



Press Release

Assessing How States Tax State-Level Adult-Use Cannabis

PAULINA ENCK | SEPTEMBER 1, 2021

Eighteen states and the District of Columbia have “legalized” recreational cannabis use for adults, resulting in a wide variety of taxation and regulatory structures for marijuana. AAF’s Director of Fiscal Policy Gordon Gray reviews the variety of tax regimes and compares these taxes to other “sin taxes.” Cannabis is taxed more heavily than alcohol but less than cigarettes, with states imposing an 18.79 percent average effective tax rate, Gray finds.

Gray concludes:

State-level taxation of adult-use cannabis is a rapidly evolving policy landscape. In 2012, two states adopted policies that “legalized” adult-use cannabis, and just 9 years later, there are 18 states with laws on the books establishing regulated, taxable, adult-use cannabis markets. Comparing taxes on adult-use cannabis to other “vices” is instructive on how state policy is postured towards cannabis. At present, the taxation of cannabis is more akin to heavily taxed cigarettes. It is unclear if the direction of state-level cannabis tax policy will increasingly reflect that of tobacco, which is heavily taxed and has declining use, or alcohol, for which the tax climate is somewhat more accommodating.

[*Read the analysis*](#)