



Marijuana Policy Project
P.O. Box 77492
Washington, DC 20013
p: (202) 462-5747 • f: (202) 232-0442
info@mpp.org • www.mpp.org

“We change laws.”

Economic Impacts of Colorado’s State-Legal Marijuana Industry

Marijuana has been legal in Colorado for adults 21 and older to use, possess, and cultivate since voters approved Amendment 64 in November 2012. This policy change has already significantly reduced the law enforcement resources required to enforce marijuana laws.¹ Between 2012 and 2013, in Colorado, the number of marijuana cases filed in state courts plummeted 77%. The number of petty marijuana possession charges fell 81%.²

However, the most dramatic effects of Amendment 64 did not appear until January 1, 2014, when the first legal, licensed, recreational marijuana stores opened their doors. On the first day alone, with only two-dozen stores open, the industry reported profits of more than \$1 million.³ Within the first week, those profits had risen to nearly \$5 million.⁴ The first three months of adult marijuana sales netted Colorado approximately \$7.3 million in taxes with tax revenues increasing monthly.⁵

Monthly revenues have been far lower than what were expected with new stores ramping up. A total of 197 stores have been granted state licenses,⁶ but several of them are not able to open yet because they are awaiting local approval, or because they do not have a sufficient supply of marijuana. Several stores that are open reported rationing marijuana to meet demand. Despite this, the total state tax revenue from medical and retail marijuana sales in FY 2014 is projected to total about \$100 million.⁷

The legislation to tax and regulate marijuana being debated in the Rhode Island Legislature has a different tax structure than the measure passed in Colorado. The Marijuana Regulation, Control, and Taxation Act proposes excise taxes of \$50 per ounce on marijuana flowers and \$10 per ounce on stems and leaves sold at the wholesale level. In Colorado, that tax is 15% per ounce. The static excise tax allows for more predictable revenue because it is not dependent on price. For example, an ounce in Colorado is currently sold for anywhere between \$280-560⁸ and continues to fluctuate as the market adjusts to the demand.

¹ John Ingold (2014). *Marijuana case filings plummet in Colorado following legalization*. [ONLINE] Available at: http://www.denverpost.com/marijuana/ci_24894248/marijuana-case-filings-plummet-colorado-following-legalization#ixzz2qE9vMwZ0 [Last Accessed 24 February 2014]

² John Ingold (2014). *Marijuana case filings plummet in Colorado following legalization*. [ONLINE] Available at: http://www.denverpost.com/marijuana/ci_24894248/marijuana-case-filings-plummet-colorado-following-legalization#ixzz2qE9vMwZ0 [Last Accessed 24 February 2014]

³ Blair Shiff (2014). *Pot sales exceed \$1 million on first day*. [ONLINE] Available at: <http://www.9news.com/news/article/371498/339/Pot-sales-exceed-1-million-on-first-day> [Last Accessed 24 February 2014]

⁴ Matt Ferner (2014). *Colorado Recreational Marijuana Sales Exceed \$5 Million In First Week*. [ONLINE] Available at: http://www.huffingtonpost.com/2014/01/08/marijuana-sales-colorado_n_4552371.html [Last Accessed 24 February 2014]

⁵ Tom McKay (2014). *Three Months Since Legalizing Marijuana, Here’s What Colorado Looks Like*. [ONLINE] Available at: <http://www.policymic.com/articles/89165/3-months-since-legalizing-marijuana-here-s-what-colorado-looks-like>

⁶ Colorado Department of Revenue, Marijuana Enforcement Division. 05/15/14. [ONLINE] Available at: <http://www.colorado.gov/cs/Satellite/Rev-MMJ/CBON/1251592985115>

⁷ *Colorado governor scales back pot tax prediction*. 04/08/14. [ONLINE] Available at: <http://www.9news.com/story/news/politics/2014/04/08/hickenlooper-pot-tax/7434237/>

⁸ Matt Ferner (2014). *Here’s How Much It Costs To Buy Weed In Colorado Now*. [ONLINE] Available at: http://www.huffingtonpost.com/2014/01/02/marijuana-prices-colorado_n_4532463.html [Last Accessed 24 February 2014]

In addition to tax revenue, the regulated marijuana industry in Colorado is boosting the local economy by creating jobs, both directly related to the industry and in ancillary sectors. As of May 1, 2014, the Marijuana Enforcement Division had issued 9,641 employee badges,⁹ which are required for everyone directly handling marijuana. These positions include retail assistants at dispensaries and trimmers and growers at cultivation facilities. New marijuana businesses also require lawyers, accountants, construction workers, electricians, landlords, security, insurance, transportation, and growing equipment suppliers.

