

THE INQUISITR

Smokin' Hot Stats: The Financial Benefit Of Legalizing Marijuana Hard To Deny

Regardless of how you feel about the [legalization of marijuana](#) for medical or recreational purposes (or both), it's pretty difficult to deny the revenue that the legalization of the drug is forecast to bring states within the U.S. Many opponents would argue that the cost of the legalization of the drug may be hard to estimate, but the revenue of the legalization of it is not hard to estimate.

As Washington lawmakers struggle to find ways to balance the national budget, a significant source of revenue may be burning away right before their eyes.

The federal legalization of marijuana would offer a large new revenue stream, according to [research from the Cato Institute](#), a libertarian think tank.

Carl Davis, senior analyst at the Institute on Taxation and Economic Policy told *The Huffington Post* that legalizing marijuana would bring a positive effect for the U.S. in terms of revenue.

“We don't know the size of the marijuana market right now, and we certainly don't know what would happen to the price and the demand for marijuana under different levels of legalization, but we do know that legalization would lead to a positive revenue impact on the income and sales tax side.”

According to a 2010 study from Cato, legalizing marijuana would generate \$8.7 billion in federal and state tax revenue annually.

The researchers assumed that legalized marijuana would be taxed similarly to alcohol and tobacco, and that the income earned by pot producers would be subject to standard income and sales tax.

Taxes aren't the only source of revenue that would come from legalizing weed, according to the study. State and local governments also stand to save billions of dollars that they currently spend regulating marijuana use, including the prosecution of individuals who are illegally growing, selling, or obtaining the drug.

Unsurprisingly, California, the nation's most populous state, would be the [biggest beneficiary](#) of legalizing marijuana, according to NerdWallet's estimates. The state would generate \$519 million each year, which would be a nice addition to the roughly \$3 billion surplus California is expected to end the year with. In addition to California, eight other states would be responsible for generating more than \$100 million in annual revenue, including New York with \$248 million, Florida with \$183 million, and Texas with \$166 million, to name a few.