

## State Tax Sharing

<b>Title</b>	Marijuana Enforcement Marijuana Excise Tax Sharing
<b>RCW</b>	69.50.540
<b>Year Enacted</b>	2015
<b>Description</b>	Local governments where cannabis retailers are physically located and any jurisdiction that does not prohibit marijuana siting receive a portion of marijuana excise tax revenues.
<b>Purpose</b>	As originally enacted by Initiative 502, funds from marijuana excise taxes were not shared with local governments. In recognition of a partnership with local jurisdictions to disband the unregulated marijuana market and to protect the citizens and resources of the state, a portion of marijuana excise taxes were directed to be distributed to eligible counties, cities and towns.
<b>Use of Funds</b>	Funds may be used for any lawful purpose of the local taxing district.
<b>Recipients/ Eligibility</b>	To be eligible for a distribution, the county, city or town may not prohibit the siting of any state licensed marijuana producer, processor, or retailer. [RCW 69.50.540(g)(i)(B)]
<b>Current Distribution Methodology</b>	<ul style="list-style-type: none"> <li>• 1.5 percent to local governments where retailers are located and each jurisdiction must receive a proportional share based on total revenues generated and taxes collected in such jurisdictions; and</li> <li>• 3.5 percent to local governments on a per capita basis provided the jurisdiction does not prohibit marijuana siting—counties must receive 60 percent based on each county's total proportional population.</li> </ul>

**Recent  
Distributions  
Total**

Fiscal Year	Total Distribution	% Change
2024	\$22,665,322	2.30%
2023	\$22,157,000	10.79%
2022	\$20,000,000	33.33%
2021	\$15,000,000	-20.00%
2020	\$18,750,000	25.00%
2019	\$15,000,000	0.00%

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2018	\$15,000,000	150.00%
2017	\$6,000,000	0.00%
2016	\$6,000,000	

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**Method of Receipt** Distributed by the Office of State Treasurer quarterly on the last day of June, September, December and March.

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**Administration** Liquor and Cannabis Board

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**History** Initiative Measure No. 502 (I-502) was a ballot measure approved by Washington voters in November 2012 that (1) legalized the production, processing, possession, and personal use of marijuana; (2) created a framework for a regulatory scheme to be further developed by the Liquor and Cannabis Board (LCB) through its rulemaking authority; and (3) revised provisions in criminal statute to accommodate such legalization in accordance with the requirements of the Initiative.

I502 imposed an excise tax of 25 percent of the sale price must be paid by each of the three categories of licensees at each step of the production, processing, and at retail. Sales tax is also imposed on the sale of marijuana and marijuana products.

I-502 also created a "dedicated marijuana fund" deposited with the State Treasurer that consists of monies derived from marijuana excise taxes, license fees, penalties, forfeitures, and all other monies, income, or revenue received by LCB from marijuana-related activities. Proceeds from the fund must be distributed every three months by LCB to specified public entities and in amounts established in statute. Local governments were not part of this funding distribution scheme.

Chapter 4, Laws of 2015 2nd sp. sess. was enacted to reform the current tax structure and regulatory system for legal marijuana system. In that Act, the Legislature declared its intent to share marijuana excise tax revenues with local jurisdictions for public safety purposes and to facilitate the ongoing process of ensuring a safe regulated marijuana market in all communities across the state.

In 2018, the Legislature increased the maximum share of marijuana excise tax revenues distributed to counties and cities from six million to fifteen million for fiscal years 2018 and 2019. The law previously stated that local distributions would only reach fifteen million in fiscal years 2018 and 2019 if certain specified revenue forecast conditions were met. However, that language was removed in the 2018 supplemental operating budget.

In 2019, the Legislature extended the fifteen million maximum share of marijuana excise tax revenues distributed to counties and cities through fiscal year 2021. The maximum distribution starting fiscal year 2022 and thereafter may not exceed \$20 million.

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In 2022, the Legislature renamed the "dedicated marijuana fund" to the "dedicated cannabis account" and modified distributions. Under the modified distribution structure, local governments where cannabis retailers are physically located receive 1.5 percent of cannabis revenues, with each jurisdiction receiving a proportional share based on total revenues generated and taxes collected in such jurisdictions. Local governments also receive 3.5 percent on a per capita basis, provided the jurisdiction does not prohibit marijuana siting, with counties receiving 60 percent based on each county's total proportional population. (Section 2, Chapter 169, Laws of 2022)