

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1580

Bill Subtitle: TO AMEND THE ARKANSAS MEDICAL MARIJUANA AMENDMENT OF 2016 TO PROVIDE FOR A SPECIAL PRIVILEGE TAX; TO LEVY A SPECIAL PRIVILEGE TAX ON MEDICAL MARIJUANA; AND TO DECLARE AN EMERGENCY.

Basic Change :

Sponsor: Representative House

The bill would amend the Arkansas Medical Marijuana Amendment of 2016 to provide for the levy of the Arkansas Medical Marijuana Special Privilege Tax of 2017. The bill adds an additional subchapter to Arkansas Code Title 26, Chapter 57, to levy a special privilege tax that would be administered by the Department of Finance and Administration, and levied at a tax rate of 4% of the gross receipts and gross proceeds from each sale of usable medical marijuana in the state. The tax would be collected on all sales and receipts of marijuana businesses which are defined as businesses licensed by the Medical Marijuana Commission to handle, process, transport, possess, or distribute medical marijuana.

The privilege tax would apply to all sales of medical marijuana including all sales to cultivation facilities, all sales from cultivation facilities to dispensaries, and from all sales of dispensaries to qualified patients. Marijuana businesses are defined as entities licensed by the Medical Marijuana Commission to handle, process, transport, possess, or distribute medical marijuana. The tax would be reported on a monthly basis at the same time as the filing of the business's sales tax return with the privilege tax return being filed using DFA's electronic tax filing system. The bill would be effective on July 1, 2017.

Revenue Impact :

FY2018 \$1.2 Million Estimated General Revenue from 4% Marijuana Privilege Tax
(6 Months Estimated Privilege Tax Collections During FY2018)

FY2019 \$2.4 Million Estimated General Revenue from 4% Marijuana Privilege Tax

Taxpayer Impact :

All sellers of medical marijuana would collect and remit a special 4% privilege tax on all sales of medical marijuana.

Resources Required :

Adequate resources are available for implementation.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Modification to DFA's electronic tax filing system will be made to allow for the filing of the new privilege tax.

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Other Comments :

None.

Legal Analysis :

HB1580 modifies the Arkansas Medical Marijuana Amendment of 2016 ("Amendment") to allow for additional excise tax on medical marijuana by creating the "Arkansas Medical Marijuana Special Privilege Tax Act of 2017" ("Act"). This bill provides for an excise tax (above and beyond ordinary sales tax) of 4% each time the medical marijuana product is sold. This bill creates a new special excise tax section that specifically addresses the excise tax on marijuana. This additional tax will supplement special revenue available to fund the special revenue fund established by the Section 18 of the Amendment. This bill works in conjunction with HB1369, which creates the special revenue fund required by the Amendment.