

# THE CHRISTIAN SCIENCE MONITOR

## Marijuana tax touted as budgetary benefit to US and states. Really?

*Marijuana tax could be a new source of revenue for strapped states, and the federal government, too, say two congressmen who have proposed such legislation. But the scale of any tax benefit is hotly disputed.*

By: Allison Terry – March 29, 2013

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A federal marijuana tax could potentially pump millions of dollars into struggling state economies, say two US congressmen who have introduced legislation that would create such a tax and also protect state regulation policies.

Rep. Jared Polis (D) of Colorado, who introduced the Ending Federal Marijuana Prohibition Act last month, told Politico Thursday that his state could see as much as \$100 million a year from a federal marijuana tax, which could make a “substantial dent in needed school improvements, particularly in poorer districts.” Representative Polis joins fellow Democratic Rep. Earl Blumenauer of Oregon, who has introduced the Marijuana Tax Equity Act, which would create a \$50 excise tax on each ounce of marijuana sold.

The two bills would help balance the federal and state budgets, the congressmen say, by reducing how much the Drug Enforcement Agency spends on fighting the war on drugs and also adding revenue that would help reduce the budget deficit.

“It is billions of dollars we spend to arrest [660,000] people a year for something that half of Americans think should be legal,” Representative Blumenauer told Fox News last month. He said the legislation would result in about \$100 billion in savings and new revenue over the next decade.

But there's disagreement among policymakers and economists about just how much revenue a federal marijuana tax would raise.

If marijuana were taxed in the same way as alcohol and tobacco, estimates for new tax revenue would be closer to \$6.4 billion – \$4.3 billion for federal coffers and \$2.1 billion for the states – not the hundreds of millions others have estimated, Harvard economics professor Jeffrey Miron, a scholar at the libertarian Cato Institute, told Politico Thursday.

“This is not a cash cow that can solve anyone's fiscal problems,” Mr. Miron said. “There is a lot of exaggeration about how big the revenue can be.”

Another factor is that nationwide legalization would reduce the cost of marijuana, noted Rosalie Liccardo Pacula of the RAND Drug Policy Research Center, according to the Politico report. She expects prices in Colorado and Washington, where voters last fall opted to legalize possession, to drop by 70 to 85 percent – and thus the value of any taxes levied on marijuana consumption would also drop.

Claims that legalizing marijuana would benefit states and the US economy are not new.

In 1994, Dale Gieringer, then coordinator of California's chapter of the National Organization for the Reform of Marijuana Laws, produced a study looking at the economic impact of a marijuana tax on California. He estimated that a \$50 tax per ounce of marijuana, which then cost between \$280 and \$420, would raise \$1.2 billion a year for the state. Plus, legalization would generate \$12 billion to \$18 billion in other economic activity, his study said.

The inherent problem in calculating how much revenue a tax would raise is that it is all conjecture, Ms. Liccardo Pacula told Politico. "You have to know more about the structure of the demand curve, which we don't have any data on because this is black-market," she said.

Polis said he understood the potential risk of taxing marijuana too much: It could drive buyers to the illegal market if the legal price is too expensive.

"You want to make sure the black market doesn't have an advantage over the regulated market because if it does, then the whole concept fails and people will continue to buy marijuana illegally – so there has to be a price advance for the legal market," Polis told Politico.

The marijuana tax legislation is unlikely to get far in Congress, but out in the states interest is keener. Colorado and Washington are now debating how to structure their regulatory and tax systems, and other states appear poised to join the discussion. On Thursday, Maine legislators announced details for a bill that would legalize and tax marijuana. According to the Marijuana Policy Project, a legalization advocacy group, similar bills have been introduced in Hawaii, Maryland, Massachusetts, and New Hampshire. Pennsylvania and Vermont are expected to consider similar legislation this year.

Ultimately, Polis said, states should be able to choose how they will regulate the murky system of marijuana production and sales – particularly without fear that the federal government will come in and shut down the new distribution businesses.

"Congress should simply allow states to regulate marijuana as they see fit and stop wasting federal tax dollars on the failed drug war," he said in a statement last month when introducing his bill.

Both Polis and Blumenauer see this as an "inevitable transition of marijuana policy," according to a report they co-authored, "The Path Forward: Rethinking Federal Marijuana Policy."

"Public attitude, state law, and established practices are all creating irreconcilable difficulties for public officials at every level of government," Blumenauer said in a statement last month. "We want the federal government to be a responsible partner with the rest of the universe of marijuana interests while we address what federal policy should be regarding drug taxation, classification, and legality."