

**HB 2203 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Mazen Malik, Senior Economist

**Meeting Dates:** 2/21

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**WHAT THE MEASURE DOES:**

**Changes the Distribution of Tax revenue coming from the retail sales of Marijuana.**

**Takes out the common school fund distribution and divides it to the cities , counties and the OHA.**

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

The amendment restores the original language, changes common school fund to State school fund, and allows for the Cities and Counties to receive the first year distributions based on their population and the accrued revenues regardless of the time of distribution.

**BACKGROUND:**

Marijuana legalization initiative (Measure 91) was passed in 2014. That implementation was redesigned by HB3400 and HB 2041 of the 2015 session. The tax was changed to a 17% point of sale with 3% optional tax for local governments starting in 2017. When fully implemented the revenue is likely to reach \$ 55-60 million in the coming biennium.

The early start program (SB460) allowed for marijuana to be sold and taxed during the calendar year 2016. Early start allowed medical dispensaries to sell to the public with a 25% tax rate. In June of 2016, extracts and edibles were also allowed through the medical dispensaries by SB 1511. The early start program brought in about \$60 million in tax proceeds. After deductions for collection and administration costs, revenue will be divided among six statutorily specified distributions. Drug abuse and prevention will get 5% of funds, cities and counties will each get 10% as a group, 15% goes the state police, 20% to mental health account, and 40% to the common school fund.