



Legislative Fiscal Bureau

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March 10, 2023

TO: Senator Melissa Agard
Room 206 South, State Capitol

FROM: Sydney Emmerich, Fiscal Analyst

SUBJECT: Illinois Marijuana Tax Collections on Sales and Estimated Wisconsin Residents

At your request, this memorandum provides information regarding sales and excise taxes collected by Illinois on sales of marijuana (cannabis) to consumers. It also provides an estimate of the amount of taxes that are attributable to sales of cannabis made to Wisconsin residents.

The Illinois Department of Financial and Professional Regulation (IDFPR) collects various data regarding cannabis sales in Illinois. IDFPR publishes an Illinois Adult Use Cannabis Monthly Sales Figures report, which presents data on monthly sales made by Illinois dispensaries, and is provided as Attachment 1. As shown in Attachment 1, Illinois dispensaries made \$1,552.3 million in sales (not including tax revenue) of cannabis in calendar year 2022. Additional data provided by IDFPR indicates that \$239.7 million, or 15.4%, of those sales were generated by dispensaries located in counties bordering Wisconsin, which include Jo Daviess, Lake, McHenry, and Winnebago counties (Boone and Stephenson counties do not have any dispensaries). Of the sales made in counties bordering Wisconsin, \$121.2 million, or 50.6%, of these sales were to out-of-state residents. Relative to marijuana sales statewide, approximately 7.8% of total cannabis sales revenue in Illinois came from sales made to out-of-state residents in counties bordering Wisconsin in calendar year 2022.

Additionally, IDFPR is required by law to publish an annual report containing a number of different items, including the total number of dispensary licenses issued (by county), the total amount of revenues received from dispensing organizations, and an analysis of revenue generated from taxation of adult use (recreational) cannabis. For more information about dispensaries located along the Wisconsin border, see IDFPR's fiscal year 2022 annual report, which is provided as Attachment 2 to this memorandum.

Illinois imposes various taxes on the sale of cannabis. At the production level, a 7% cultivators tax is imposed on the gross receipts from the first sale of cannabis by a cultivator. At retail,

consumers pay both state and local sales and excise taxes on their purchases of cannabis from dispensaries. The state sales tax is imposed at a rate of 6.25%, and local sales tax rates vary by locality. The state excise tax is imposed at 10% or 25%, depending on the tetrahydrocannabinol (THC) content of the cannabis, or 20% if the product is infused with cannabis. Counties and municipalities may also impose local excise taxes on the sale of cannabis, and these rates vary by locality.

You asked for a breakdown of cannabis tax revenue between sales taxes and excise taxes imposed on sales of cannabis. Further, you requested an estimate of the portion of Illinois adult use cannabis taxes that are collected on sales to Wisconsin residents. This analysis assumes that all sales to out-of-state residents in counties bordering Wisconsin were made to Wisconsin residents, which are estimated to constitute 7.8% of total Illinois cannabis-related tax revenue. Under these assumptions, it is estimated that \$36.1 million of Illinois cannabis tax revenues in fiscal year 2022 were attributable to sales of cannabis made to Wisconsin residents. Actual fiscal year 2022 tax collection data reported by the Illinois Department of Revenue, estimated taxes paid by dispensaries located in counties bordering Wisconsin, and estimated taxes paid by Wisconsin residents are presented in the following table.

**Illinois State and Local Tax Collections on Adult Use Cannabis
Fiscal Year 2022
(\$ In Millions)**

	<u>Total Tax Collections</u>	<u>Estimated Tax Paid in Counties Bordering Wisconsin*</u>	<u>Estimated Tax Paid by Wisconsin Residents*</u>
Cannabis Cultivators Tax	\$31.2	\$4.8	\$2.4
State Cannabis Excise Tax	231.8	35.8	18.1
State Sales Tax	89.3	13.8	7.0
Local Sales Tax	37.3	5.8	2.9
Local Cannabis Excise Tax	<u>72.4</u>	<u>11.2</u>	<u>5.7</u>
Total	\$462.0	\$71.4	\$36.1

*The estimate of tax paid in counties bordering Wisconsin is based on 15.4% of total tax paid. The estimate of tax paid by Wisconsin residents is based on 50.6% of taxes paid in counties bordering Wisconsin.

