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## Memorandum

December 6, 2019

**TO:** Interested Persons

**FROM:** Larson Silbaugh, Principal Economist, (303) 866-4720

**SUBJECT:** Marijuana Tax Revenue in the State Budget

### Summary

This memorandum answers common questions about how revenue from the marijuana industry fits into Colorado's state budget.

Colorado collected \$262.9 million from the regulated marijuana industry in FY 2018-19 from three distinct taxes: a 15 percent special sales tax, a 15 percent excise tax, and the state's general 2.9 percent sales tax. Marijuana tax revenue is distributed in statute and through the budget process each year. Fourteen state agencies, multiple local governments, and the state General Fund received marijuana tax revenue in FY 2018-19. K-12 schools received \$102.2 million for school construction and school funding, 39.5 percent of total marijuana revenues.

The \$262.9 million in tax revenue from the regulated marijuana industry was 1.7 percent of Colorado's tax revenue. Seven other revenue sources were larger than the total tax revenue from the marijuana industry in FY 2018-19. Tax revenue on marijuana exceeds tax revenue from tobacco and alcohol.

### Contents

Taxes on Marijuana	1
Marijuana Tax Revenue	3
Distributions	
Use of Marijuana Tax Revenue	4
Marijuana Taxes in the State Budget	9
Marijuana, Tobacco, and Alcohol Taxes	10

### Taxes on Marijuana

Three distinct taxes apply differently to medical and retail (adult-use recreational) marijuana. The state's 2.9 percent sales tax applies to medical marijuana. Sales tax revenue on medical marijuana is subject to the state's constitutional spending limit (TABOR).<sup>1</sup> Retail marijuana is subject to a voter-approved excise tax of 15 percent and a voter-approved special sales tax of 15 percent. Because

<sup>1</sup>Colo. Const. art. X, § 20.

they are voter-approved, the marijuana excise tax and special sales tax are exempt from the state's constitutional spending limit. Figure 1 shows the tax that applies to each type of marijuana.

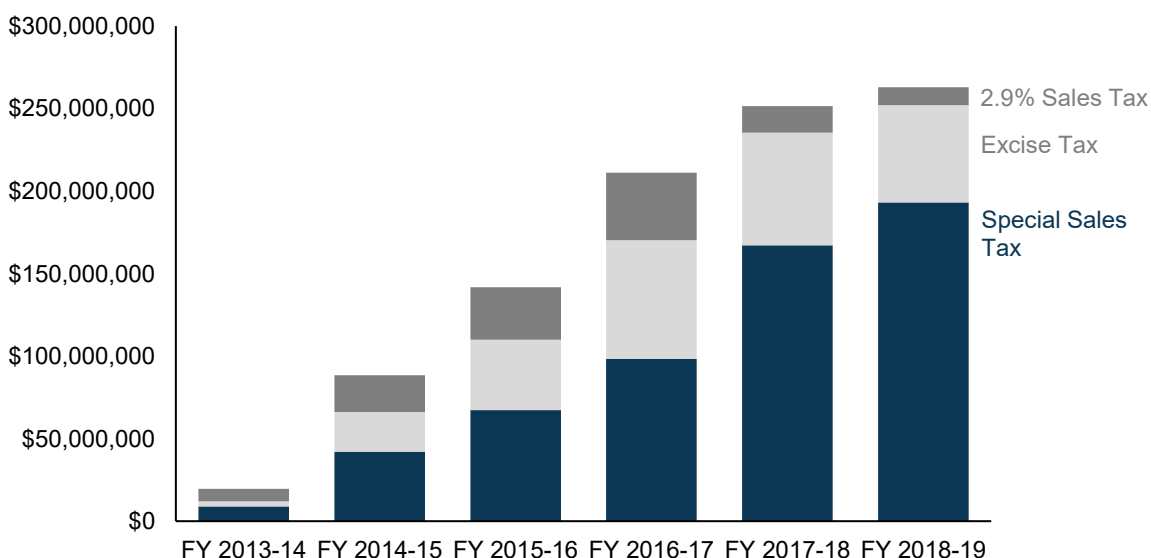
**Figure 1**  
**Colorado Marijuana Taxes**  
*Starting in FY 2017-18*

	Medical Marijuana	Retail Marijuana
State Sales Tax (2.9%)	✓	
Excise Tax (15.0%)		✓
Special Sales Tax (15.0%)		✓

**Marijuana tax collections.** Colorado collected \$972.6 million in tax revenue from the marijuana industry between January 1, 2014, when regulated adult-use marijuana sales began, and June 2019, the end of the most recent fiscal year. As shown in Figure 2, total marijuana tax revenue has increased from \$19.5 million in FY 2013-14 to \$262.9 million in FY 2018-19. Revenue collections in FY 2013-14 represent six months of tax collections as marijuana sales started half way through the fiscal year. The special sales tax is the largest source of revenue from the marijuana industry, accounting for 73.5 percent of total marijuana tax revenue in FY 2018-19. The excise tax accounted for 22.4 percent, and the 2.9 percent sales tax accounted for 4.1 percent of the tax revenue from the marijuana industry in FY 2018-19.

Starting in FY 2017-18, the taxation of adult-use marijuana changed as part of a broader bill that affected many parts of the state budget.<sup>2</sup> Under the bill, the special sales tax increased from 10 percent to 15 percent and adult-use marijuana was exempted from the state's 2.9 percent sales tax.

