

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *Wednesday, May 10, 2023, 10:00 AM*

L.D. 1714 – *“An Act to Create a Sustainable Funding Source for Recovery Community Centers Using a Percentage of the Adult Use Cannabis Tax Revenue”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against L.D. 1714, *“An Act to Create a Sustainable Funding Source for Recovery Community Centers Using a Percentage of the Adult Use Cannabis Tax Revenue.”*

The bill establishes the Recovery Community Centers Fund (“Recovery Fund”) within the Department of Health and Human Services, Office of Behavioral Health. The bill requires that 12% of the sales tax revenue received each month on the sale of adult use cannabis and adult use cannabis products, and 12% of the excise tax revenue collected on wholesale sales of adult use cannabis, be credited to the Recovery Fund.

Currently, 12% of the sales and excise tax revenue is collected and deposited into the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund (or “Adult Use Fund”); the remainder of the revenue collected is subsequently deposited into the General Fund.

It is unclear whether the proposed 12% revenue allocation to the Recovery Fund is calculated before or after the initial transfer of sales and excise tax revenue

to the Adult Use Fund. We recommend that the bill be amended to include a start date for Recovery Fund transfers, preferably on the first of a month.

Additionally, there have been several bills this session altering the existing 12% transfers to the Adult Use Fund, creating additional percentage-based transfers to special funds, or otherwise creating dedicated revenue streams using cannabis revenues. Enacting many of these provisions at once complicates effective tax administration; we recommend careful consideration of each proposal to determine whether LD 1714 is a priority for this session.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.