Note that this estimate could be lower or higher than the actual amount of taxes paid by Wisconsin residents purchasing cannabis in Illinois based on several variables. It is possible that not all sales to out-of-state residents in counties bordering Wisconsin were made to Wisconsin residents. For example, two of the dispensaries included in this estimate are located in Jo Daviess County, which borders both Iowa and Wisconsin. A portion of sales at those dispensaries likely were made to Iowa residents. However, Wisconsin residents may purchase cannabis in Illinois counties other than those that border Wisconsin (such as in Cook County). Additionally, cannabis sales revenue may not be directly correlated with cannabis tax revenue. Some localities impose higher tax rates than others. As such, to the extent that local tax rates in the counties used in this estimate are higher

(or lower) than the state average tax rate on all cannabis sales, the estimate would be higher (or lower), respectively. Illinois excise taxes also vary by product. To the extent Wisconsin purchasers tend to consume cannabis products taxed at higher (or lower) rates relative to other consumers, actual taxes paid would also be higher (or lower).

I hope that this information is helpful. Please contact me if you have questions.

SE/bh

Attachments

ATTACHMENT 1



IDFPR

Illinois Department of
Financial and Professional Regulation

idfpr.illinois.gov

JB PRITZKER
Governor

MARIO TRETO, JR.
Secretary

Updated: March 2, 2023

Illinois adult use cannabis monthly sales figures

2023

Month	Items sold	In-state resident sales	Out-of-state resident sales	Sales total
January	3,079,621	\$91,820,903.30	\$36,117,116.55	\$127,938,019.85
February	2,911,925	\$89,724,533.02	\$30,764,036.89	\$120,488,569.91

2022

Month	Items sold	In-state resident sales	Out-of-state resident sales	Sales total
January	2,645,046	\$81,991,809.30	\$35,259,950.43	\$117,251,759.72
February	2,586,830	\$79,750,084.46	\$34,242,961.60	\$113,993,046.06
March	3,007,699	\$90,391,353.23	\$40,568,767.43	\$130,960,120.66
April	3,102,233	\$90,928,278.73	\$40,854,378.54	\$131,782,657.26
May	3,044,806	\$88,824,672.00	\$40,979,345.72	\$129,804,017.72
June	3,023,145	\$86,685,388.39	\$40,123,518.63	\$126,808,907.02
July	3,251,062	\$92,155,002.40	\$43,503,289.06	\$135,658,291.46
August	3,063,423	\$88,309,118.85	\$41,132,196.95	\$129,441,315.80
September	3,092,880	\$89,501,115.33	\$41,184,007.26	\$130,685,122.59
October	3,102,804	\$90,884,540.32	\$40,662,490.54	\$131,547,030.86
November	3,068,223	\$91,250,864.09	\$39,241,860.83	\$130,492,724.92
December	3,446,978	\$102,460,209.38	\$41,439,616.92	\$143,899,826.30
Totals:	36,435,129	\$1,073,132,436.48	\$479,192,383.91	\$1,552,324,820.37

ATTACHMENT 1 (continued)

2021

Month	Items sold	In-state resident sales	Out-of-state resident sales	Sales total
January	1,898,064	\$63,745,077.18	\$25,068,795.60	\$88,813,872.78
February	1,724,610	\$57,907,195.55	\$22,834,446.29	\$80,741,641.84
March	2,317,315	\$75,744,092.53	\$33,405,263.45	\$109,149,355.98
April	2,463,056	\$79,909,284.92	\$35,052,383.30	\$114,961,668.22
May	2,512,093	\$79,559,545.00	\$36,820,803.01	\$116,380,348.01
June	2,513,676	\$79,190,074.69	\$36,384,666.58	\$115,574,741.27
July	2,802,124	\$85,426,028.21	\$42,368,192.28	\$127,794,220.50
August	2,702,230	\$81,275,830.72	\$40,657,711.51	\$121,933,542.23
September	2,702,260	\$81,686,864.69	\$40,030,844.82	\$121,717,709.51
October	2,757,354	\$81,212,423.15	\$42,162,949.29	\$123,375,372.44
November	2,769,211	\$81,722,303.46	\$39,026,643.26	\$120,748,946.72
December	3,180,944	\$95,634,565.57	\$42,363,394.54	\$137,896,859.11
Totals:	30,342,937	\$943,013,285.67	\$436,176,093.93	\$1,379,088,278.61