**Figure 2**  
**Colorado Marijuana Tax Revenue**



Source: Colorado Department of Revenue.

<sup>2</sup>See [Senate Bill 17-267](#). Concerning the Sustainability of Rural Colorado.

## Marijuana Tax Revenue Distributions

Marijuana tax revenue is distributed to three state cash funds, the General Fund, and local governments that allow the sale of retail marijuana. Marijuana tax revenue is distributed according to the formulas detailed below:

**Sales tax on medical marijuana.** State sales tax revenue is deposited in the Marijuana Tax Cash Fund.<sup>3</sup> The 2.9 percent sales tax is collected on medical marijuana and on merchandise and non-marijuana products sold in retail marijuana stores.

**Special sales tax on retail marijuana.** Revenue from the 15 percent special sales tax is shared between the state and local governments. The state share of the special sales tax equals 90 percent of total collections and is deposited in the state General Fund. Starting in FY 2018-19, the state's share, initially deposited in the state General Fund, has the following distribution:<sup>4</sup>

- 15.56 percent of the state share is retained in the General Fund;
- 12.59 percent of the state share is deposited into the State Public School Fund; and
- 71.85 percent of the state share is deposited into the Marijuana Tax Cash Fund.

Local governments that permit sales of retail marijuana receive 10 percent of special sales tax revenue. Revenue is distributed in proportion to the geographic location of retail marijuana sales.<sup>5</sup>

**Excise tax on retail marijuana.** Starting in FY 2019-20, revenue from the 15 percent excise tax is deposited into the Building Excellent Schools Today (BEST) fund for school construction.<sup>6</sup> The first \$40 million of excise tax revenue each year is constitutionally dedicated to school construction.<sup>7</sup>

The distribution of marijuana tax revenue in FY 2019-20 and future fiscal years is illustrated in Figure 3.

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<sup>3</sup>Section 39-28.8-501 (1), C.R.S.

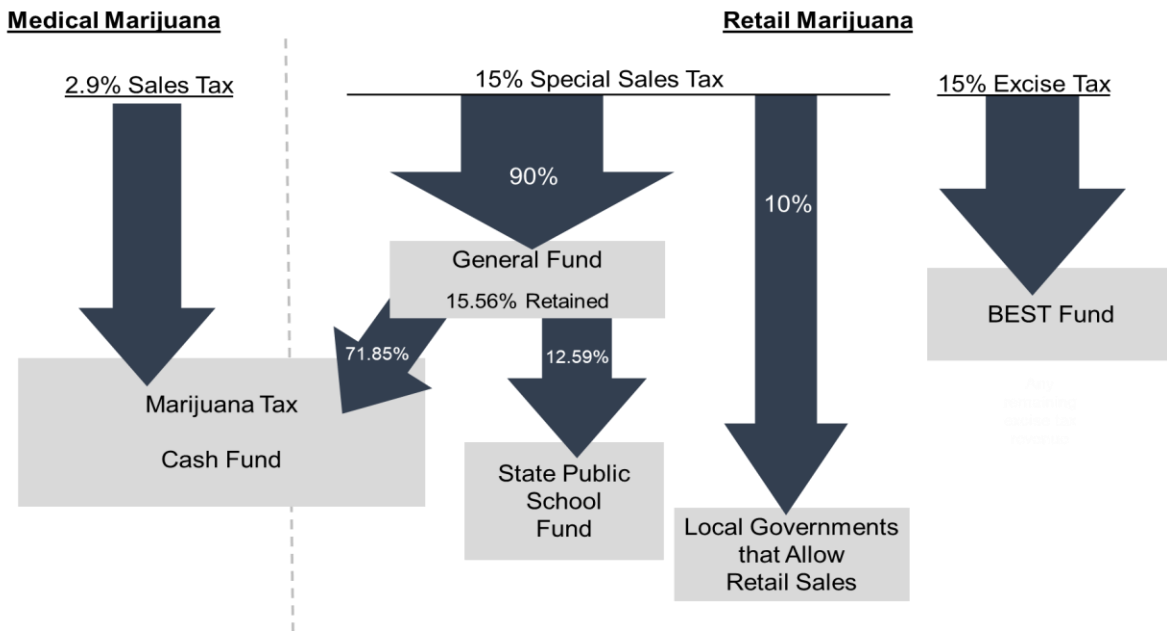
<sup>4</sup>Section 39-28.8-203 (1)(b)(I.5), C.R.S.

<sup>5</sup>Section 39-28.8-203 (1)(a)(I), C.R.S.

<sup>6</sup>Section 39-28.8-305 (1)(a)(III), C.R.S.

<sup>7</sup>Colo. Const. art. XVIII, §16 (5)(d) and Section 39-28.8-305 (1)(a), C.R.S.

**Figure 3**  
**Distribution of Marijuana Tax Revenue**  
*FY 2019-20 and subsequent years*



Source: Article 28.8 of Title 39, C.R.S.

## Use of Marijuana Tax Revenue

Marijuana tax revenue is deposited in four separate state funds and distributed to local governments that allow the sale of retail marijuana. Each of these funds has a specific purpose pursuant to how money from the fund can be spent.

