INSIGHTS REPORT

The most important policy developments that could affect legal cannabis markets and businesses

April 7, 2025

STRATEGIES 64
Cannabis Policy Adviser

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About this Report

The Strategies 64 Cannabis Policy Adviser *Insights Report* is published monthly, typically the first Monday unless otherwise notified. It covers notable policy, political, and industry developments that could affect legal marijuana markets and businesses. Each edition includes:

- a feature section, providing a timely, deeper dive into one or more current events or policy matters; and
- concise overviews of developments we have been watching over the past 30 days, along with brief analysis and insights.

The content in this edition is current as of April 7, 2025.

Hemp Reports Available

S64 also offers ongoing coverage of hemp policy and industry developments, including detailed tracking of state legislative action, regulatory action, and licensing opportunities. Contact us for more information about the monthly CPA *Hemp Report* and our annual CPA *Hemp Products Report*.

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Feature

Cannabis Tax Policy Update

Taxing Cannabis

- Legal adult-use and medical cannabis markets generated at least ***$3.87 billion*** in state tax revenue in 2024. Taxes on adult-use cannabis alone have generated more than $20 billion in state tax revenue since sales commenced in 2013, according to the Marijuana Policy Project.

- Cannabis tax structures are often complex and vary significantly from state to state and locality to locality. Taxes are generally based on potency, weight, canopy size, or as a percentage of price. Some taxes are collected from consumers at the point of sale, while others are applied to operators at the production or wholesale levels.

    - States often have a combination of different taxes that apply to each product. These multilayered tax regimes can add up quickly, dramatically increasing the cost of cannabis for consumers and making it harder for businesses to be financially viable.

- Several state cannabis markets are at critical junctures, with falling cannabis prices resulting in declining tax revenue. Nevertheless, several governors have proposed increases to cannabis taxes this year, and many policymakers continue to view cannabis as a source of revenue that is less controversial than increasing taxes on other products or activities. This comes at a time when many operators can least afford it, making it increasingly difficult to compete with illicit actors and unregulated, untaxed products

Key Trends in Cannabis Tax Policy

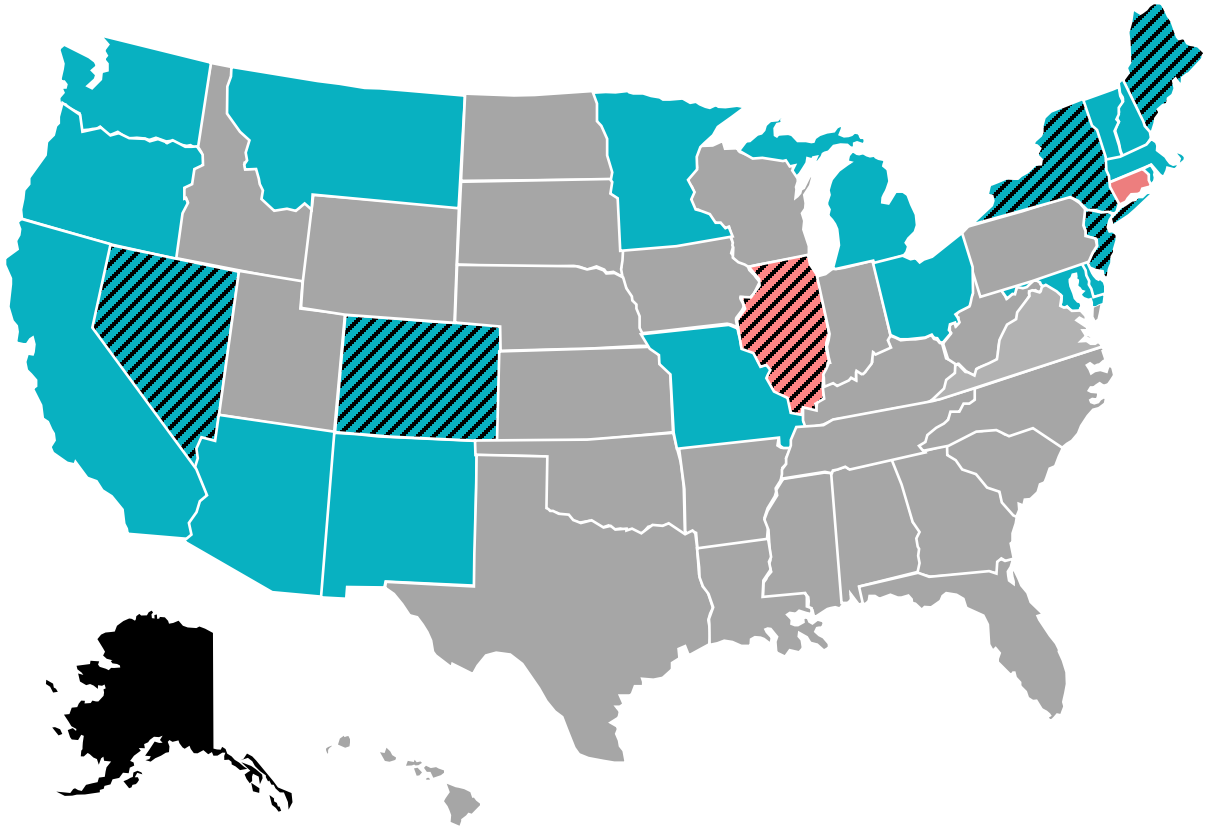
- Tax revenue is shrinking in the more mature adult-use markets.
- States are moving towards more simplistic tax models and away from production and potency taxes.
- New adult-use markets are adopting lower tax rates than early adult-use states.
- Local governments are significantly increasing the overall tax burden on consumers and businesses.