2020

Month	Items sold	In-state resident sales	Out-of-state resident sales	Sales total
January	972,045	\$30,611,632.22	\$8,636,208.61	\$39,247,840.83
February	831,600	\$25,615,371	\$9,189,701.01	\$34,805,072.01
March	812,203	\$27,096,931.23	\$8,805,611.99	\$35,902,543.22
April	818,954	\$29,735,650.41	\$7,524,847.47	\$37,260,497.89
May	989,179	\$34,095,756.45	\$10,221,629.26	\$44,317,385.72
June	994,545	\$35,256,165.45	\$12,390,271.80	\$47,646,437.25
July	1,270,063	\$44,749,787.69	\$16,207,193.72	\$60,956,981.41
August	1,359,311	\$46,749,971.04	\$17,213,875.86	\$63,963,846.90
September	1,426,166	\$49,790,699.44	\$17,857,662.70	\$67,648,362.14
October	1,557,880	\$54,708,538.09	\$20,569,662.06	\$75,278,200.15
November	1,556,817	\$54,536,551.74	\$20,662,793.59	\$75,199,344.33
December	1,896,941	\$63,490,405.77	\$23,367,492.50	\$86,857,898.27
Totals:	14,485,704	\$496,437,460.53	\$172,646,950.57	\$669,084,410.12

**These figures do not include taxes collected. Those figures will come from the Illinois Department of Revenue.*

2022 ANNUAL CANNABIS REPORT

Illinois Department of Financial
and Professional Regulation



Vaughn G. Bentley | Cannabis Control Section

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SUMMARY

As the regulator for dispensaries licensed under the Cannabis Regulation and Tax Act, the Illinois Department of Financial and Professional Regulation (IDFPR) is charged with overseeing the licensing and enforcement of dispensaries in a way that is fair and equitable while also following state statute. During FY2022, the Department expanded its staff and continued to improve its processes to fulfill this mission. Additionally, at the end of FY2022, the court order enforcing the stay on issuing 185 new Conditional Adult Use Dispensing Organization Licenses was lifted.

Already in FY2023, the Department has issued all 185 of the Conditional Adult Use Dispensing Organization Licenses. This represents an unprecedented expansion of the cannabis market and includes only Social Equity Applicants, providing further diversity to the market. This expansion has already created new opportunities and innovations to Department processes.

For individuals, the Department has processed more applications and granted more new licenses to agents, agents-in-charge, and principal officers than ever before. The Department is on track to issue even more of these licenses in FY2023, creating a wealth of new jobs in Illinois in an ever-expanding industry.

Finally, the Department began and continued important work in FY2022 to bring new innovations to the market. The Department continues to march forward with a new Seed-to-Sale system for the state within input from key stakeholders at other agencies, continued to work to begin the first disparity study, and has started exploring digital identification badges to further reduce barriers for new dispensaries entering the market for the first time. The Department looks forward to continuing on this path of innovation and equity in FY2023 and continuing to have the most equitable cannabis program in the country.

FY2022 ACCOMPLISHMENTS

The Department accomplished quite a bit over Fiscal Year 2022. We are proud to share the following accomplishments from the last fiscal year:

- The stay on the 185 Conditional Licenses issued in state court was lifted, allowing the first social equity applicants to begin the process of obtaining their licenses
- The Department collected a total of \$7,168,200 from all cannabis sources, which can be used to fund the program moving forward
- Renewals for both Adult Use and Medical Cannabis Dispensing Organizations has been automated and put online, eliminating the need for printed documents that could total up to 500 pages per renewal
- Both the Adult Use and Medical Cannabis programs at IDFPR have become more cohesive and standardized across the board leading to greater efficiency in processing applications, conducting inspections, and responding to inquiries
- The Adult Use and Medical Cannabis programs have been unified under a single Deputy Director of Cannabis Control allowing for consistency in the administration of both programs
- Forms have been simplified and combined between the Adult Use and Medical Cannabis programs to cut down on confusion and allow quick, reliable access for dispensaries and consumers alike
- Dispensaries are able to print their licenses on demand, allowing quick and easy access in the event a new copy of the license is needed
- Applications have been simplified and placed in the online portal, expanding access and allowing for a faster turnaround on processing
- Communication channels between the Department and the industry have been improved and strengthened, allowing for more collaboration
- Administrative processes, including badge terminations, renewals, and licensing have been streamlined for greater efficiency
- Functions that can be automated have been, reducing the amount of time spent on tasks from days to mere minutes
- Confirmation of both the Secretary of the Department and the Director of the Division of Professional Regulation by the Senate

FY2023 GOALS

Summary

For FY2023, the Department has set out some ambitious goals as it relates to the Adult Use Cannabis Program. First and foremost, the Department intends to issue at least 185 new Adult Use Dispensing Organization Licenses, all of which qualify as social equity applicants. To complement these 185 new Adult Use Dispensing Organizations, the Department intends to continue to add to its staff to ensure each licensee is properly inspected and regulated. Finally, the Department intends to implement a new “Seed to Sale” system and work with the Cannabis Regulation Oversight Office to begin the first disparity study.