**Marijuana Tax Cash Fund.** The General Assembly appropriates money from the Marijuana Tax Cash Fund (MTCF) annually. The appropriation of money from the MTCF is limited in statute. Most revenue from the MTCF is appropriated in the fiscal year after revenue is actually deposited in the fund.<sup>8</sup> Appropriations from the fund are limited to specific uses determined by the General Assembly.<sup>9</sup> MTCF appropriations were made to 14 agencies and totaled \$159.2 million for FY 2019-20. MTCF appropriations for FY 2016-17 through FY 2019-20 are shown in Table 1.

<sup>8</sup>Section 39-28.8-501, (2)(a), C.R.S.

<sup>9</sup>Section 39-28.8-501, (2)(b)(IV), C.R.S.

**Table 1**  
**Appropriations from the Marijuana Tax Cash Fund**  
*FY 2016-17 through FY 2019-20*

<b>Department and Program</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Appropriation</b>	<b>FY 2018-19 Appropriation</b>	<b>FY 2019-20 Appropriation</b>
<b>Agriculture:</b>				
Pesticide control and regulation	\$1,499,726	\$1,494,393	\$1,099,327	\$1,099,327
Hemp regulatory and seed certification	364,273	415,390	428,150	428,150
Colorado State Fair Authority: FFA and 4-H programming	300,000	300,000	300,000	300,000
Indirect cost assessments and centrally appropriated amounts not accounted for above	105,241	-	-	69,172
<b>Subtotal: Agriculture</b>	<b>2,269,240</b>	<b>2,209,783</b>	<b>1,827,477</b>	<b>1,896,649</b>
<b>Education:</b>				
Behavioral Health Care Professional Matching Grant Program	2,280,833	11,970,783	11,930,434	11,937,032
Early Literacy Competitive Grant Program (H.B. 18-1393)	4,378,678	4,378,678	5,378,678	5,378,678
Office of Dropout Prevention and Student Reengagement	900,000	2,000,000	2,000,419	2,004,279
School Bullying Prevention and Education	900,000	2,000,000	2,000,000	2,000,000
Centrally appropriated amounts not accounted for above	18,649	69,869	89,296	116,262
<b>Subtotal: Education</b>	<b>8,478,160</b>	<b>20,419,330</b>	<b>21,398,827</b>	<b>21,436,251</b>
<b>Governor:</b>				
Office of Information Technology, Applications Administration	-	1,109,625	638,750	638,750
Evidence-based policymaking evaluation and support	-	500,000	435,675	500,000
Governor's Office	-	117,199	131,054	114,890
<b>Subtotal: Governor</b>	<b>216,944</b>	<b>1,726,824</b>	<b>1,205,479</b>	<b>1,253,640</b>
<b>Health Care Policy and Financing:</b>				
Training for health professionals to provide Screening, Brief Intervention, and Referral for Treatment (SBIRT) services for Medicaid clients at risk for substance abuse (H.B. 18-1003)	750,000	750,000	1,675,000	1,500,000
<b>Subtotal: Health Care Policy and Financing</b>	<b>750,000</b>	<b>750,000</b>	<b>1,675,000</b>	<b>1,500,000</b>
<b>Higher Education:</b>				
Institute of Cannabis Research at CSU-Pueblo (S.B. 16-191)	900,000	1,800,000	1,800,000	1,800,000
Center for Research Into Substance Use Disorder Prevention, Treatment, and Recovery Support Strategies (S.B. 17-193; H.B. 18-1003)	-	1,000,000	750,000	-
Medication-assisted Treatment Pilot Program (S.B. 17-074)	-	500,000	500,000	-
<b>Subtotal: Higher Education</b>	<b>900,000</b>	<b>3,300,000</b>	<b>3,050,000</b>	<b>1,800,000</b>
<b>Human Services:</b>				
Increasing access to effective substance use disorder services, including evaluation of intensive residential treatment (S.B. 16-202)	5,928,632	12,189,109	15,284,950	15,576,864
Mental health services for juvenile and adult offenders	2,900,185	5,519,298	5,574,491	5,710,843
Criminal justice diversion programs (Law Enforcement Assisted Diversion or "LEAD" pilot programs and S.B. 17-207)	-	5,517,942	5,561,828	5,689,020
Enhance behavioral health crisis response system (S.B. 17-207)	-	4,070,318	4,386,807	4,544,027
Circle Program and other rural treatment programs for people with co-occurring mental health and substance use disorders	1,853,324	1,866,158	3,039,395	3,130,596
Programs that fund service alternatives to placing youth in a correctional facility (S.B. 91-094)	2,000,000	2,028,036	2,048,317	2,074,468
Tony Grampsas Youth Services Program grants for the prevention of youth marijuana use	373,672	1,373,672	1,373,672	1,623,672
Appropriation to the Youth Mentoring Services Cash Fund (Tony Grampsas Youth Services Program)	1,000,000	1,000,000	1,000,000	1,000,000