On the first day of sales in Colorado, about half of the customers waiting in lengthy, orderly lines came from out-of-state. An online travel site noted that tourism to Denver is up about 10 percent since January 1.¹⁰ Increased tourism and the newly legal status of marijuana certainly are not hurting real estate, either. PricewaterhouseCoopers recently ranked Denver one of the top commercial real estate markets nationwide.¹¹ In fact, more families are moving to the Denver metro area, leading to a record-breaking number of single-family homes sold in 2013 (more than during the housing boom).¹² Even former opponents of legalization, such as the Denver Chamber of Commerce, have conceded that the legal marijuana industry has been an economic boon.¹³

Finally, a recent study by the University of Colorado – Denver, which had hypothesized that dispensaries would change the neighborhoods surrounding them for the worse and create more crime, actually found that medical marijuana dispensaries impacted neighborhoods no more than coffee shops. An older study from California found that crime actually decreases around medical marijuana centers, in part due to the increased security camera surveillance, as well as security guards at some shops.¹⁴ In fact, overall property crime rates for the four months since marijuana businesses began selling to adults 21 and over in Denver were down 11.4% from where they were during the same period last year; violent crime rates are down 5.6%.¹⁵

In conclusion, the legal marijuana market has already had a positive impact on Colorado by reducing the number of marijuana-related arrests, generating tens of millions in tax revenue in the first year alone, and boosting direct and collateral economic sectors.

⁹ Eli Stokols (2014). *Letter from Colorado: Welcome to America's Drug Laboratory*. [ONLINE] Available at: http://www.politico.com/magazine/story/2014/05/colorado-marijuana-americas-drug-laboratory-106624_Page3.html#.U3yyklhdUW1

¹⁰ Steven Perlberg (2014). *Ever Since Colorado Legalized Weed, There's Been A Big Spike In People Traveling To Denver*. [ONLINE] Available at: <http://www.businessinsider.com/denver-flights-marijuana-legalization-2014-1> [Last Accessed 24 February 2014]

¹¹ Dennis Huspeni (2014). *Denver ranks as a top 'market to watch' for commercial real estate*. [ONLINE] Available at: http://www.bizjournals.com/denver/blog/real_deals/2014/01/cre.html [Last Accessed 24 February 2014]

¹² Aldo Svaldi (2014). *Denver home sales break record set in housing boom*. [ONLINE] Available at: http://www.denverpost.com/business/ci_24873010/denver-home-sales-break-record-set-housing-boom?source=most_viewed [Last Accessed 24 February 2014]

¹³ James Higdon (2014). *Colorado pot laws help Mile-High City's appetite for real estate to grow even higher*. [ONLINE] Available at: http://features.blogs.fortune.cnn.com/2013/12/13/colorado-pot-laws-help-mile-high-citys-appetite-for-real-estate-to-grow-even-higher/?iid=SF_F_River [Last Accessed 24 February 2014]

¹⁴ John Hoefel (2011). *Study On Pot Shops Has A Twist*. [ONLINE] Available at: <http://articles.latimes.com/2011/sep/21/local/la-me-0928-marijuana-dispensaries-20110921> [Last Accessed 24 February 2014]

¹⁵ Denver Police Department, 2014 Crime Statistics and Maps, *Citywide Data — Uniform Crime Reporting*. [ONLINE] Available at: http://www.denvergov.org/Portals/720/documents/statistics/2014/UCR_Citywide_Reported%20Offenses_2014.pdf