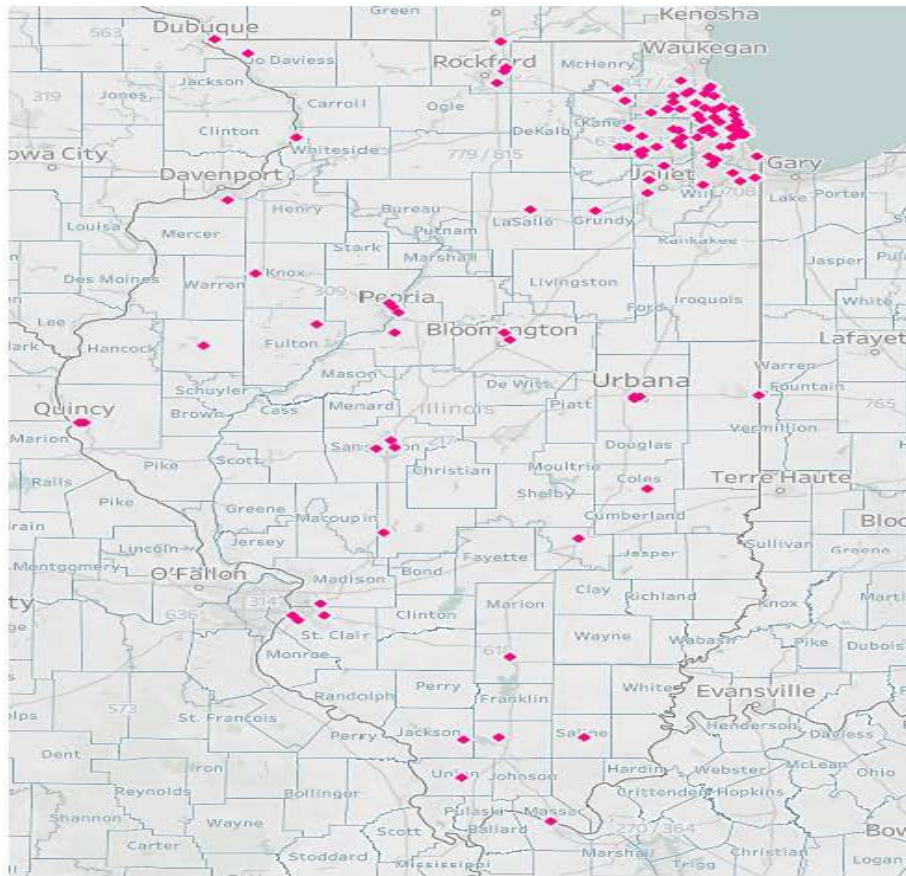
IDFPR FY2023 Goals

1. Issue at least 185 new Adult Use Dispensing Organization Licenses
2. Continue to add staff
3. Implement a new “Seed to Sale” program
4. Begin the first disparity study of the cannabis industry in Illinois

IDFPR FY2023 Essential Projects

1. Explore digital badging of all agents, agents-in-charge, and principal officers to reduce costs on both the Department and licensees
2. Implement a new “Seed to Sale” program that has been modernized to better serve the people of Illinois
3. Issue new rules under the CRTA that align with the CRTA’s equitable missions and goals

All Current Dispensing Organizations



Social Equity Applicant-Owned or MBE-Owned Dispensing Organizations

Below are the total number of dispensing organization owners that are Social Equity Applicants or minority persons, women, or persons with disabilities as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, as required by Section 55-80(a)(2) of the CRTA, below. This data represents dispensaries currently open, more data about the conditional licenses is presented later in this report.

0 licenses majority owned by Social Equity Applicants	1 licenses majority owned by women	0 licenses majority owned by people of color	0 licenses majority owned by persons with disabilities
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The Department can also present the following data across the Illinois cannabis market, including cultivation centers and transporters:

Illinois Adult-Use Cannabis Market by Race and Ethnicity						Adult-Use Cannabis Market by Gender			
	White	Black	Hispanic	2+ Races	Other		Men	Women	Nonbinary*
Majority Owners	88%	1%	1%	0%	9%	Majority Owners	82%	18%	0%
Minority Owners	71%	0%	13%	2%	13%	Minority Owners	71%	29%	0%
Board of Directors	90%	6%	2%	1%	1%	Board of Directors	83%	17%	0%
C-Suite Executives	80%	5%	5%	1%	13%	C-Suite Executives	71%	27%	0%
Senior Managers	70%	8%	4%	2%	17%	Senior Managers	57%	38%	1%
Middle Managers	55%	7%	3%	2%	34%	Middle Managers	50%	31%	1%
Frontline Employees	49%	10%	5%	3%	33%	Frontline Employees	42%	32%	1%
Frontline Part-Time	47%	11%	10%	3%	30%	Frontline Part-Time	39%	51%	1%
Illinois - Statewide	61%	15%	18%	2%	6%	Illinois - Statewide	49%	51%	--