State Taxes on Adult-use Cannabis

19 states impose cannabis-specific taxes on retail sales

Rates displayed include general state sales taxes, where applicable

- Arizona (21.6%)
- California (22.3%)
- Colorado (15%)
- Delaware (15%)
- Maine (10%)
- Maryland (9%)
- Massachusetts (17%)
- Minnesota (16.9%)
- Missouri (10.225%)
- Montana (20%)
- Nevada (16.9%)
- New Jersey (6.625%)
- New Mexico (16.9%)
- New York (13%)
- New York (13%)
- Ohio (15.8%)
- Oregon (17%)
- Rhode Island (17%)
- Vermont (20%)
- Washington (43.5%)



7 states impose taxes at the production/wholesale level

- Alaska ($50/oz flower)
- Colorado (15% wholesale)
- Illinois (7% wholesale)
- Maine ($335/lb flower)
- Nevada (15% wholesale)
- New Jersey ($1.52/oz)
- New York (9% wholesale)

2 states impose taxes based on potency

Both states also apply general state sales taxes to retail sales

- Connecticut ($0.00625/mg THC in flower; $0.0275/mg THC in edibles)
- Illinois (10% on retail sale if ≤ 35% THC; 25% if > 35% THC; 20% for cannabis-infused products)

State Taxes on Medical Cannabis

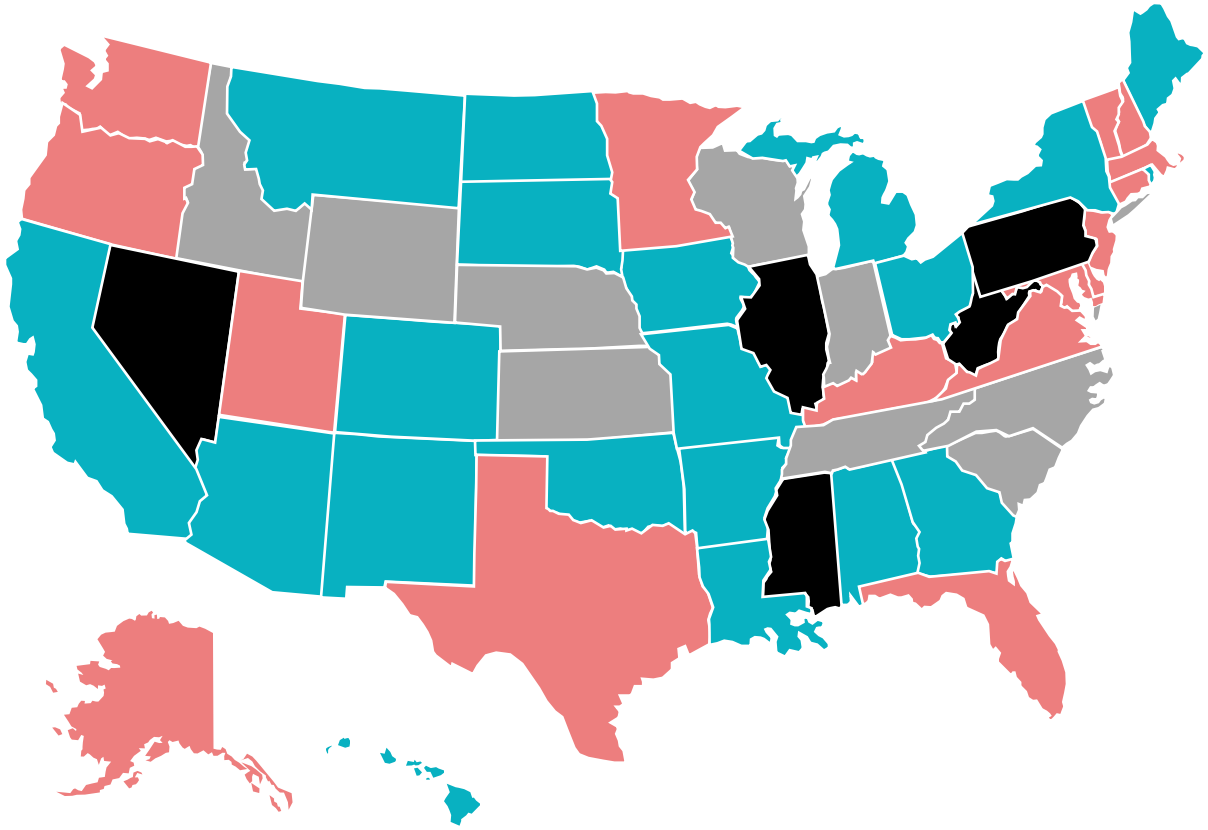
16 states do not tax medical cannabis

Alaska and New Hampshire do not impose a state sales tax on any goods

- Alaska
- Connecticut
- Delaware
- Florida
- Kentucky
- Maryland
- Massachusetts
- Minnesota
- New Hampshire
- New Jersey
- Oregon
- Texas
- Utah
- Virginia
- Vermont
- Washington

