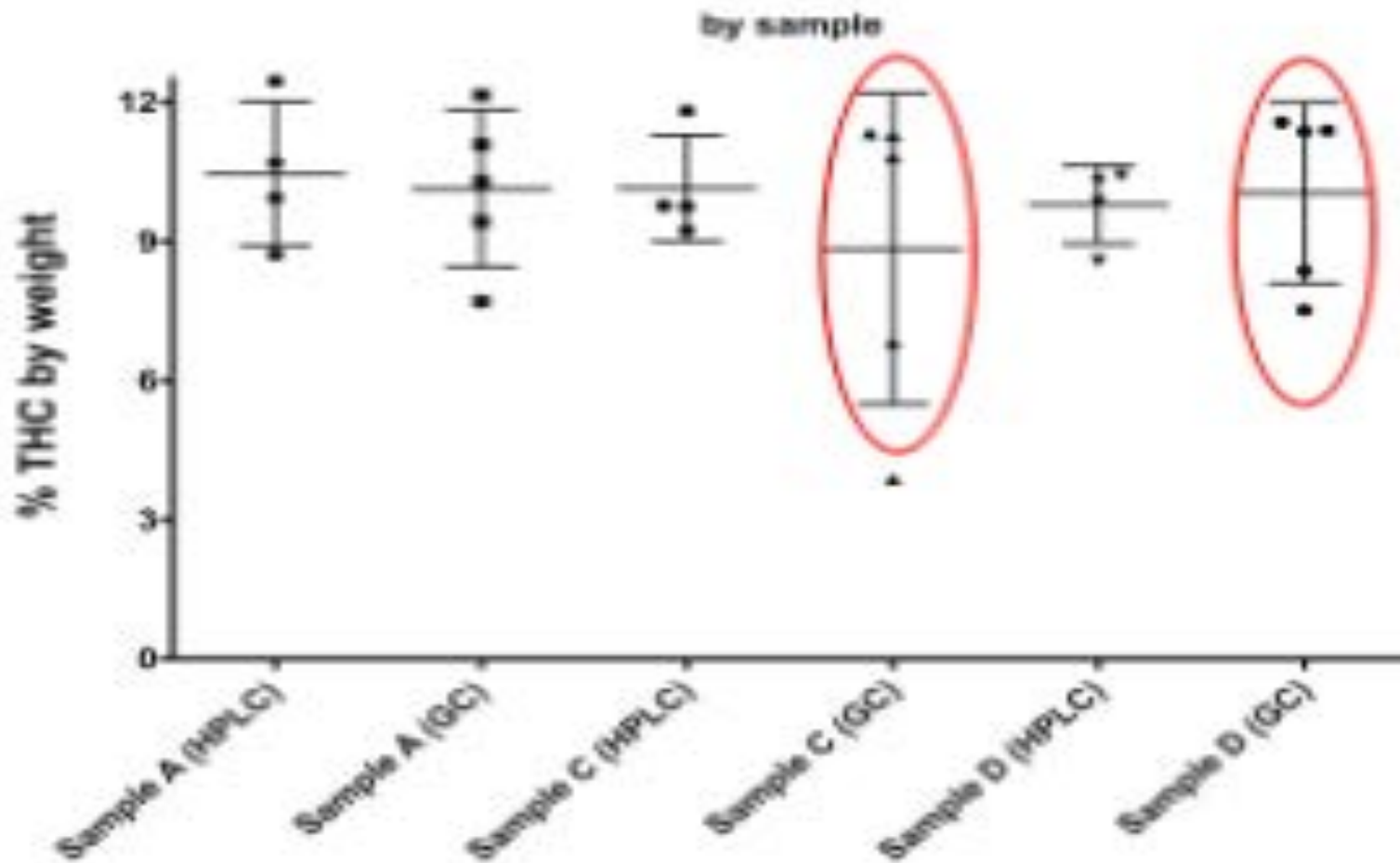
- Potency (THC) \approx tar or nicotine
- Price
- Weight
- Hothouse electricity
- Property taxes: Plants or Square feet
- Or/and . . . State monopoly sales

Why not THC potency?



Why not THC base?





Dale Gieringer, CA NORML

a cannabis producer . . . often knows where to find
the most potent flowers . . . – typically, those at the
top. . . . a crucial information asymmetry between
the producer and the testing agency

BOTEC

Liquid or wax – Use potency?



Ad valorem base?

- Price \approx proxy for potency
- Don't need indexing
- No new equipment
- But need 3d party price



3d Party price?

- ??: Wholesale tax on vertically integrated company
- ??: Craigslist: “Be 21 or older and **receive a gift** of 3 grams of marijuana (free) with a \$30 purchase of glass, tobacco or related item not marijuana.”

Weight base?

- Weight base would encourage high potency.



Bud taxed more than trim?



Hothouse electricity base



Indoor Conditions

- Temperature: 82F day, 68-70F night
 - Light levels: 25,000-100,000 lux
(= hospital operating room = 500x reading)
 - Relative humidity: 40-50%
 - Air changes per hour: 30
(~8x that of laboratory, 60x a modern home)
 - Irrigation water temperature: 70F
 - Drying: 50% RH @ 70-80F
 - CO₂ = 1500 ppm (>4x ambient)
- Power density: ~200W/sf (like a data center)***

That Juice Tax

BY GRANT SCOTT-GOFORTH



[click to enlarge](#)

Excessive Energy in Arcata

The results of the city's "indoor grow tax" so far

Month	Total KWH Subject to Tax	Total Meters Subject to Tax	Total Revenue Subject to Tax	Total Tax Revenue
Nov. 2013	366,972	96	\$111,465	\$50,159
Dec. 2013	333,880	89	\$97,330	\$43,799
Jan. 2014	361,402	95	\$103,613	\$46,626
Feb. 2014	316,187	82	\$97,119	\$43,704
Mar-14	316,150	82	\$98,354	\$44,259

Total Tax Revenue Since Implementation: \$228,547

SOURCE: CITY OF ARCATA

Mendocino CA: \$50 per plant base



Pharmaceutical-grade RFID tags track each marijuana plant seed-to-sale.

