

Fiscal Estimate Narratives

DOR 3/11/2022

LRB Number	21-5891/1	Introduction Number	SB-1035	Estimate Type	Original
Description medical cannabis, providing an exemption from emergency rule procedures, granting rule-making authority, making an appropriation, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

Current law prohibits a person from manufacturing, distributing, or delivering tetrahydrocannabinols (THC); possessing THC with the intent to manufacture, distribute, or deliver it; possessing or attempting to possess THC; using drug paraphernalia; or possessing drug paraphernalia. This bill creates a medical use defense to such THC-related prosecutions and forfeiture actions for a person who is registered with the Department of Health Services as having a specified debilitating medical condition or undergoing a specified debilitating treatment.

Under the bill, DHS must establish a medical cannabis registry, and a person may apply to DHS for a registry identification card. The bill specifies that the following medical conditions or treatments qualify a person for the registry: cancer, glaucoma, AIDS or HIV, Crohn's disease, a hepatitis C virus infection, Alzheimer's disease, amyotrophic lateral sclerosis, nail-patella syndrome, Ehlers-Danlos syndrome, post-traumatic stress disorder, or the treatment of these conditions; opioid abatement or reduction or treatment for opioid addiction; a chronic or debilitating disease or medical condition or the treatment of such a disease or condition that causes cachexia, severe pain, severe nausea, seizures, or severe and persistent muscle spasms; and any other medical condition or treatment DHS designates as a debilitating medical condition or treatment.

The bill requires any person operating as a medical cannabis producer, processor, or dispensary to obtain a license from the Department of Agriculture, Trade and Consumer Protection.

The bill also creates a sales & use tax exemption for medical cannabis and drug paraphernalia delivered or distributed by a licensed dispensary.

FISCAL EFFECT

This fiscal note is limited to the tax law changes and operating expenditures incurred by the Department of Revenue.

The bill would provide a sales tax exemption for medical cannabis. Since the newly legal product would not be subject to sales tax there is no revenue decrease for the state.

The total number of medical marijuana patients in Michigan as of December 2021 was 237,741. Of these 92% have the same qualifying medical conditions as those allowed under the Wisconsin bill. Assuming these patients also represent 92% of sales in Michigan, using the 2021 population estimates and prevalence rates for Michigan and Wisconsin, the department estimates that foregone sales & use tax revenue would be approximately \$9 million for the state and \$738,000 for local municipalities on an annualized basis. To the extent individual usage or the number of potential users are higher or lower than estimate (as DHS will promulgate rules to designate certain medical conditions as debilitating), the amount of foregone sales tax revenue would be higher or lower.

ADMINISTRATIVE COSTS

The department can absorb the cost associated with this bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description medical cannabis, providing an exemption from emergency rule procedures, granting rule-making authority, making an appropriation, and providing a penalty		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Medical cannabis, providing an exemption from emergency rule procedures, granting rule-making authority, making an appropriation, and providing a penalty		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$1,950	\$
(FTE Position Changes)		
State Operations - Other Costs	1,300	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$3,250	\$
B. State Costs by Source of Funds		
GPR	3,250	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$3,250	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By Authorized Signature Date		
DOR/ Momodou Bah (608) 266-8133	Jamie Adams (608) 266-6785	3/11/2022