

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 620** HLS 23RS 1128

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 27, 2023	8:34 AM	<b>Author:</b> FREIBERG
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Cannabis Tax		

TAX OR SEE FISC NOTE GF RV  
Levies a tax on retail sales of cannabis and dedicates revenues derived from the tax

Proposed law authorizes a tax of 15% on the retail sale (or any transaction in lieu of sale) of cannabis (defined in the bill), to be levied in addition to any state and local sales tax or any other applicable taxes. Hemp, cannabinoids and therapeutic marijuana are excluded. Proposed law directs collections as: 20% to the Early Childhood Education Fund, 30% to a LA Supreme Court for the Justice System Funding Program (that is apparently not yet created), and 50% to the State General Fund. Proposed law directs the Department of Revenue (LDR) to collect the tax and authorizes LDR to promulgate rules.

Effective upon enactment of an Act that establishes a system of regulation by any agency, board, commission, or other instrumentality of this state with respect to the lawful cultivation, processing and manufacturing of cannabis and cannabis products.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW					
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

LDR anticipates system development and programming costs, in addition to requiring additional personnel to administer the new tax. If implemented, LDR reports expected expenditures reflecting \$440,000 in one-time system costs, in addition to annual costs of \$86,519 (each) for four additional Revenue Tax Analyst and recurring support expenditures of \$71,200 for office supplies, courier services, etc. LDR would not likely begin incurring costs until legalization of these products has occurred. For illustrative purposes, if the legalization were already in effect, LDR estimates annual total expenses at \$857,277 in FY 24 and \$427,660 in FY 25, and climbing to \$460,713 in FY 28 and beyond. Additional self-generated spending by LDR may lead to less state general fund revenue. In isolation, this measure does not create an expenditure obligation. If the event of legalization, the expenditure obligation would be significant.

Expenses related to investigation of "in lieu of" retail transactions and, potentially the valuation of those sales could cause the department to incur additional expenses, potentially significant, depending on the circumstances.

**REVENUE EXPLANATION**

Proposed law would levy a new 15% tax on the retail sales (or barter transactions, though the valuation is not specified) of cannabis. Proposed law would dedicate the majority of the avails of the excise tax as follows:

- 20%: LA Early Childhood Education Fund
- 30%: Justice System Funding Program - not yet created
- 50%: State General Fund

Any assumption of future legalization of these products or estimate of future sales would be speculative, and the bill does not appear to apply to therapeutic marijuana or hemp. To the extent that retail purchases and barter transactions of cannabis are legally conducted, general fund and dedicated revenues will increase.

Senate  
Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Alan M. Boxberger*

**Alan M. Boxberger**  
**Interim Legislative Fiscal Officer**