23 states apply general sales and/or excise taxes to retail sales

- Alabama (9%)
- Arizona (5.6%)
- Arkansas (10.5%)
- California (15%)
- Colorado (2.9%)
- Georgia (4%)
- Hawaii (4.5%)
- Illinois (1%)
- Iowa (6%)
- Louisiana (7%)
- Maine (5.5%; 8% on edibles)
- Michigan (6%)
- Mississippi (7%)
- Missouri (4%)
- Montana (4%)
- Nevada (6.85%)
- New Mexico 5.125%)
- New York (3.15%)
- North Dakota (5%)
- Ohio (5.75%)
- Oklahoma (11.5%)
- Rhode Island (7%)
- South Dakota (4.5%)



5 states impose taxes at the production/wholesale level

- Illinois (7% cultivation)
- Mississippi (5% cultivation)
- Nevada (15% wholesale)
- Pennsylvania (5% wholesale)
- West Virginia (10% wholesale)

State Cannabis Tax Revenue in 2024

Cannabis tax revenue is often earmarked for key funding priorities, such as education, public health, infrastructure, and law enforcement. Many states also dedicate revenue to social equity programs that benefit individuals and communities that were unduly harmed by prohibition policies.

State	FY2024 Tax Revenue
Alaska	$27,251,831 (AU)
Arizona	$50,210,470 (MED/AU)
Arkansas	$30,500,000 (MED)
California	$1,009,294,380 (MED/AU)
Colorado	$255,364,952 (MED/AU)
Connecticut	$20,509,089 (AU)
Delaware	Data unavailable
Florida	Data unavailable
Georgia	Data unavailable
Hawaii	$2,937,877 (MED)
Illinois	$457,284,195 (MED/AU)
Louisiana	$1,184,000 (MED)

State	FY2024 Tax Revenue
Maine	$53,749,771 (MED/AU)
Maryland	$63,762,873 (AU)
Massachusetts	$272,000,000 (AU)
Michigan	$331,000,000 (MED/AU)
Minnesota	Data unavailable
Mississippi	$1,653,000 (MED)
Missouri	$244,900,000 (AU)
Montana	$51,789,916 (MED/AU)
Nevada	$120,537,308 (MED/AU)
New Jersey	$61,019,060 (MED/AU)
New Mexico	$32,700,000 (MED/AU)
New York	$50,760,000 (MED/AU)

State	FY2024 Tax Revenue
North Dakota	$1,121,000 (MED)
Ohio	Data unavailable
Oklahoma	$51,007,322 (MED)
Oregon	$150,898,047 (AU)
Pennsylvania	$33,184,000 (MED)
Rhode Island	$15,021,019 (AU)
South Dakota	Data unavailable
Texas	Data unavailable
Utah	Data unavailable
Vermont	$19,494,476 (AU)
Washington	$453,860,000 (AU)
West Virginia	$9,540,000 (MED)

Figures do not include revenue from local taxes on legal cannabis. Due to lack of publicly available data, tax revenue associated with medical cannabis in Louisiana, Mississippi, Pennsylvania, and West Virginia was gathered from the U.S. Census Bureau's experimental data set. Due to data limitations, revenue figures for California, Colorado, Missouri, New Mexico, and Vermont are based on calendar year, not fiscal year.

States with Highest Cannabis Tax Revenue Per Capita
(FY2024)

State	Tax Revenue Per Capita
Washington	$57
Montana	$46
Colorado	$43
Missouri	$39
Maine	$38

States with Lowest Cannabis Tax Revenue Per Capita
(FY2024)

State	Tax Revenue Per Capita
Louisiana	$0.3
Mississippi	$1
North Dakota	$1
Hawaii	$2
New York	$3

States with Largest Increases in Cannabis Tax Revenue
(FY2023 to FY2024)

State	Percentage Change
Connecticut	+339%
New York	+295%
Missouri	+131%
Mississippi	+61%
West Virginia	+58%

States with Largest Decreases in Cannabis Tax Revenue
(FY2023 to FY2024)

State	Percentage Change
Nevada	-9%
Alaska	-8%
California	-7%
Colorado	-7%
Arkansas	-5%

Key Trend: Tax revenue shrinking in older adult-use markets

- Tax revenues from legal cannabis sales are leveling off and declining in many of the states that were first to legalize adult-use cannabis, such as Alaska, California, Colorado, Nevada, and Washington. This is being driven by several factors, but most notably oversupply and falling prices.

- The three states with the largest decreases in cannabis tax revenue have a production tax.

    - In **Colorado**, where adult-use sales began in 2013, revenue from its wholesale tax decreased about 12% ($6 million) from CY2023 to CY2024. From January 2022 to January 2025, the state-determined Average Market Rate (AMR) dropped more than 30% for bud, about 43% for trim, 80% for trim allocated for extraction, and 36% for wet whole plant.

    - In **Nevada**, where adult-use sales began in 2017, revenue from its wholesale tax decreased 17% ($9 million) from FY2023 to FY2024.