**Table 1 (Cont.)**  
**Appropriations from the Marijuana Tax Cash Fund**  
*FY 2016-17 through FY 2019-20*

<b>Department and Program</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Appropriation</b>	<b>FY 2018-19 Appropriation</b>	<b>FY 2019-20 Appropriation</b>
<b>Human Services (cont.):</b>				
Community prevention and treatment for alcohol and drug abuse	756,298	756,298	763,861	782,545
Incredible Years program	-	-	481,236	679,106
Substance use disorder treatment at the mental health institutes	-	556,986	503,649	503,649
Office of Behavioral Health administrative expenses	238,103	310,587	440,346	442,870
Mental Health Treatment for Children and Youth at Risk of Out-of-home Placement	300,000	304,205	407,247	417,727
Medication consistency and health information exchange (S.B. 17-019)	-	-	491,700	380,700
Indirect cost assessments and centrally appropriated amounts not accounted for above	784,639	2,046,134	2,031,114	1,771,270
<b>Subtotal: Human Services</b>	<b>16,134,853</b>	<b>37,556,743</b>	<b>43,388,613</b>	<b>44,327,357</b>
<b>Judicial:</b>				
Appropriation to the Correctional Treatment Cash Fund for jail-based behavioral health services (administered through the Department of Human Services)	1,550,000	1,571,728	1,587,445	1,603,319
<b>Subtotal: Judicial</b>	<b>1,550,000</b>	<b>1,571,728</b>	<b>1,587,445</b>	<b>1,603,319</b>
<b>Labor and Employment:</b>				
Colorado Veterans' Service-to-Career Pilot Program (H.B. 16-1267; H.B. 18-1343)	500,000	165,296	1,000,000	-
<b>Subtotal: Labor and Employment</b>	<b>500,000</b>	<b>165,296</b>	<b>1,000,000</b>	<b>-</b>
<b>Law:</b>				
Local law enforcement training through the Peace Officers Standards and Training (POST) Board	750,000	750,000	1,036,766	1,036,766
Safe2Tell (H.B. 18-1434)	-	-	164,920	174,888
<b>Subtotal: Law</b>	<b>1,036,766</b>	<b>1,036,766</b>	<b>1,201,686</b>	<b>1,211,654</b>
<b>Local Affairs:</b>				
Affordable Housing Construction Grants and Loans	-	15,300,000	15,300,000	15,300,000
Gray and Black Market Marijuana Enforcement Efforts (H.B. 17-1221)	-	5,919,036	5,940,151	5,944,365
Indirect cost assessments and centrally appropriated amounts not accounted for above	63,155	141,389	395,247	149,942
<b>Subtotal: Local Affairs</b>	<b>1,180,695</b>	<b>22,477,965</b>	<b>21,635,398</b>	<b>21,394,307</b>
<b>Public Health and Environment:</b>				
Substance abuse prevention	7,127,612	9,408,800	9,420,800	9,433,890
Public awareness campaign	7,025,000	4,650,000	4,650,000	4,650,000
Colorado Health Service Corps Program (S.B. 18-024)	-	-	2,500,000	2,500,000
Distributions to Local Public Health Agencies	1,767,584	1,792,362	1,810,286	1,828,389
Marijuana lab certification	294,141	1,295,543	778,159	1,121,769
Healthy Kids Colorado Survey	745,124	745,124	748,314	748,314
Retail marijuana health research grants	343,622	866,122	867,167	558,840
Marijuana health effects monitoring	320,388	320,388	330,729	341,509
Health survey data collection	238,000	238,000	238,000	238,000
Data collection and analysis (S.B. 13-283)	89,550	90,939	90,939	175,939
Enhanced marijuana data collection through Rocky Mountain Poison and Drug	123,383	60,100	60,100	60,100
Medical marijuana research grants	-	-	3,000,000	-
School-based health centers (H.B. 18-1003)	-	-	775,000	-
Indirect cost assessments and centrally appropriated amounts not accounted for above	24,058	1,263,368	2,407,609	2,616,696
<b>Subtotal: Public Health and Environment</b>	<b>18,098,462</b>	<b>20,730,746</b>	<b>27,677,103</b>	<b>24,273,446</b>