Demographics of owners, directors, and C-Suite executives are provided for each firm regardless of Illinois residency, while the demographics of managers and employee are provided only for the cannabis workforces within the state. The statewide demographics are based on the U.S. Census 2020 estimates. Note that "Other" may include other races that were infrequently mentioned or where race was unknown, and that Hispanic follows the U.S. Census' ethnicity categorization so that Black percentage includes Hispanic (i.e., 61% identified White, non-Hispanic; 15% Black, both Hispanic and non-Hispanic).

³U.S. Census, Table V2019, American Community Survey Community Estimates for 2019, available at: <https://www.census.gov/quickfacts/IL>.

* Nonbinary questions were intended to count gender identity for those who do not identify as male or female, particularly those who identify as transgender and gender non-conforming (TGNC).

Changes in Dispensing Organization License Ownership and Location

In addition to issuing and renewing licenses, the Department also approves changes in ownership and location for all dispensing organizations. The number of licenses issued, transferred, and approved for a change in location in FY2022, FY2021, and FY2020 can be found below.

17 licenses

issued in FY2022

17 licenses

transferred in FY2022

7 licenses

changed location in FY2022

While the Department anticipated issuing additional licenses in FY2022, due to litigation related delays those licenses were not issued until FY2023

110 licenses

issued in FY2021

15 licenses

transferred in FY2021

0 licenses

changed location in FY2021

58 licenses

issued in FY2020

Adult Use Dispensary Licensing Process and Timeline

As of June 30, 2022, the Department was unable to issue licenses related to the lotteries held in June, July, and August of 2021. Those licenses will be issued in FY2023, beginning in July with the majority being completed by August 30, 2023. Already 190 new Conditional Adult Use Dispensing Organization Licenses have been issued in FY2023 with all Conditional Adult Use Dispensing Organization Licenses being scheduled to be converted into Adult Use Dispensing Organization Licenses in FY2023. This represents an increase of over 100% of new licenses. In FY2022, the Department continued the application process started in FY2020 by holding lotteries for Qualifying Applicants, Social Justice Applicants, and Tied Applicants, selecting 185 entities to receive licenses. These 185 entities were the first social equity applicants to be selected in the history of the program. In the beginning of FY2023 the court order staying the issuance of these 185 licenses was lifted and the Department has issued 185 conditional licenses under the lotteries held in 2021 and 5 additional conditional licenses from corrective lotteries held in 2022.

2,069

applications qualified for the
Qualified Applicant Lotteries

1,859

applications qualified for the
Social Equity Justice Involved
Lotteries

705

applications qualified for the
Tied Applicant Lotteries

185 awardees*
majority owned by
Social Equity
Applicants

26 awardees
majority owned by
women

59 awardees
majority owned by
people of color

0 awardees
majority owned by
persons with
disabilities

*This data only reflects the lotteries held in the summer of 2021 and does not include the corrective lotteries.

Dispensing Organization Agent, Agent-in-Charge, and Principal Officer Badging

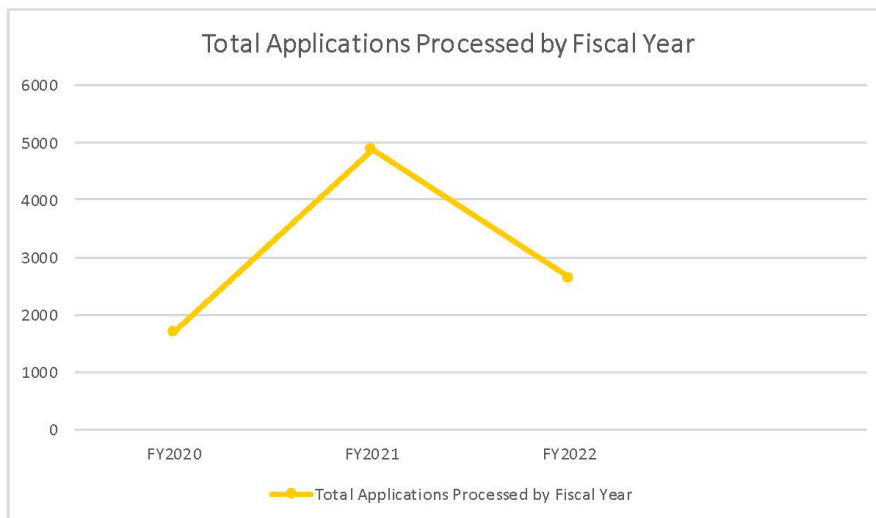
Below, please find summary-level figures on Department action taken on agent, agent-in-charge, and principal officer badges in FY2022.