Square footage base

- Medical CA localities: from \$10 to \$25
- Rancho Cordova CA recreational: \$48 to \$900

taxanalysts

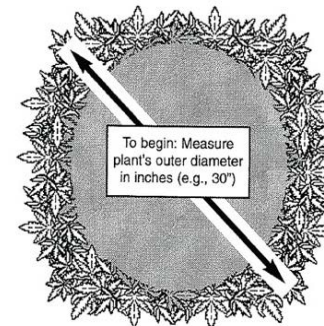
special report

Laws to Tax Marijuana

by Pat Oglesby

Pat Oglesby is a North Carolina attorney and has served as an adjunct professor at the School of Law of the University of North Carolina at Chapel Hill. He previously served as a legislation attorney and then as the foreign tax counsel for the Joint Committee on Taxation, and then as the chief tax counsel for the U.S. Senate Committee on Finance.

- whether to give tax breaks for medical marijuana;
- how to identify and track tax-paid product;
- where in the supply chain to collect tax;
- whether state monopoly makes sense as a supplement to taxation; and
- what the effective date should be.



State monopoly



Collection (choke) point(s)



Special rules

- (Environmental)
- Medical
- Homegrown
- Small business – or large



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To get medical marijuana



Statutory pain levels: “chronic,”
“severe,” “severe chronic,”
“debilitating,” and “intractable”

Homegrown exception?



CO: yes; WA: no.

Favoring big businesses
Section 9.04.136 of the
Berkeley CA Municipal Code

<u>Taxable Square Feet</u>	<u>Maximum Tax Rate</u>
<u>First 3000 square feet</u>	<u>\$25 per square foot</u>
<u>All square feet over 3000</u>	<u>\$10 per square foot</u>

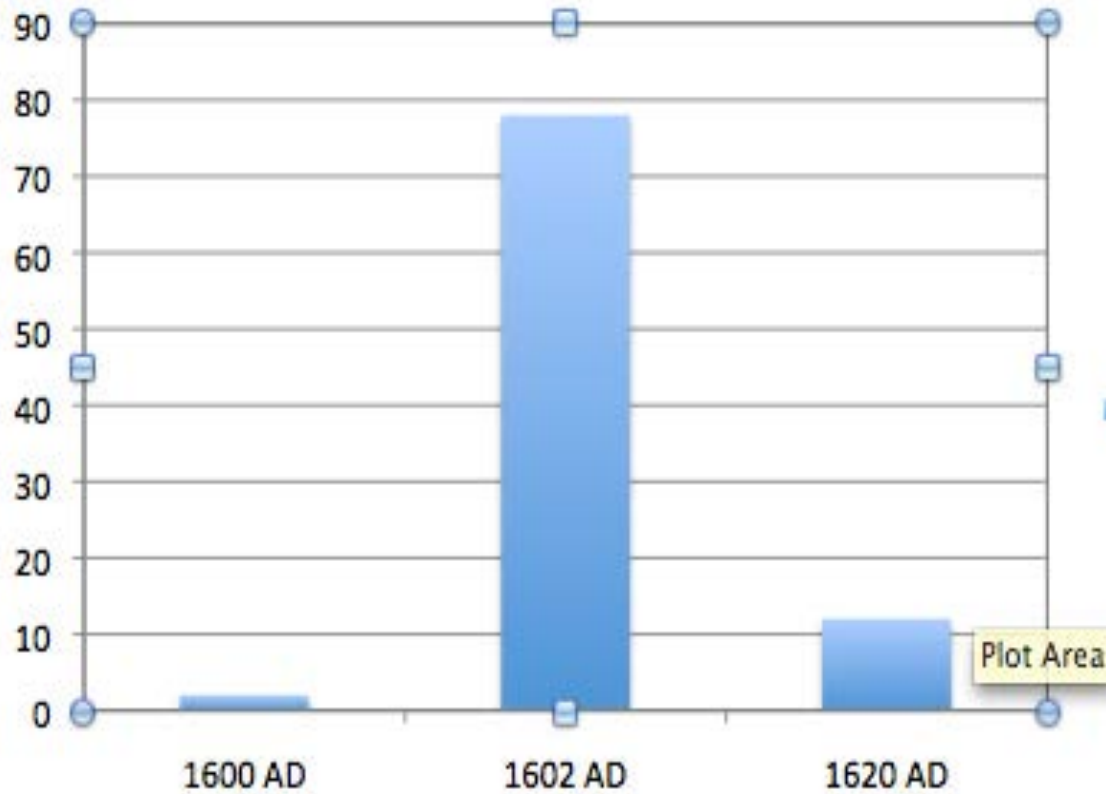
How much?

Black market will be cheaper

“A gallon of whiskey [bore] \$11 tax. You could make it for 75 cents to a dollar and sell it for \$3 or \$4.” Golenbock, *American Zoom*



Adjusting rates – English tobacco tax



In pence/lb. 1600, 1602, 1620



U.S. Marijuana market:

-- \$30 to \$40 billion?

-- At \$200/oz., about 5,000 tons.

(World tobacco market

-- \$500 billion?

-- 7 million tons?)

Enforcement against Evaders

- Illegal to possess non-tax paid marijuana?
- Lots of small producers? Leakage?
- Genetic markers?
- 1933 plan – wipe out *efficient* bootleggers

Please send corrections,
questions, and comments to
po@newrevenue.org.

Thank you.

Pat Oglesby