    - In **Alaska**, revenue from its weight-based production tax decreased 6% ($1.7 million) from FY2023 to FY2024.

- Some older medical markets that have yet to enact adult-use laws are also struggling with reduced prices and a corresponding decrease in tax revenue.

    - In **Pennsylvania**, where medical sales began in 2018, the average price of a gram of flower fell 12% in the last year.

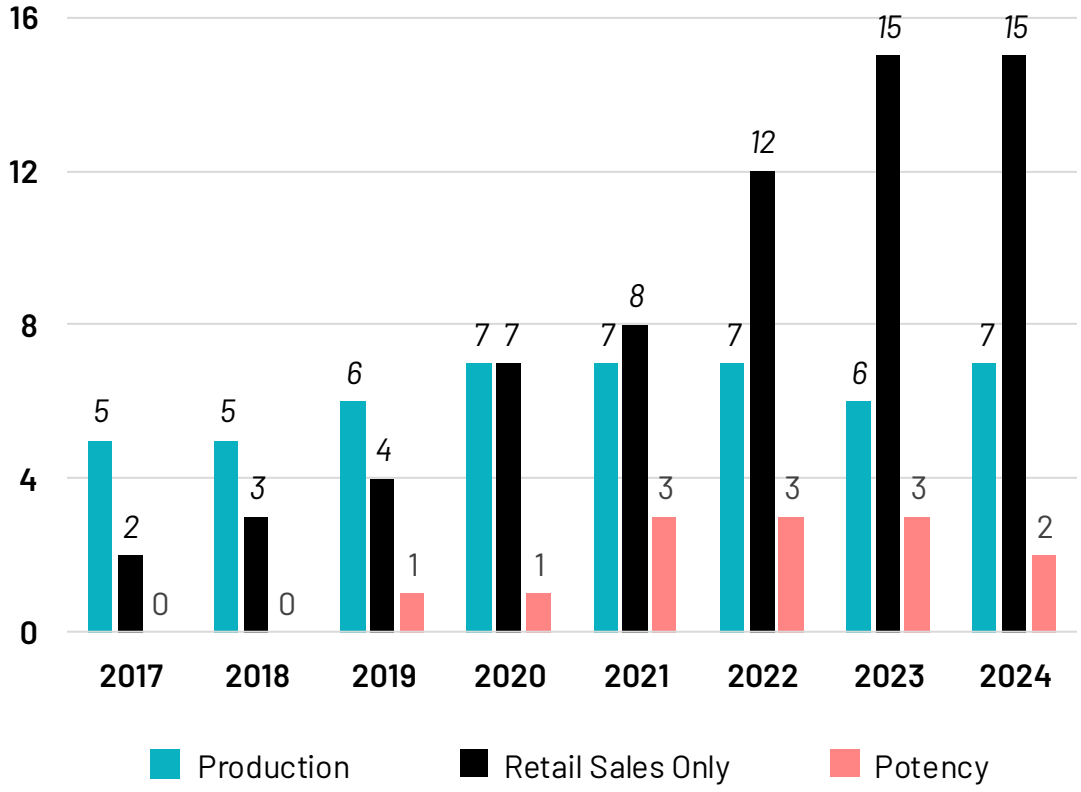
States with Decreasing Cannabis Tax Revenue
(FY2023 to FY2024)

State	YOY Change in Tax Revenue
Nevada	-9%
Alaska	-8%
Colorado	-7%
California	-7%
Arkansas	-5%
Washington	-2%
Oklahoma	-2%
Pennsylvania	-2%
Arizona	-0.3%

Key Trend: States moving towards simpler retail taxes, away from production and potency taxes

- New adult-use markets continue to impose taxes at the retail level, but they are foregoing more complex tax schemes, such as production and potency taxes.
    - All seven states that have created adult-use markets since 2021 opted to impose taxes only at the retail level.
    - Only one state has implemented a production tax since 2020: **New York**, which established it to replace a potency tax.
    - No state has created a new potency-based tax since 2021.
- Production and potency taxes are calculated differently from state to state, which increases complexity for businesses:
    - **Connecticut** taxes retail purchases based on products' total THC levels ($0.00625/mg for flower; $0.0275/mg for edibles), while **Illinois** applies specific tax rates to retail sales of products that meet certain potency thresholds (10% on retail sales of products with ≤ 35% THC; 25% on products with > 35% THC; 20% for cannabis-infused products).
    - **Alaska** and **Maine** base production taxes purely on product weight, while **Colorado** and **Nevada** base them on average market rate determined by the state.