**Table 1 (Cont.)**  
**Appropriations from the Marijuana Tax Cash Fund**  
FY 2016-17 through FY 2019-20

Department and Program	FY 2016-17 Appropriation	FY 2017-18 Appropriation	FY 2018-19 Appropriation	FY 2019-20 Appropriation
<b>Public Safety:</b>				
Colorado Bureau of Investigation - Black market marijuana interdiction, CBI Task Force support for Department of Revenue's Marijuana Enforcement Division, toxicology laboratory services, and collection of medical marijuana information by law enforcement agencies (S.B. 15-014)	61,940	61,940	1,389,836	3,153,932
Division of Criminal Justice - Study of the impacts of the legalization of retail marijuana (S.B. 13-283/S.B. 16-191), and Law Enforcement Assistance Grant Program (H.B. 18-1020)	159,983	159,983	1,649,995	1,651,201
Division of Criminal Justice - Juvenile diversion programs	400,000	400,000	400,000	400,000
Public safety intelligence support related to the illegal sale and diversion of marijuana	56,998	56,998	75,774	76,775
Reserve Peace Officer Academy Grant Program (S.B. 17-096)	-	814,834	16,183	16,224
Indirect cost assessments and centrally appropriated amounts not accounted for above	43,888	57,039	252,119	1,097,309
<b>Subtotal: Public Safety</b>	<b>722,809</b>	<b>1,550,794</b>	<b>3,783,907</b>	<b>6,395,441</b>
<b>Regulatory Agencies:</b>				
Improve enforcement of medical marijuana gray market	-	304,225	-	-
<b>Subtotal: Regulatory Agencies</b>	<b>-</b>	<b>304,225</b>	<b>-</b>	<b>-</b>
<b>Transportation:</b>				
Impaired driving campaign	500,000	-	-	1,000,000
Marijuana impaired driving campaign	450,000	950,000	950,000	950,000
<b>Subtotal: Transportation</b>	<b>950,000</b>	<b>950,000</b>	<b>950,000</b>	<b>1,950,000</b>
<b>Subtotal: Appropriations from Revenues Collected in Previous Fiscal Year</b>	<b>\$52,787,929</b>	<b>\$114,750,200</b>	<b>\$130,380,935</b>	<b>\$129,042,064</b>
Appropriation to the Department of Revenue from revenues collected in same fiscal year pursuant to Section 39-28.8-501 (2)(a)(I), C.R.S.	7,707,249	1,591,805	1,532,087	1,285,353
<b>Total FY 2018-19 Appropriations and Total FY 2019-20 LONG BILL Appropriations</b>	<b>\$60,495,178</b>	<b>\$116,342,005</b>	<b>\$131,913,022</b>	<b>\$130,327,417</b>
<b>Other Appropriations and Transfers</b>				
<b>Additional FY 2019-20 Appropriations in Separate Legislation:</b>				
S.B. 19-001: Expand Medication-assisted Treatment Pilot Program <i>[Higher Education]</i>				\$2,500,000
S.B. 19-008: Substance Use Disorder Treatment in Criminal Justice System <i>[Public Health and Environment]</i>				1,800,000
S.B. 19-010: Behavioral Health Care Professional Matching Grant Program <i>[Education]</i>				3,000,000
S.B. 19-176: Expanding Concurrent Enrollment Opportunities <i>[Education]</i>				1,500,000
S.B. 19-228: Substance Use Disorders Prevention Measures <i>[Higher Education]</i>				1,100,000
S.B. 19-228: Substance Use Disorders Prevention Measures <i>[Human Services]</i>				1,192,367
S.B. 19-228: Substance Use Disorders Prevention Measures <i>[Public Health and Environment]</i>				2,000,000
S.B. 19-246: Public School Finance - Comprehensive Quality Physical Education Instruction Pilot Program <i>[Education]</i>				1,100,000
H.B. 19-1009: Substance Use Disorder Recovery <i>[Local Affairs]</i>				826,500
H.B. 19-1017: K-5 Social and Emotional Health Pilot Program <i>[Education]</i>				43,114
H.B. 19-1073: Law Enforcement Information Sharing Grant Program <i>[Public Safety]</i>				500,000
H.B. 19-1203: School Nurse Grant Program <i>[Public Health and Environment]</i>				3,000,000
H.B. 19-1223: Social Security Disability Application Assistance <i>[Human Services]</i>				1,450,000
H.B. 19-1287: Treatment for Substance Use Disorders <i>[Human Services]</i>				5,589,344
<b>Total Appropriations in Other 2019 Legislation</b>				<b>\$25,601,325</b>
<b>Statutory Transfers:</b>				
Transfer to High-cost Special Education Trust Fund (S.B. 19-066)				\$2,500,000
Transfer to Pay for Success Contracts Fund (H.B. 18-1323)			989,470	1,717,764
Transfer from Marijuana Cash Fund to MTCF to support CBI Task Force (SB 19-213)				(914,416)
<b>Total Statutory Transfers</b>			<b>\$989,470</b>	<b>\$3,303,348</b>
<b>TOTAL APPROPRIATIONS AND TRANSFERS FROM THE MARIJUANA TAX CASH FUND</b>	<b>\$87,617,697</b>	<b>\$116,379,505</b>	<b>\$132,902,492</b>	<b>\$159,232,090</b>

