

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

25-0168.1

**HB 186**, *relative to the legalization and regulation of cannabis and making appropriations therefor.*

Commerce And Consumer Affairs

**This bill establishes procedures for the legalization, regulation, and taxation of cannabis; the licensing and regulation of cannabis establishments; and makes appropriations therefor.**

The proposed legislation creates a comprehensive framework for the legalization and taxation of the sale of cannabis in the State of New Hampshire for anyone 21 years of age or older. The proposed legislation assigns most of the oversight of the commercial sale of cannabis in New Hampshire to the newly created Cannabis Commission. In this fiscal note, the DRA has limited its analysis to the sections of the proposed legislation that fall within the DRA's purview, namely the establishment of the Cannabis Fund in section 6 and the taxation of the sale of cannabis as reflected in sections 15 through 26.

Sections 15 through 26 of the proposed legislation would subject taxable sales of cannabis to the tax imposed through the Meals and Rooms (M&R) tax. The tax would be renamed the Tax on Meals, Rooms, and Cannabis (MR&C). The tax shall be collected by the operator, from the purchaser of cannabis, and remitted to the DRA on or before the fifteenth day of the calendar month following the collection of the tax. Funds collected by the DRA from the cannabis portion of the MR&C will be deposited into the Cannabis Fund established in Section 6 of the proposed legislation.

Each cannabis retail store or other cannabis establishment registered with the Cannabis Commission to sell directly to consumers shall obtain a cannabis sales license from the DRA before making a cannabis sale.

All tax revenue from the sale of cannabis shall be deposited into the cannabis fund.

The proposed legislation relative to the sections analyzed through this fiscal note is effective upon its passage. For purposes of this analysis the DRA has assumed that the taxable sale of cannabis will begin on July 1, 2025.

To administer the proposed legislation's tax on cannabis, the DRA would need five additional positions at the total salary and benefit cost as noted below. The DRA assumes that it will begin to incur the costs of these additional positions in FY 2025, with full cost being incurred in FY 2026. The DRA also anticipates incurring additional cost to update the DRA's Revenue Information Management System (RIMS), and to secure other essential items to process an expected increase in cash tax payments, such as armored car transportation for deposits of tax,

updates to secure rooms holding cash, and cash counting machines.

The DRA assumes that the municipal revenue fund transfer calculation contained in RSA 78-A:25, paragraph IV is intended to be 30 percent of the revenue from paragraph I, net of the amount deposited in the cannabis fund. The DRA proposes that be clarified and added to Section 25 of the proposed legislation.

The fiscal impact of this proposed legislation as it relates to taxation of cannabis is indeterminable. The DRA is unable to know the amount of cannabis products that would be sold or the selling price of the cannabis products.

However, the DRA has calculated an estimate for the potential tax that may be collected from the taxable sale of cannabis, using the data that is available from the neighboring states, namely Massachusetts, Maine, and Vermont.

The DRA’s estimates are based on the 2023 American Community Survey 1-Year Estimates using the 2020 US Census population demographics data as a base, and the adult-use marijuana sales reported by Massachusetts, Maine, and Vermont for calendar year 2023. The DRA estimated potential New Hampshire tax revenue assuming the taxable sale of cannabis for New Hampshire would follow the trends in Massachusetts, Maine, and/or Vermont. The DRA also assumed that the price of the cannabis products that will be sold in New Hampshire would mirror the price of the products sold in Massachusetts, Maine, and Vermont in each respective scenario.

Based on current law, the M&R tax rate is at 8.5% on taxable sales of cannabis.

The table below shows the results of the DRA’s estimates. This estimate is before the 3% commission that may be retained by operators under existing law.

<b>Summary of Assumptions &amp; Adjustments for Calculation of First Year Potential NH Cannabis Tax Revenues</b>				
	<b>Massachusetts</b>	<b>Maine</b>	<b>Vermont</b>	
1	Total population as of January 1, 2023 <sup>1</sup>	7,001,399	1,395,722	647,464
2	Population aged 21 years and over on 1/1/2023 <sup>1</sup>	5,361,519	1,101,376	501,345
3	Percentage aged 21 years and over in 2023 (Line 2 / Line 1)	76.6%	78.9%	77.4%
4	Adult-use cannabis retailer sale in 2023. <sup>2,3,4</sup>	\$1,571,037,853	\$216,933,453	\$108,660,000
<b>Estimated NH Tax Revenue</b>				
	<b>If New Hampshire sales mirrored Massachusetts</b>	<b>If New Hampshire sales mirrored Maine</b>	<b>If New Hampshire sales mirrored Vermont</b>	

5	Total population as of January 1, 2023 <sup>1</sup>	1,402,054	1,402,054	1,402,054
6	Population aged 21 years and over on 1/1/2023 <sup>1</sup>	1,098,146	1,098,146	1,098,146
7	Percentage aged 21 years and over in 2023 (Line 6 / Line 5)	78.3%	78.3%	78.3%
8	Estimated adult-use cannabis retailer sale in 2023 ((Line 4 / Line 2) x Line 6)	\$321,779,879	\$216,297,253	\$ 238,008,845
9	Tax rate	8.5%	8.5%	8.5%
10	<b>Estimated Tax Revenue (Line 8 x Line 9) Rounded</b>	<b>\$27,400,000</b>	<b>\$18,400,000</b>	<b>\$20,200,000</b>

References:

- 1 U.S. Census Bureau, U.S. Department of Commerce. "Age and Sex." American Community Survey, ACS 1-Year Estimates Subject Tables, Table S0101, 2023. Accessed on December 3, 2024.
- 2 <https://masscannabiscontrol.com/open-data/data-catalog/>
- 3 <https://www.maine.gov/dafs/ocp/open-data/adult-use>
- 4 <https://tax.vermont.gov/data-and-statistics/cannabis-excise-tax>

Cannabis establishments conducting business activity in the state shall be subject to the Business Profits Tax (BPT) and Business Enterprise Tax (BET). These businesses will increase state revenue in the General and Education Trust Funds for business taxes. The fiscal impact is indeterminable. The DRA is unable to know how many new businesses would register in the state and what their taxable profits and enterprise value would be.

To administer the proposed legislation's tax on cannabis, the DRA would need five additional positions at the total salary and benefit cost as noted below.

Position	FY2025	FY2026	FY2027	FY2028
Salary (SOC43-3, with annual steps)	\$0	\$72,000	\$71,000	\$73,000
Salary (SOC17-9, with annual steps) – 2 Positions	\$0	\$252,000	\$256,000	\$264,000
Salary (SOC23-8, with annual steps)	\$0	\$111,000	\$111,000	\$115,000
Salary (SOC11-6, with annual steps)	\$0	\$118,000	\$119,000	\$123,000
<b>Total</b>	<b>\$0</b>	<b>\$553,000</b>	<b>\$557,000</b>	<b>\$575,000</b>

The DRA would also need additional appropriation for the cost to implement the new tax into the DRA systems plus other anticipated cost such as armored car transportation for deposits of tax, updates to secure rooms holding cash, cash counting machines, and other essential items to process the expected increase in cash tax payments.