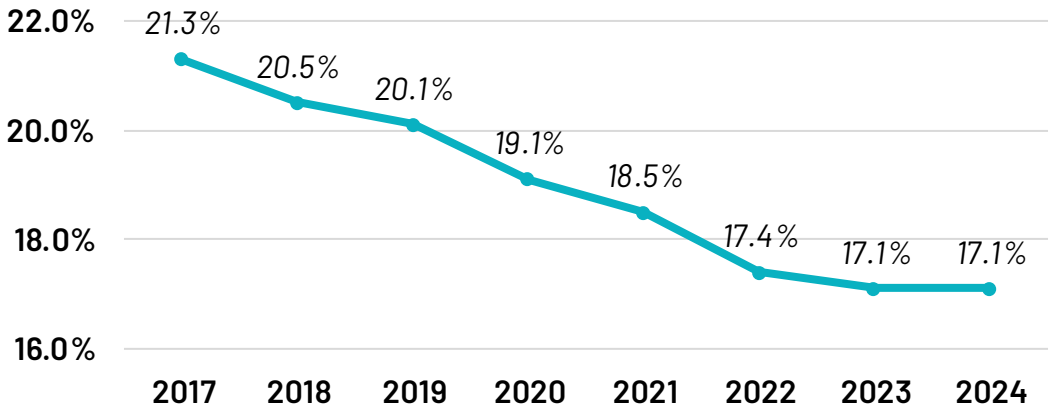
Number of States with Common Adult-use Tax Structures



Key Trend: New adult-use markets imposing lower sales tax rates than older markets

- The average state tax rate on adult-use cannabis retail sales has steadily decreased since 2017.
- Many of the the newest adult-use markets are implementing some of the lowest retail sales tax rates. Four of the five lowest are in states that legalized adult-use cannabis in 2022 or later.
- This decline may be leveling out, and tax rates could rise again. Some adult-use markets have increases scheduled for the near future:
    - **California** – The state tax on cannabis retail sales is scheduled to increase from 15% to 19% this summer.
    - **Maryland** – While the state budget still needs to be finalized, the Senate and House versions both include increasing the cannabis sales tax from 9% to 12% beginning in FY2027.
    - **New Mexico** – The state's current 12% cannabis sales tax will increase annually by 1% until it reaches 18%.

Average State Tax Rate on Adult-use Retail Sales



Lowest and Highest State Tax Rates on Adult-use Retail Sales

State	Year Legalized	Tax Rate	
Maryland	2022	9%	Five Lowest
Missouri	2022	10.225%	
New York	2021	13%	
Delaware	2023	15%	
Ohio	2023	15.75%	
Montana	2020	20%	Five Highest
Arizona	2020	21.6%	
California	2016	22.3%	
Illinois	2019	31.5%	
Washington	2012	43.5%	

Key Trend: Localities adding to tax burden on consumers and businesses

- Many local governments impose their own cannabis-specific taxes and general sales taxes on top of state taxes. This can significantly increase final retail prices, making overall taxes higher than they might seem in markets with lower state tax rates.
    - **Missouri** attempted to enact a consumer-friendly tax policy, setting a nationwide low 6% excise tax on cannabis retail sales (in addition to its 4.225% general state sales tax). Cities and counties then added their own 3% taxes, sometimes stacking them on top of one another to bring the total tax rate to over 16% in some locations. A state appeals courts has since ruled counties can only levy their 3% taxes in unincorporated areas, and the case has been appealed to the Missouri Supreme Court.

How Local Taxes Can Significantly Boost Overall Tax Rates

	State Taxes	Local Taxes	Effective Tax Rate
Los Angeles, California	15% – cannabis sales tax 7.25% – general sales tax	10% – cannabis sales tax 2.25% – general sales taxes	**34.5%**
Denver, Colorado	15% – cannabis sales tax	5.5% – cannabis sales tax 6.25 – general sales taxes	**26.75%**

Why It Matters and What's Next

- Several governors from both major political parties have recently initiated pushes to increase cannabis taxes. Like many legislators, they appear to view cannabis-specific taxes as a potentially reliable source of revenue that will be more popular (or less unpopular) than creating new taxes or increasing taxes on other goods and services. Governors are proposing cannabis tax increases for the following reasons:
    - **Impending budget deficits** – **Maine** faces a budget deficit of $450 million over the next two years, **Maryland** faces a budget deficit of $3B in FY 2026, and **New Jersey** faces a $3.8B deficit in FY 2026
    - **Funding plans and programs** – **Michigan** is trying to fiscally balance a $3B statewide infrastructure reform plan, while **Ohio** is attempting to fund new state programs that would not be fully covered by modest recent gains in state revenue.
- Cannabis taxes are becoming overly burdensome on consumers and businesses. Continuing to increase them may push consumers to seek less expensive products in the illicit market or intoxicating hemp space. This loss of customers, along with taxes imposed directly on operators, may be too much for businesses to bear in an already challenging financial environment.
- Some policymakers recognize this problem, and bills have been filed in several states this year to significantly reduce cannabis taxes or prevent scheduled tax increases from taking effect.
    - **Alaska** – HB 91 would decrease the current production tax rate from $50 per ounce to $12 per ounce.
    - **California** – AB 564 would repeal the biennial adjustment of the cannabis excise tax rate, maintaining its current 15% retail rate
    - **Nevada** – AB 307 would eliminate the wholesale excise tax on cannabis but increase the retail excise tax rate from 10% to 14.25%.
    - **New Mexico** – SB 89 would remove the planned annual excise tax increases and keep the flat rate of 12%.

