



## **SUPPORT THE LEGAL MARKET – END ILLEGAL CANNABIS SALES**

### **VOTE NO ON H.B. 2204**

***(increasing tax rates on legal cannabis sales)***

The current tax rate applied to most legal cannabis sales is 20% [17% as state taxes, and an additional 3% local tax as adopted almost universally by cities and counties in 2016]

Independent economic analysis shows that in 2016, almost 40% of the state's cannabis sales were in 'alternative markets' – avoiding taxes and undermining legal businesses.

The illegal cannabis market in Oregon is still thriving even to this day, and almost any cannabis product can easily be found for purchase online - ***including several products that have become prohibitively expensive to make and sell in the legal marketplace.***

### **Overview of Economic Analysis from 2016:**

Whitney Economics studied what the impact of an increase on cannabis adult use sales from 3% to 8% would be in terms of tax revenues and illicit market activities.

- A 5% increase in taxes would decrease regulated demand by 10% - 12% and would bolster illicit market activities by \$60M per year *when we need to be reducing it*
- At an illicit market rate of 55%, the proposed 5% tax increase would reduce tax revenue potential by \$300k (complete analysis available upon request)

### **Recommendations:**

- Keep tax levels at or below the current levels of 17% statewide and 3% locally
- Allow more time to enable competition in the legal marketplace to drive down prices and allow legal business to compete head-to-head with the illicit market
- Once the illicit market has been greatly reduced, then there will be a greater opportunity to increase tax rates and associated revenues. **It is too early in the development of the legal market to raise taxes without deleterious effects.**

The Oregon Retailers of Cannabis Association (ORCA) is a non-profit trade association of over 100 member businesses working to develop smart cannabis policy for Oregon that prioritizes public safety while allowing our economy to thrive. For more information, please visit us online at [www.oregoncannabisretailers.com](http://www.oregoncannabisretailers.com)