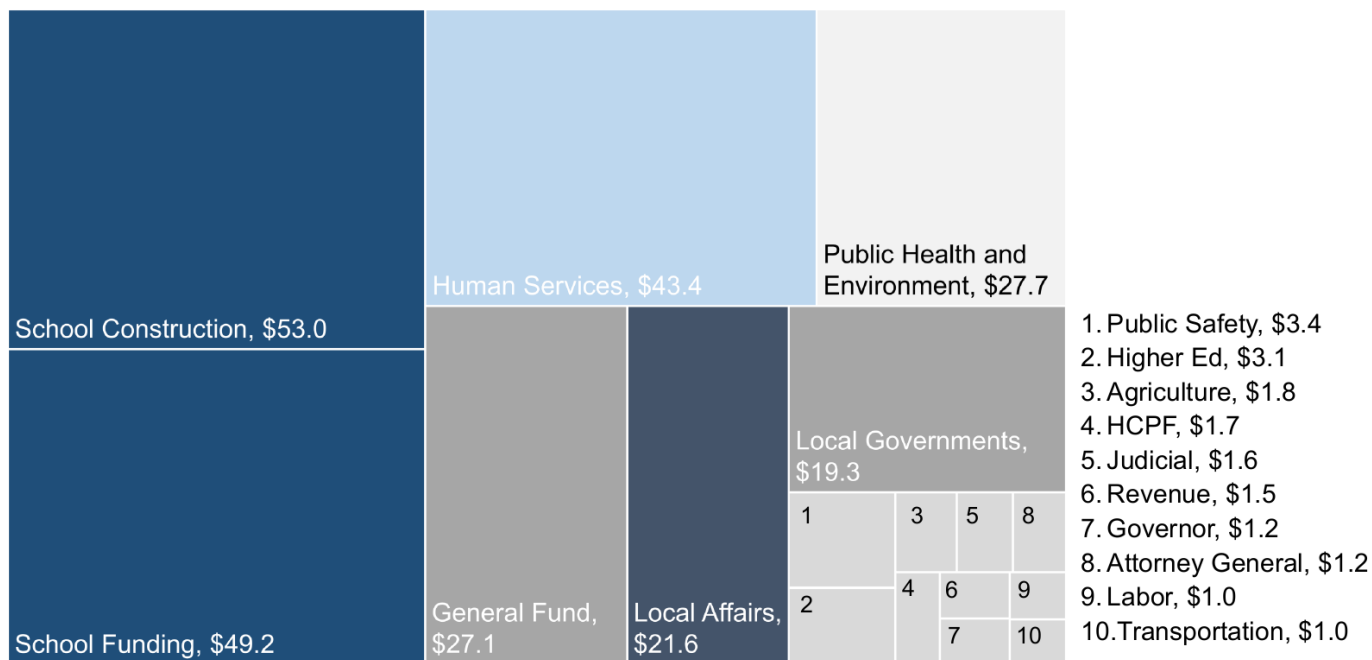
Source: Colorado Joint Budget Committee Staff.

**General Fund.** A portion of special sales tax revenue is retained in the state General Fund starting in FY 2017-18. The General Fund is used to fund most general government functions of the state. The largest sources of revenue into the General Fund are individual income taxes, sales and use taxes, and corporate income taxes.

**State Public School Fund.** State money used to finance the School Finance Act is deposited in the State Public School Fund. The State Public School Fund is used to pay the state’s share of school funding and has been used for other educational purposes.

**Total distributions.** Figure 4 shows the uses of all the marijuana revenue in FY 2018-19. Taking into account the statutory distributions and the MCTF appropriations, K-12 education received \$102.2 million for both school funding and school construction. This represents about 39.5 percent of total marijuana revenue.

**Figure 4**  
**Marijuana Revenue Distributions by Use, FY 2018-19**  
*Dollars in Millions*



Sources: Colorado Joint Budget Committee Staff, Article 28.8 of Title 39, C.R.S.

**Local governments.** Local governments that have authorized the sale of retail marijuana receive 10 percent of marijuana special sales tax revenue. The revenue is distributed proportionally to where the sales occur. In FY 2018-19, local governments that allow sales of retail marijuana received \$19.5 million in special sales tax revenue. Local governments are not limited in how they use their share of special sales tax revenue. Table 2 shows the ten largest recipients of local government special sales tax distributions.



**Table 2**  
**Local Government Distributions, FY 2018-19**

<b>Local Government</b>	<b>Distribution</b>	<b>Share of Total</b>
Denver	\$6,202,006	31.7%
Aurora	\$1,554,427	8.0%
Fort Collins	\$1,035,257	5.3%
Trinidad	\$768,800	3.9%
Boulder	\$757,720	3.9%
Pueblo	\$706,283	3.6%
Garden City	\$423,302	2.2%
Northglenn	\$418,174	2.1%
Durango	\$363,504	1.9%
Glendale	\$350,332	1.8%
Remainder of the State	\$6,959,496	35.6%
<b>Total</b>	<b>\$19,539,301</b>	<b>100.0%</b>

*Source: Colorado Department of Revenue.*

**BEST Fund.** In 2008, the legislature adopted the Building Excellent Schools Today (BEST) Act.<sup>10</sup> The Colorado Department of Education Division of Public School Construction Assistance administers BEST. The BEST program provides public schools with capital money for construction projects with priority given to health and safety concerns, including new roofs and boilers, major renovations, and the construction of new schools. It is a competitive grant program available to all public school districts, charter schools, institute charter schools, boards of cooperative educational services, and the Colorado School for the Deaf and Blind. Grant applications are reviewed on a yearly cycle and recommended for funding by the Capital Construction Assistance Board. The board consists of nine appointed members who, in conjunction with division staff, review all grant applications for the current fiscal year.