What We're Watching

Pennsylvania: New adult-use legalization proposal expected in House

What's Happening

- House Health Committee Chair Dan Frankel is prepared to introduce a new adult-use legalization bill.
- Notable provisions:
  - **State-run stores** – Requires adult-use sales occur in state-run stores rather than private businesses.
  - **Medical businesses not guaranteed licenses** – Existing medical operators are not eligible for retail licenses and need to reapply and be accepted for licensure for cultivation and/or processing in the adult-use market.
  - **Merit-based licensing for large businesses, lottery for others** – Large cultivators and processors will be selected through a merit-based system, with social equity applicants receiving extra points. Smaller growers, smaller processors, and on-site consumption licenses will be awarded through a lottery, with the first lottery round limited to social equity applicants.
  - **Strictest potency caps in the country** – Implements a 25% THC limit on flower and a 40% THC limit on concentrates.

Why it Matters

- Frankel's bill is a significant departure from other adult-use cannabis proposals under discussion in Pennsylvania, which is expected to be a lucrative new market. By limiting sales to state-run stores, it relies on a legally untested approach that raises concerns about its direct conflicts with federal law.

Why it Matters (cont.)

- Other states soundly rejected state-run store proposals over concerns about marijuana's federal illegality and their potential to be preempted by federal law. New Hampshire, Utah, Virginia, and Vermont all concluded that employees could be prosecuted under federal drug laws for directly possessing and selling marijuana. The New Hampshire attorney general's office also noted that monies related to the sale of marijuana could be seized by federal authorities, and others have speculated that the state government could encounter banking and payment processing problems that have long plagued state-licensed cannabis operators.

- Even if such a proposal passes and gets signed into law, which is reportedly unlikely, implementation could be tied up for years as the state works its way through the process.

- The bill proposes unprecedented potency limits—25% THC for flower and 40% for concentrates—which would effectively ban many of the products available in legal cannabis markets across the U.S., including Pennsylvania's existing medical market. Such restrictions could result in consumers sticking to the illicit market or the medical cannabis market, which would undermine public health and revenue goals.

THC Limits in Adult-Use Cannabis Markets

State	Flower	Concentrates
Connecticut	30%	60%
Minnesota	N/A	80% for concentrates designed for vapes 50% for combination products (infused pre-rolls and infused dried raw flower)
Montana	30%	N/A
Ohio	35%	90%
Pennsylvania	**25%**	**40%**
Vermont	30%	60% (solids concentrates only)

What's Next

- Frankel's bill has yet to be officially filed. When it is, it will likely be referred to the Health Committee, which he chairs, where it will be heard before getting a full vote in the Democratic-controlled House of Representatives.

- The state-run store proposal is likely to face steep political headwinds. It is reportedly dead on arrival in the Republican-controlled Senate, and there is a sense among many local political observers that it is being included for negotiation purposes.

- A few of the other adult-use proposals being discussed in Pennsylvania embrace a more traditional sales model that relies on state-licensed, privately owned businesses.

    - One of those proposals is a bipartisan bill sponsored by Sens. Dan Laughlin and Sharif Street, which was filed last session and will be reintroduced in the coming months.

- The next few months of lawmaker and stakeholder discussions will likely determine whether this is the year an adult-use legalization bill makes it through the divided Legislature and get signed into law.

Hemp: Another big player enters THC delivery space as legislative battles loom

What's Happening

- Edible Brands, the parent company of Edible Arrangements, launched a new e-commerce marketplace, Edibles.com, that will deliver hemp-derived cannabinoid products nationwide. It also plans to open physical locations. This is the second large national delivery company to enter the hemp market this year. In January, national food and grocery delivery service DoorDash announced it will begin delivering hemp-derived THC and CBD products.

- Meanwhile, significant legislative battles are being waged over hemp policy in the three largest states: California, Florida, and Texas.

    - **California** – Many hemp products are currently banned under emergency regulations that were recently extended by the Department of Public Health. The Legislature is now set to debate a new proposal, AB 8, which seeks to formally integrate hemp products into the state's marijuana regulatory system, restricting their sales to licensed dispensaries. The bill reflects a priority of Gov. Gavin Newsom.

    - **Florida** – SB 438 would cap hemp products at 5 mg delta-9 THC per serving and 50 mg per package, restrict hemp beverage sales to liquor licensees, and require testing through in-state medical cannabis labs. The bill is a response to Gov. Ron DeSantis' 2024 veto of a more restrictive measure, but it includes the new wrinkle of giving the alcohol industry the exclusive right to sell hemp beverages.

    - **Texas** – SB 3 would ban nearly all hemp products containing cannabinoids other than CBD and CBG. It passed out of a Senate committee and is headed to the floor. A more moderate House bill (HB 28) would allow hemp beverages with up to 10 mg of delta-9 THC to be sold through liquor retailers.

Why it Matters

- The entry of well-capitalized national businesses into the hemp space introduces new political dynamics to hemp policy debates. These companies have vested interests in preserving access to hemp products and pushing back against widespread bans and other restrictions.

- These moves are fueling growing disparities in the cannabis market. Licensed marijuana operators remain constrained by strict state-by-state regulations, including high compliance costs, complete delivery bans, and restrictions on marketing and advertising, while hemp businesses are scaling quickly with fewer barriers. Unlike marijuana companies, hemp retailers can ship products across state lines.

- California, Florida, and Texas are three of the four largest hemp-supplying states in the nation. The legislative battles taking place in these states could have far-reaching repercussions for their state economies and others', as well as the national hemp market.