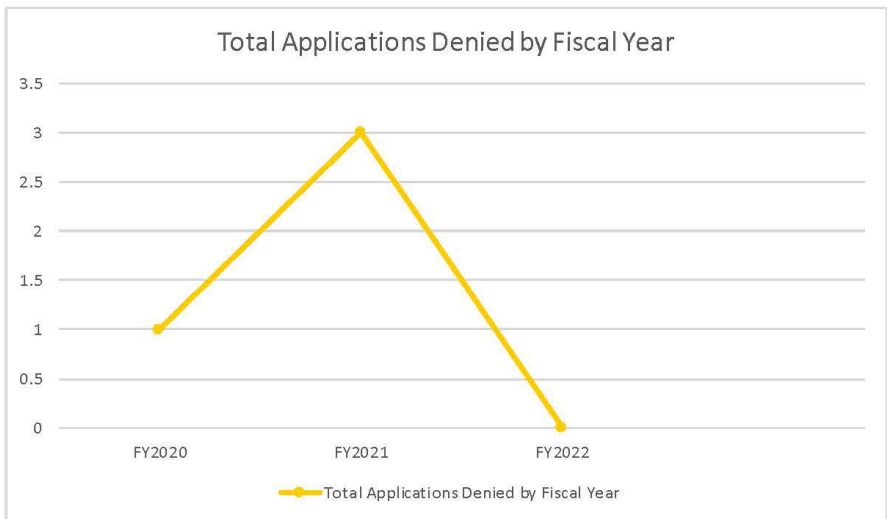
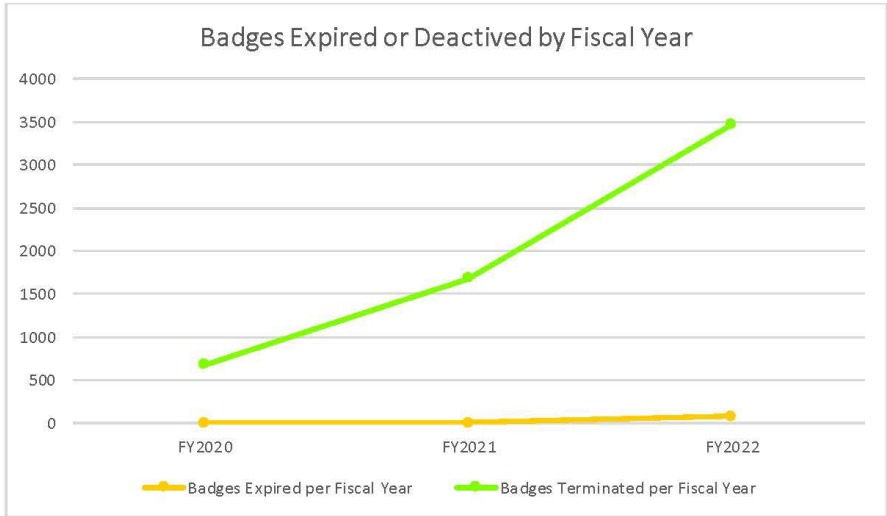
2,647
total applications
processed

