



## MEMORANDUM IN SUPPORT

### S.4831-B (Cooney)

*AN ACT to amend the tax law, in relation to the imposition of taxes on the sale of cannabis*

The New York Cannabis Retail Association (NYCRA), representing 270 cannabis retailers in New York State, **SUPPORTS** S.4831-B, legislation to reform the tax on adult use cannabis.

S.4831-B would replace the current cannabis potency tax with a wholesale tax to be applied as follows:

- A tax of 5% as of June 1, 2024;
- increased to a tax of 7% in 2028; and
- increased to a tax of 9% in 2031 and beyond.

S.4831-B would also require that for microbusinesses and registered organizations, the tax imposed shall be 75% of the amount charged for the sale or transfer of such products to retail customers.

New York is the only state in the country to utilize a potency tax on adult-use cannabis. This tax is complex and costly to administer. Because it is potency-based, it can be manipulated by businesses that "shop" for lab results that inaccurately report a lower potency number. A potency tax also creates financial burdens that fall disproportionately on small business and social equity applicants.

In addition, evidence in other states with legal cannabis markets indicate that lower overall tax rates and simpler tax structures facilitate higher tax revenues. A lower, phased-in tax structure is important in New York State because of the need to displace the thriving illegal market which can charge much lower prices because they don't pay taxes and sell products that don't meet safety standards.

By replacing the current potency tax with a phased in wholesale tax, New York can ensure that the tax is evenly applied, is easier to administer, and help legal cannabis business displace illegal operators.

NYCRA strongly **SUPPORTS** S.4831-B and urges its enactment.

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