    - **Texas**, for example, is home to about 7,000 registered hemp retailers as of 2024. They generate $5.5 billion in annual sales with estimated tax revenue of $268 million, and SB 3 could cost the industry $7.5 billion and 40,201 job, according to a recently released by Whitney Economics.

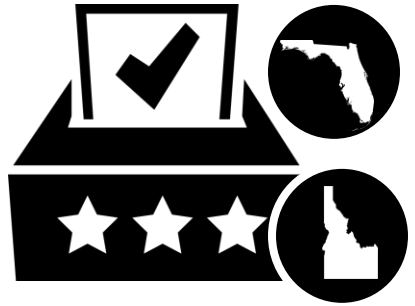
What's Next

- Edibles.com launched its website in Texas and plans to quickly expand nationwide, starting with Florida, Georgia, and other Southeastern markets. It has leased a brick-and-mortar location in Atlanta that will serve as a starting point for broader franchising.

- In **California**, AB 8 will receive a hearing April 22 in the Assembly Committee on Business and Professions. Interested parties can submit written testimony for the hearing. In **Florida**, SB 438 has passed two Senate committees and is headed to the chamber floor. In **Texas**, SB 3 is expected to be taken up soon in the House, and Lt. Gov. Dan Patrick, who presides over the Senate and wields significant power in the legislature, indicated he will push for a special session if the bill is not approved before the regular session ends on June 2.

Ballot Measures: Lawmakers threaten initiative processes in Florida and Idaho

What's Happening



- Lawmakers in Florida and Idaho are advancing proposals to restrict citizen-initiated ballot measures, which could significantly impact the future of cannabis legalization in both states.
    - **Florida** – State lawmakers introduced HB 1205 in the House and SB 7016 in the Senate in response to Gov. Ron DeSantis' call for tighter controls on the ballot initiative process. The bills would require a $1 million bond before collecting signatures, mandate ID checks for signatories, and impose new training and background check requirements for petition circulators. HB 1205 passed through committee on a party-line vote and is headed to the House floor.
    - **Idaho** – State lawmakers passed a resolution amending the state constitution to explicitly ban voters from legalizing medical or adult-use cannabis via ballot initiatives. The resolution bypasses the governor and will go before voters in 2026.

Why It Matters

- In both states, the legislative path to cannabis policy reform is largely blocked by Republicans' longstanding control. Ballot measures have been the most viable avenue for legalization in Republican-controlled states, producing most of the adult-use and medical cannabis laws they have enacted (e.g., adult-use in Alaska, Arizona, Missouri, and Montana; medical in Mississippi, Nebraska, Oklahoma, and South Dakota).
- In Florida, the restrictions on ballot initiatives could have a chilling effect on current efforts from advocates to bring adult-use cannabis to the ballot in 2026. Florida already has one of the most difficult petition processes in the country, and the proposed reforms would only make it harder and more costly for advocates. Additional logistical or financial challenges could make the process virtually unworkable.

What's Happening (Cont.)

- Idaho is one of the last holdouts on medical cannabis, and eliminating the ballot option would likely end any realistic chance of legalizing medical cannabis in the near term. If the constitutional amendment passes in 2026, Idaho will cement its position as one of the nation's most restrictive states for the foreseeable future.

What's Next

- In **Florida**, HB 1205 is awaiting a vote on the House floor.
- In **Idaho**, the constitutional amendment will appear on the November 2026 ballot, requiring only a simple majority to pass.

Michigan: Public hearing scheduled for highly anticipated omnibus rulemaking

What's Happening

- The Michigan Cannabis Regulatory Agency scheduled a public comment period on a critical omnibus rulemaking package. This long-awaited and highly anticipated rulemaking was first previewed by regulators in May 2023. It is the first major rulemaking by regulators in a few years.

High-level Takeaways From the Rulemaking

- **Consequences for delinquent payments** – Allows regulators to deny a license application or renewal due to a civil judgment stemming from an unpaid invoice for marijuana.
- **A ban on hemp-derived THC products** – Applies to products with more than 1.75 mg THC per serving, 10 mg THC per package, or a 1:15 THC:CBD ratio. This would make Michigan the seventh state to adopt a CBD:THC ratio to limit the intoxicating effects of hemp-derived THC products.
- **Major changes to labeling and advertising policy** – Allows businesses to use QR codes on labels, and advertising prohibitions would be expanded to include marijuana brands and business names.
- **More products could be prohibited from being remediated** – Prohibits remediating products that failed tests for E. Coli, chemical residue, and several other contaminants.

Why it Matters

- Michigan is one of the largest cannabis markets in the U.S. In 2024, it saw more units of cannabis products sold per month than California. Michigan also has the second-largest average monthly total sales, with $279.9 million in February 2025, behind only California. Any major changes to a market this size will have a dramatic impact on the overall cannabis industry.

- A comprehensive rulemaking package for the Michigan cannabis market is long overdue, and the market is beginning to show signs of a downturn. The average retail price for an ounce of adult-use flower has dropped from $91.94 to $65.21 in the last year, and monthly sales are down 7% year over year. Sales are likely going to be further strained by adult-use legalization in neighboring Ohio. A rulemaking package that introduces new regulatory efficiencies can help the market course-correct and produce cost savings for cannabis businesses.