81
total badges expired

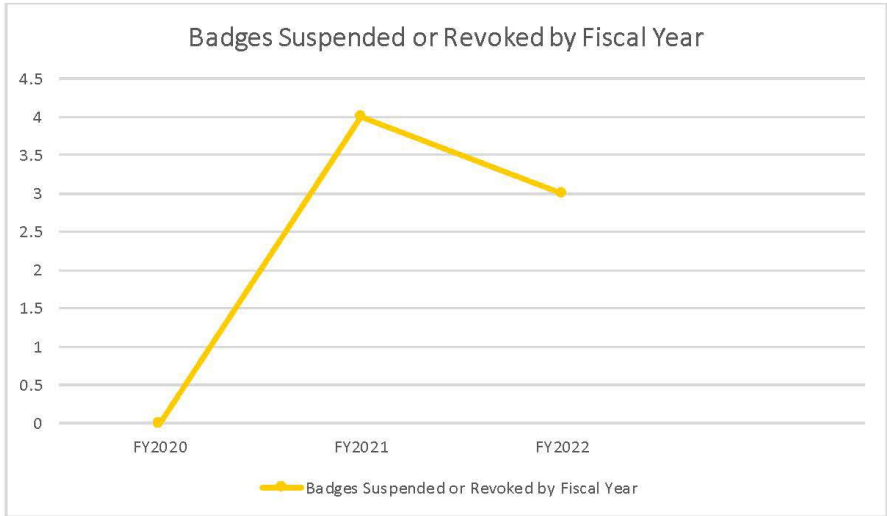
0
total applications
denied

3
total badges
suspended or revoked





The Department generally only denies applications due to a failure to respond by the applicant when additional information is requested on potential violations of the CRTA.



Dispensing Organization Employee Diversity*

11% of employees
identified as people of color

56% of employees
identified as women or non-binary

3.5% of employees
identified as disabled

*Information based on Survey responses from 1,968 dispensary employees.

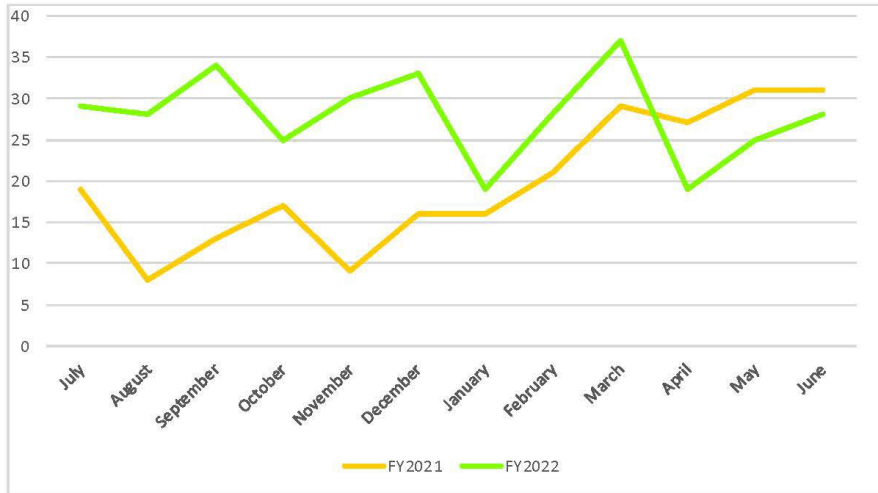
Dispensing Organization Inspections and Inspection Staff

256 inspections

conducted in FY2021

337 inspections

conducted in FY2022



As the Department continued to add enforcement staff, the number of inspections per month was able to increase as seen above. Currently, dispensaries are inspected multiple times per year to ensure compliance.

5 inspectors

in FY2020

9 inspectors

in FY2021

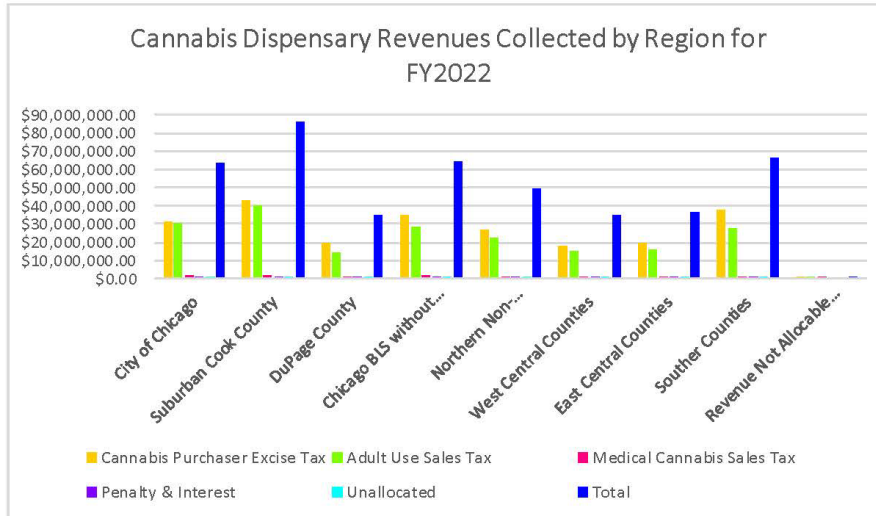
10 inspectors

in FY2022

The Department continues to grow its staff of inspectors and looks forward to continuing to grow in FY2023.