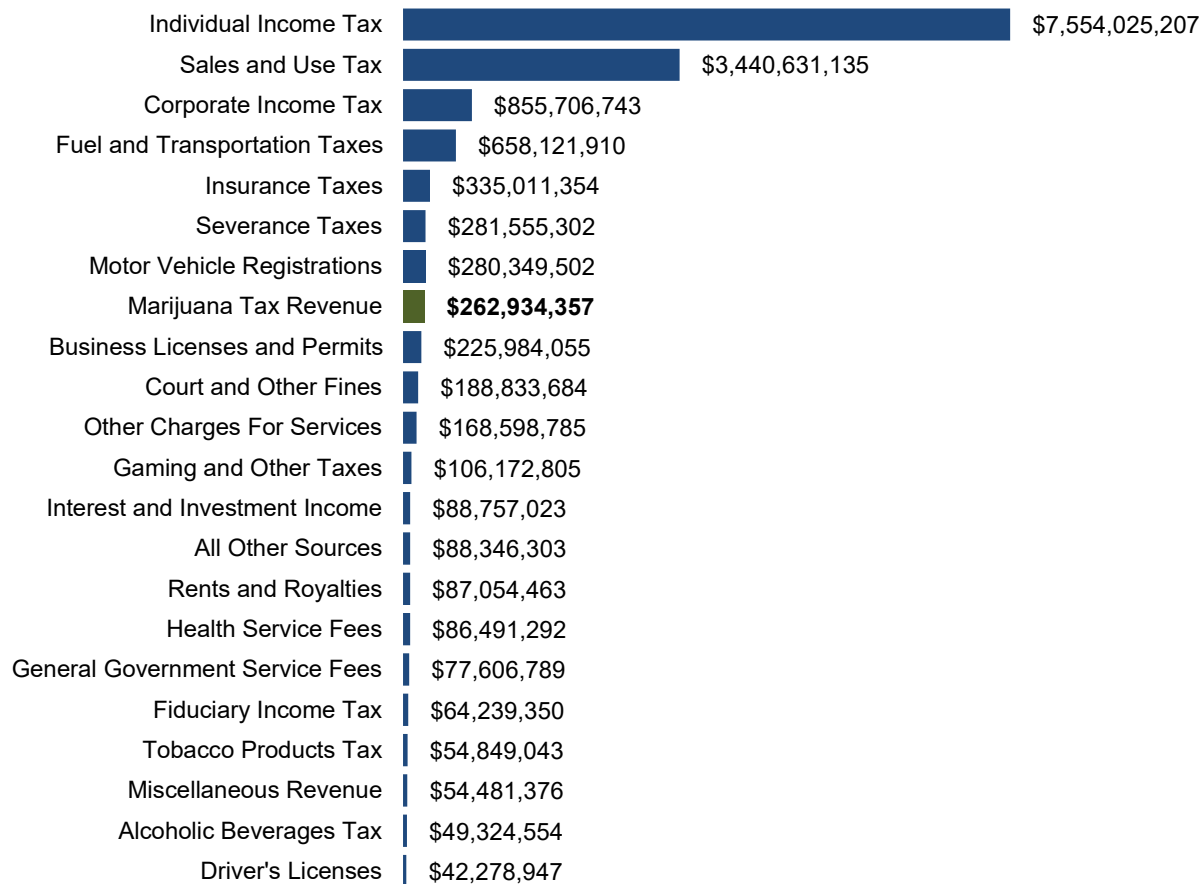
**Local government tax revenue.** In addition to the local share of the state's special sales tax, local governments collect their own tax revenue on the sale of marijuana. County and municipal sales taxes apply to retail and medical marijuana unless the local government specifically exempts them. Local governments may also levy a special sales tax or an excise tax on retail marijuana with voter approval.

## **Marijuana Taxes in the State Budget**

Marijuana tax revenue equaled \$262.9 million in FY 2018-19, the eighth largest source of state revenue from taxes and fees. For comparison, General Fund revenue totaled \$12.4 billion and TABOR revenue totaled \$14.8 billion. Figure 5 compares the amount of tax revenue from marijuana to several major revenue sources for FY 2018-19.

<sup>10</sup>Section 22-43.7-101, *et seq.*, C.R.S.

**Figure 5**  
**Major Sources of State Revenue, FY 2018-19**



*Sources: Colorado Department of Personnel and Administration, Office of the State Controller.*

## **Marijuana, Tobacco, and Alcohol Taxes**

The tax treatment of marijuana is often compared with the tax treatment of tobacco and alcohol. In addition to the 2.9 percent state sales tax, excise taxes are levied on cigarettes, tobacco, and alcohol. Total taxes on marijuana totaled \$262.9 million in FY 2018-19, while excise taxes on tobacco and alcohol totaled \$194.3 million and \$49.3 million, respectively. Tax revenue from marijuana, tobacco, and alcohol in FY 2018-19 are shown in Table 3. The figures in Table 3 for tobacco and alcohol do not include the state's 2.9 percent sales tax, which is deposited in the General Fund.

**Table 3**  
**Tax Revenue from Marijuana, Tobacco, and Alcohol**  
*FY 2018-19, Millions of Dollars*

Category	Revenue
<b>Marijuana</b>	<b>\$262.9</b>
Special Sales Tax	\$193.2
2.9% Sales Tax	10.8
Excise Tax	58.9
<b>Tobacco</b>	<b>\$194.3</b>
Cigarettes	32.6
Other Tobacco Products	27.7
Amendment 35 Cigarettes	111.0
Amendment 35 Other Tobacco Products	23.0
<b>Alcohol Excise Taxes</b>	<b>\$49.3</b>
Alcohol Excise Taxes	49.3
<b>Marijuana, Tobacco, and Alcohol Tax Total</b>	<b>\$506.5</b>

*Sources: Colorado Department of Personnel and Administration, Office of the State Controller.*

**Cigarettes.** The cigarette tax is levied on the sale of cigarettes by wholesalers and is assessed at a fixed amount on each single cigarette sold. The cigarette tax has two components. The first, enacted in 1964, is a tax of 1¢ per cigarette.<sup>11</sup> In 2004, voters approved an additional 3.2¢ tax per cigarette with the passage of Amendment 35.<sup>12</sup> The Department of Revenue is responsible for administering both taxes, which are collected in practice as a single tax of 84¢ per pack of 20 cigarettes. Wholesalers are responsible for collection of the tax and must submit monthly payments to the Department of Revenue on or before the tenth day of the month following collections.

