



TAXPAYERS'
FEDERATION
— OF ILLINOIS —

Cannabis Taxes & Revenue Distribution

Illinois Association of County
Board Members

August 1, 2019

Medical Cannabis

- 7% tax on the cultivation of cannabis. Measured on the selling price from the cultivator to the dispenser.
 - Revenue is deposited into the Compassionate Use of Medical Cannabis Fund and used for implementation of the medical cannabis program.
- Medical cannabis is a prescription drug and taxed at the 1% sales tax rate.
 - Revenue is deposited into the Local Government Tax Fund and distributed to the unit of local government where the sale was made.



Recreational Cannabis



Cannabis Cultivation Privilege Tax

- 7% tax on the cultivation of cannabis. Measured on the selling price from the cultivator to the dispenser.
 - Revenue is deposited into the Cannabis Regulation Fund. Revenue from general fees and penalties will also go to the Cannabis Regulation Fund.
 - Exempts medical cannabis.
- 20-50; 30-50; 60-10;



Cannabis Purchaser Excise Tax

- 10% of the purchase price if the cannabis has an adjusted delta-9-tetrahydrocannabinol level at 35% or less.
- 25% of the purchase price if the cannabis has an adjusted delta-9-tetrahydrocannabinol level more than 35%.
- 20% of the purchase price of cannabis infused products
- Revenue deposited into the Cannabis Regulation Fund



Cannabis Regulation Fund Distribution

- First, subject to appropriation, the costs associated with the implementation, administration, and enforcement of the Act. Department of Revenue, State Police, Financial and Professional Regulation, Agriculture, Public Health, Commerce and Economic Opportunity, and the Illinois Criminal Justice Information Authority.
 - \$15 million in FY2020
- Second, subject to appropriation, an amount to the Cannabis Expungement Fund, for costs related to expungement. State courts, Attorney General, State's Attorneys, civil legal aid, and State Police.
 - \$3.5 million in FY2020



Cannabis Regulation Fund Distribution

- Of the remaining amount left:
 - 8% to Local Government Distributive Fund. Distributed to counties and municipalities by population. Funds to be used for “crime prevention programs, training, and interdiction efforts, including detection, enforcement, and prevention efforts, relating to the illegal cannabis market and driving under the influence of cannabis. (Other LGDF revenues can be used for any purpose.)



Cannabis Regulation Fund Distribution

- 25% to Restore, Reinvest, and Renew Program
- 20% to Department of Human Services
Community Services Fund for substance abuse
and mental health
- 10% to the Budget Stabilization Fund for unpaid
bills
- 35% to the General Revenue Fund
- 2% to Drug Treatment Fund for public education
campaign



Municipal Cannabis Retailers' Occupation Law

- On or after January 1, 2020, municipalities can impose tax on the persons engaged in the business of selling cannabis, but not medicinal cannabis.
- Tax must be in 0.25% increments and cannot exceed 3%.
- Certified copy of ordinance or resolution must be filed with IDOR by June 1 for the change to be effective September 1.



County Cannabis Retailers' Occupation Law

- On or after January 1, 2020, counties can impose tax on the persons engaged in the business of selling cannabis, but not medicinal cannabis.
- Tax must be in 0.25% increments and cannot exceed:
 - 3.75% in unincorporated areas
 - 0.75% in municipalities in non-home rule counties
 - 3% in municipalities in Cook County
- SB 2023 amends these rates:
 - 3.75% in unincorporated areas
 - 3% in municipalities
- Certified copy of ordinance or resolution must be filed with IDOR by June 1 for the change to be effective September 1.



Existing Taxes

- Medicinal Cannabis will continue to be taxed at the 1% food and drug rate.
- Recreational Cannabis will be taxed at the 6.25% general merchandise rate. All local retailers' occupation taxes will also apply. Infused products that would be taxed at the food rate absent cannabis will likely be taxed at the food rate. However, a lot of these products will likely be considered candy and taxed at the higher rate.
- Property taxes
- Income taxes – 26 USC 280E



Cannabis and Controlled Substance Tax Act

- Repealed.
- \$10 tax stamp per gram of cannabis or \$500 tax stamp per gram of controlled substance.
- Was previously held unconstitutional.



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