



April 16, 2023

Chair Rest and Members of the Taxes Committee,

We are writing on behalf of the League of Minnesota Cities to provide comments on the tax provisions within SF 73, to legalize adult-use cannabis. Throughout session cities have been invested in this bill as it relates to the role of local governments in the regulatory framework of the adult-use cannabis industry. While we greatly appreciate the amendments that have been previously adopted to provide cities with local zoning authority and local registrations for certain cannabis businesses, the bill does not currently provide any funding for cities to assist with the expected costs associated with the industry.

As we have seen from other states, the legalization of adult-use cannabis will increase city costs in several ways:

- The illicit cannabis market will continue to be an ongoing challenge for local law enforcement and likely increase as legal states are often targeted by the illicit market. Combating this organized crime will take significant resources from local law enforcement.
- While prosecutions for marijuana possession will be eliminated, currently the vast majority of marijuana prosecutions are related to DUIs, not possession. These cases are costly and time consuming for local governments and will likely increase as a result of this bill.
- Other states have struggled to mitigate “pop-up” cannabis markets and dealing with unlicensed retailers, in addition to illegal cultivation on public lands.
- The ability to home-cultivate cannabis is expected to create nuisance complaints, contribute to the illicit market, and in some instances create blighted properties.

We share these concerns, not in opposition to the legalization of adult-use cannabis, but in recognition that there will be significant impacts to cities with this new industry. Under this proposal, local governments would not receive any revenue from the proposed gross receipts tax, which would make Minnesota the only state with legalized adult-use cannabis that does not provide either taxing authority or cannabis revenue to local jurisdictions to respond to these challenges. Below is a table that shows the various local taxing authorities or dedicated funds in every other state with legalized adult-use cannabis.

The League strongly believes that the legislature should dedicate 25% of the gross receipts tax revenue to local governments to assist with costs associated with the adult-use cannabis industry. Without providing local governments with resources to manage these new challenges, this proposal is not setting our communities up for success in ensuring a safe and responsible ushering-in of the adult-use cannabis industry. Dedicating revenue to local governments will better address the intent to offset new costs that the legal cannabis market will create without increasing the price of the product.

We greatly appreciate Senator Port’s ongoing willingness to work with local governments on these provisions and look forward to continuing to work together as the bill advances.

Sincerely,

A handwritten signature in cursive script that reads "Alex Hassel".

Alex Hassel  
Intergovernmental Relations Representative

A handwritten signature in cursive script that reads "Nathan Jesson".

Nathan Jesson  
Intergovernmental Relations Representative

State	Tax Type	Rate	Local Cannabis Tax?	Local Rate?	Local Dedication?
Alaska	Weight	\$50 per oz	Yes	Percentage or weight	No
Arizona	Sales	16%	No	None	33% to community colleges, 31.4% local law enforcement & fire departments, 25.4% to state & local transportation programs
California	Sales	15%	Yes	14%	20% State and local government law enforcement account
Colorado	Weight & Sales	15% and 15%	No	None	67% of weight tax transferred to local governments, 100% of cannabis sales tax to public school construction fund
Connecticut	Potency	2.75c per mg of THC	Yes	3%	No
Illinois	Excise & Potency	7% on cultivator gross receipts, 25% on THC > 35%.	Yes	6%	8% transfers to local governments
Maine	Weight & Sales	\$335 per lb, 10% at final sale	No	None	50% law enforcement training programs
Massachusetts	Sales	10.75%	Yes	3%	Appropriations for municipal police training, public safety
Michigan	Sales	10%	No	None	30% transfers to cities & counties
Montana	Sales	20%	Yes	3%	Transfers to local governments
Nevada	Weight & Sales	15% and 10%	No	None	Appropriations for Education Programs
New Jersey	Weight	Up to \$60 per oz	Yes	2% on cultivators, distributors, and retailers	70% impact zone reinvestment to neighborhoods affected by prior cannabis laws
New Mexico	Sales	12%	No	None	Appropriations for public safety costs and 2% local government transfers

State	Tax Type	Rate	Local Cannabis Tax?	Local Rate?	Local Dedication?
New York	Sales & Potency	.5-3c per mg of THC & 9%	Yes	4%	40% to school districts
Oregon	Sales	17%	Yes	3%	40% for school districts & 20% transfers to local governments
Rhode Island	Sales	10%	Yes	3%	Appropriations for law enforcement training and support
Vermont	Sales	14%	No	None	100% for after school and summer learning programs
Virginia	Sales	21%	Yes	3%	40% for pre-k programs, 30% for communities affected by prior drug law enforcement
Washington	Sales	37%	No	None	4% transfers to local governments
MN Proposal	Sales	8%	No	None	None