



Sept. 29, 2020

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The Revenue Potential of Taxation on Recreational Cannabis in Montana

MISSOULA – The Montana economy could receive a significant boost in revenue, if it were to tax the sale of legalized recreational cannabis, according to a new study released today by researchers at the Bureau of Business and Economic Research (BBER) at the University of Montana.

“Our independent research utilized the extensive survey-based data that is publicly available, detailing the frequency of cannabis use of both Montana residents and visitors to give us a good understanding of potential tax revenue on legalized retail cannabis sales,” explained Patrick Barkey, director of the Bureau of Business and Economic Research, who was one of the authors of the report.

The study was commissioned by New Approach Montana, to quantify the potential size of the recreational cannabis marketplace in Montana. It examined the potential revenue of a 20% tax levied on cannabis sales, as envisioned in initiatives CI-118 and I-190 on the November ballot.

BBER neither endorses or opposes any legislative bill or ballot initiative, including the two initiatives that pertain to recreational cannabis legalization. This research is intended to give decision-makers better information on one aspect of the issue.

“We asked BBER to perform this study because of its reputation for impartial, transparent research,” said Pepper Petersen, spokesman for New Approach Montana.

“We think it is important for Montanans to understand the full benefits of legalizing, regulating, and taxing marijuana for adults 21 and over.”

The basic findings from the study are that:

- A 20% tax on legalized sales in compliance with the envisioned initiatives, could potentially collect between \$43.4 and \$52 million per year for the state in the years 2022-26, totaling \$236.4 million in revenue for the five-year period.
- Recreational cannabis market total sales could potentially be between \$217.2 and \$259.8 million per year over the period of 2022-26.
- Over 15% of leisure oriented visitors to states with legal recreational cannabis sales, visit retail stores.

Tourism sales promise to be an important source of the tax base as well.

“We estimate that in 2022, sales of recreational cannabis to tourists will generate almost \$5.9 million in tax revenue. By 2026, the projected revenue could climb to \$16.8 million,” explained study co-author Robert Sonora, associate director at the Bureau of Business and Economic Research.

To view the full study, “An Assessment of the Market and Tax Revenue Potential of Recreational Cannabis in Montana,” please visit bber.umt.edu.

Established in 1948, the Bureau of Business and Economic Research is the main research unit of the University of Montana’s College of Business. BBER researchers engage in a wide range of applied research projects that address different aspects of the state economy, including survey research, economic analysis, health care research, forecasting, wood products research and energy research. For more information visit bber.umt.edu or call 406-243-5113.

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