



Reducing Cannabis Harms with Excise Taxes: What You Need to Know



WHAT ARE CANNABIS EXCISE TAXES?

Excise taxes on cannabis are designed to lower consumer demand by raising prices. Often, revenues are set aside to address the taxed product's harmful effects. Vermont currently taxes the value of cannabis products at 14% of the retail sale (excluding medical cannabis sales.) Resale of cannabis from cultivators is subject to the state sales tax but not the excise tax.

CANNABIS EXCISE TAX PROS AND CONS

The established illegal market for cannabis complicates the use of excise taxes. While higher taxes may deter new or younger users and raise revenue for prevention and treatment, they may lower the legal market's ability to compete with the illicit market.

Cannabis excise taxes have begun to target weight or potency versus price—making greater quantities and higher potency products more expensive—but these methods are challenging to implement, requiring policymakers to specifically define cannabis categories and identify points of production to collect weight measurements. One study indicates that taxing by potency appears to target harms most efficiently.

(papers.ssrn.com/sol3/papers.cfm?abstract_id=3481584)

CONSIDERATIONS