**Other tobacco products.** The state excise tax on tobacco products was enacted in 1986 and expanded in 2004. The tax applies to all tobacco products other than cigarettes, including cigars, pipe tobacco, chewing tobacco, and snuff, at the time when they are manufactured, brought into the state, or shipped to retailers. The tax is based on the invoice price of tobacco products sold from a manufacturer or supplier to a distributor, prior to discounts or other price reductions.

The tax on tobacco products consists of two components. The first is a 20 percent statutory tax enacted in 1986,<sup>13</sup> revenue from which is subject to the limitations of the TABOR Amendment. Voters approved an additional 20 percent tax with the passage of Amendment 35 in 2004,<sup>14</sup> the revenue from which is exempt from the TABOR limitations on state revenue and spending.

**Alcohol.** Colorado's liquor tax was enacted in 1935, when the state first permitted the production and sale of alcoholic beverages following Prohibition.<sup>15</sup> The liquor tax is an excise tax levied on the sale of

<sup>11</sup>Section 39-28-103, C.R.S.

<sup>12</sup>Colo. Const. art. X, § 21, and Section 39-28-103.5, C.R.S.

<sup>13</sup>Section 39-28.5-102, C.R.S.

<sup>14</sup>Colo. Const. art. X, § 21, and Section 39-28.5-102.5, C.R.S.

<sup>15</sup>Section 44-3-503, C.R.S.

<sup>15</sup>State-level estimates of the National Surveys on Drug Use and Health can be found here:  
<https://www.samhsa.gov/data/report/2016-2017-nsduh-estimated-totals-state>

beer, wine, or spirits according to the quantity sold. The tax is collected only once within the state. Liability for payment of the tax is assigned to the beverage manufacturer or the licensee that first receives alcoholic beverages when they arrive in the state. Revenue from the liquor tax is subject to the TABOR Amendment's limitations on revenue and spending. Excise tax rates on each type of alcohol are shown in Table 4.

**Table 4**  
**Excise Tax Rates on Alcoholic Beverages**

<b>Beverage</b>	<b>Description</b>	<b>Tax Rate</b>
Fermented malt beverages	Any beverage obtained by the fermentation of barley, malt, hops, or similar product containing not more than 3.2 percent alcohol by weight or between 0.5 percent and 4.0 percent alcohol by volume.	8¢ per gallon
Hard cider	Any beverage containing between 0.5 percent and 7.0 percent alcohol by volume that is made by the fermentation of natural juice from apples or pears.	8¢ per gallon
Malt liquors	Beer and any beverage obtained by the fermentation of barley, malt, hops, or similar product containing more than 3.2 percent of alcohol by weight or 4.0 percent alcohol by volume.	8¢ per gallon
Colorado vinous liquors and other vinous liquors	Wine and fortified wines containing between 0.5 percent and 21.0 percent alcohol by volume.	13.33¢ per liter <sup>a,b</sup> (includes 5¢ and 1¢ surcharges) 8.33¢ per liter <sup>b</sup> (includes 1¢ surcharge)
Spirituous liquors	Any alcoholic beverage obtained by distillation and mixed with water and other substances in solution, including brandy, rum, whiskey, gin, and every liquid or solid containing at least 0.5 percent alcohol by volume that is fit for use for beverage purposes.	60.26¢ per liter

*Source: Article 3 of Title 44, C.R.S.*

<sup>a</sup>For vinous liquor produced by Colorado wineries, an additional surcharge of 5¢ per liter applies to the first 9,000 liters produced, 3¢ per liter for the next 36,000 liters, and 1¢ per liter for all additional amounts. The surcharge amounts are to be transferred from the General Fund to the Colorado Wine Industry Development Fund.

<sup>b</sup>Surcharges added 1¢ to all vinous liquors taxes effective July 1, 1990, through June 30, 2000. Effective July 1, 2000, a 1¢ per liter wine development fee is imposed.

**Taxes paid per user.** Data are unavailable to estimate effective tax rates for marijuana, tobacco, and alcohol, but data do exist to estimate the taxes paid per user of each substance in FY 2018-19. In 2017 the National Surveys on Drug Use and Health estimated that in the past 12 months 725,000 adults in Colorado used marijuana, 917,000 adults used cigarettes or tobacco, and 2,722,000 adults used alcohol.<sup>16</sup>

Using the estimated number of marijuana, tobacco, and alcohol users and the tax collections for each product, the estimated taxes paid per user in FY 2018-19 are shown in Table 5.

**Table 5**  
**Estimated Number of Users, Tax Revenue and Tax Revenue Per Product User**  
*FY 2018-19*

	<b>Users</b>	<b>Total Tax Revenue</b>	<b>Tax Revenue Per User</b>
Alcohol	2,722,000	\$49.3 million	\$18.12
Tobacco	917,000	\$194.3 million	\$211.83
Marijuana	725,000	\$262.9 million	\$362.67

*Sources: Colorado Department of Personnel and Administration, Office of the State Controller and U.S. Substance Abuse and Mental Health Services Administration.*