



Taxing and Regulating Cannabis in Illinois

Cannabis prohibition hasn't worked any better than alcohol prohibition did in the 1920s. According to federal researchers, around 750,000 Illinoisans consume as much as 328 metric tons of cannabis each year. Only about 20,000 of those consumers participate in the state's regulated system — the medical cannabis pilot program. The other 97% obtain their cannabis on the criminal market, where it is not tested for safety or potency, and where no taxes are levied on sales.¹

House Bill 2353 and Senate Bill 316 would take a better approach, one that's already working in other states. These bills would allow adults to purchase and consume cannabis, and would establish a system to tax and regulate production and sales. Not only would the cannabis industry move into a safer, regulated framework, Illinois would directly benefit from new tax revenue. We estimate the adult, non-medical cannabis market would bring in between \$349 to \$699 million in new tax revenue each year, not including licensing or other fees.

Here is how a tax-and-regulate approach would work under the 2017 bills:

- Residents could purchase up to one ounce of cannabis from a licensed store. Non-residents could acquire up to a half-ounce;
- Cannabis would be produced, processed, and sold by licensed facilities. Facilities and financial records would be regularly inspected by state regulators;
- All cannabis sold would be taxed at the state's sales tax rate of 6.25%, and wholesale transactions would be taxed at a rate of \$50 per ounce;
- All cannabis controlled in the program would be tested for potency, and to ensure it's free of pesticides or other contaminants;
- Businesses would be required to label cannabis products, including test results and product warnings;
- Five types of licenses would be available, including licenses for cultivators, processors, testing labs, retail stores, and — in those cities and towns that choose to license them — regulated, indoor locations where adults could meet and consume away from the general public. Smoking cannabis in public would carry a \$100 fine;

“Marijuana prohibition is a quagmire that creates far more problems than it prevents. Several states have adopted sensible alternatives to prohibition, and it is time for Illinois to develop its own exit strategy. Regulating marijuana and removing the criminal element from marijuana production and sales will make our communities safer.”

~Rep. Kelly Cassidy

¹ Total usage estimates calculated using figures provided by the National Survey on Drug Use and Health (NSDUH).

- In addition to licensing and testing requirements, businesses would be subject to comprehensive rules governing security, background checks, packaging, recordkeeping, advertising, locations, signage, and many others;
- Individual adults could cultivate up to five cannabis plants at home. Cannabis would have to be grown in a secure location, not visible from outside the property, and not accessible to minors;

“Right now, all the money being spent on marijuana is going into the pockets of criminals and cartels. In a regulated system, the money would go into the cash registers of licensed, taxpaying businesses. It would generate hundreds of millions of dollars per year in new revenue for our state. Prohibition is a financial hole in the ground, and we should stop throwing taxpayer dollars into it.”

~ Sen. Heather Steans

- Local communities could restrict or even prohibit businesses from operating within their jurisdictions;
- Regulation means hundreds of millions of dollars in new revenue to the state. Under the bills, 30% would go to education, 10% would be spent on substance abuse treatment, 10% would be used for a public safety campaign on the risks of alcohol, tobacco, and cannabis, and 50% would be allocated to the General Fund;
- Employers would not have to accommodate employees under the influence of cannabis, nor would they have to allow possession of cannabis at work;

- Driving while impaired would remain illegal, and there would be penalties for using a fake ID or falsely misrepresenting age in order to obtain cannabis; and
- The system proposed is based on Illinois’ existing medical cannabis pilot program, along with other similar models in other states. The existing medical cannabis program would not change under the proposed new law.

Eight states have enacted legalization for adults. Currently, 66% of Illinois’ voters support legalization in the state, according to the latest poll from Southern Illinois University Carbondale’s Paul Simon Public Policy Institute. A February Quinnipiac University poll found 59% of U.S. voters think marijuana should be made legal. Pew Research Center and Gallup last October found support at 57% and 60%, respectively. The time is right for the Illinois General Assembly to re-examine marijuana prohibition and consider the potential benefits of a thoughtfully crafted regulatory system.