Total Revenue from Dispensing Organizations by County

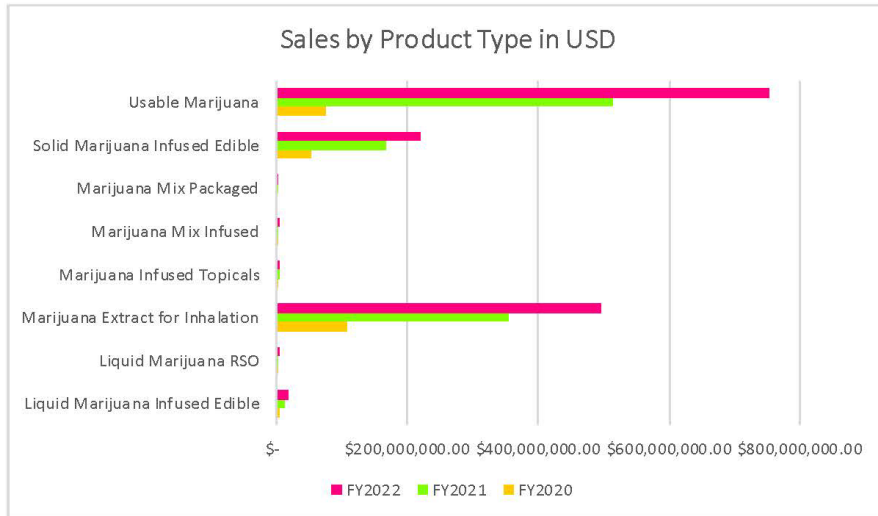
Find the total number of revenues received from dispensing organizations, segregated from revenues received from dispensing organizations under the Compassionate Use of Medical Cannabis Program Act by county, separated by source of revenue, as required by Section 55-80(a)(3) of the CRTA, below.



\$406,882,867.57	\$1,196,347,747.49	\$1,504,067,158.95
FY2020 total dispensary sales	FY2021 total dispensary sales	FY2022 total dispensary sales

Statewide Sales by Product Type

Find annual adult use dispensary sales by product type for FY2020, FY2021, and FY2022 below.



Total Revenue from Dispensing Organizations Sharing Premises or Ownership with a Craft Grower

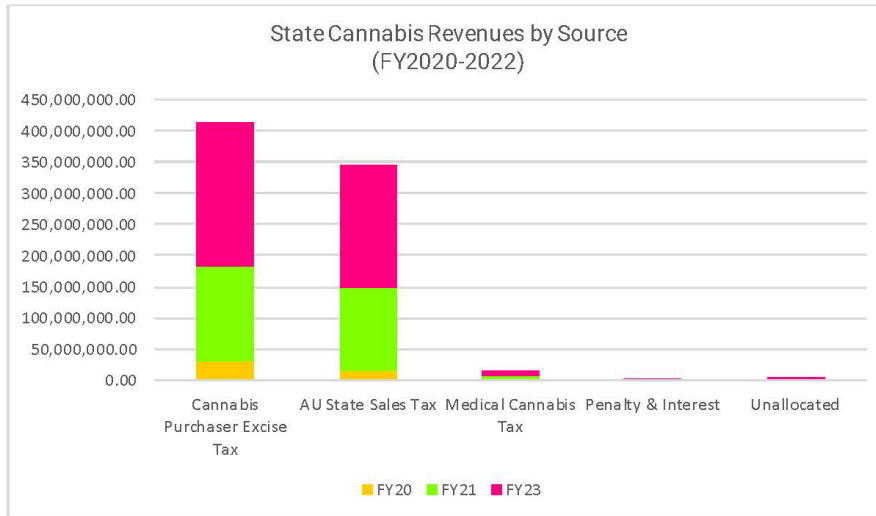
No Dispensing Organizations share premises with a Craft Grower for FY2022.

Total Revenue from Dispensing Organizations Sharing Premises or Ownership with an Infuser

No Dispensing Organizations share premises with an Infuser for FY2022.

Total Revenue from Taxation, Licensing, and Other Fees

Find an analysis of revenue generated from taxation, licensing, and other fees for the State, as required by Section 55-80(a)(6) of the CRTA, below.



\$49,460,287.70

FY2020 total dispensary State tax revenue

\$293,862,839.67

FY2021 total dispensary State tax revenue

\$435,105,007.88

FY2022 total dispensary State tax revenue

IDFPR Tax Rate Recommendations

Under Section 55-80(a)(6) the Department is required to include any recommendations for changing the tax rate applied to sales of adult use cannabis in its annual report. At this point in time, the Department does not have a recommendation as it relates to the tax rate applied to the sales of adult use cannabis.