- The rulemaking is tackling some of the critical policy issues impacting cannabis markets across the nation, including accounts receivable and hemp-derived THC products. The outcomes of these policy decisions could have ramifications for developing markets and potential new markets in that area of the country, including Pennsylvania, and they may set trends that have impacts across the country.

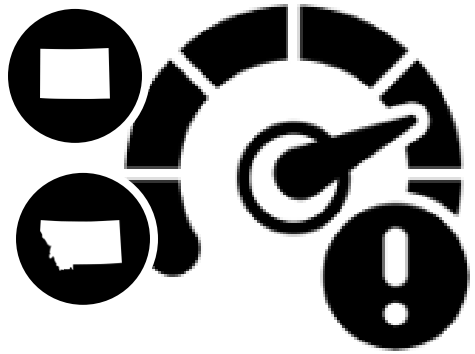
    - The state's attempt to address accounts receivable is particularly important, as it is becoming a more prominent policy issue in other jurisdictions. A recent survey by Whitney Economics found there are approximately $3.8 billion in total delinquent accounts receivables in the cannabis industry. States have begun implementing a variety of potential policy solutions, such as New York mandating reporting of retailers who do not pay suppliers within 30 days.

What's Next

- A public hearing on the omnibus rulemaking package will be held May 6.

THC Caps: Extreme legislative proposals die in Colorado and Montana

What's Happening



- Efforts to impose THC potency caps on cannabis products failed in Colorado and Montana.
    - **Colorado** – SB 25-076 was withdrawn after it became clear it did not have support in committee. It would have limited THC in inhaled marijuana to 10 mg per serving and 500 mg per package and prohibited individuals under age 25 from purchasing cannabis above 10% THC.
    - **Montana** – SB 433 is likely dead for the session after it was tabled in committee and later failed a vote on the Senate floor to move its committee assignment. It would have capped THC potency at 35% for marijuana flower and 60% for concentrates.

Why it Matters

- These outcomes are significant wins for the cannabis industry, as potency cap legislation poses a major threat to legal cannabis markets. The Colorado and Montana proposals would have eliminated a wide range of legal, in-demand products, which could drive some consumers back to the illicit market. Defeating these proposals allows policymakers to expend their energy on more common-sense regulatory areas that strengthen consumer protections within a robust regulated market.
- These bills reflect a persistent strategy seen in many states this session: using potency caps to chip away at adult-use legalization in existing markets. Such legislative efforts continue to gain traction in multiple states, even as voters continue to support legalization and regulated access to higher-potency products.

Why It Matters (Cont.)

- The fiscal impact of potency caps has been an effective line of attack against these proposals. Colorado officials projected the bill limiting potency in products sold to individuals ages 21 to 25 would reduce state revenue by $29.7 million over the next two fiscal ye ars. While Montana's proposal had an "unspecified fiscal impact," state officials estimated a failed 2021 bill that proposed similar potency caps would have cost the state $1 million.

What's Next

- The sponsor of the **Colorado** bill, Sen. Judy Amabile, said she intends to bring forward a new proposal next year.
- Proposals to restrict THC levels in regulated cannabis products remain viable in several other state legislatures.
    - **Ohio** (SB 86) - Reduces the potency cap for extracts from 90% to 70%.
    - **Connecticut** (HB 7178) - Caps THC in prefilled cartridges at 60% and 2 mg of THC per inhalation.
    - **New York** (A 977) - Establishes potency limits of 15% for flower and 25% for extracts.
    - **Massachusetts** (H 191) - Establishes a 30% potency limit for flower and concentrates and prohibits flavors in marijuana products.
    - **Minnesota** (SF 2174) - Restricts cannabis potency to 30% THC for concentrates and 10% THC for flower and prohibits regulators from approving flower or pre-rolls that have been infused with additional THC or psychoactive cannabinoids.

Minnesota: Regulators inch closer to issuing adult-use licenses

What's Happening

- The Minnesota Office of Cannabis Management released a revised set of proposed rules for its forthcoming adult-use cannabis market.

  Changes Included in the Revised Rules

  - Adult-use concentrates intended for vaporization are limited to 80% THC rather than 70% THC.
  - Topical cannabis products are now limited to 1,000 mg of THC per package.
  - Cannabis and hemp businesses, rather than testing laboratories, will now be responsible for collecting samples for testing.
  - Several labeling requirements were changed, including the requirements that all products have a nutritional fact panel and all flower have a terpene profile.
  - Provisions were removed related to trained servers mixing low-potency hemp beverages at on-site consumption facilities.

WEED WONKS

LISTEN: *Former Interim Director of the Minnesota Office of Cannabis Management* ***Chris Tholkes*** *was a guest on Strategies 64's Weed Wonks podcast, where she discussed the implementation of Minnesota's adult-use market.*

Why it Matters

- Adoption of final rules is a prerequisite for regulators to issue licenses. Adult-use licensing will significantly expand the number of licensed cannabis businesses in Minnesota, which currently only has two vertically integrated operators with 16 dispensary locations. OCM received 3,529 applications, and it will issue 324 licenses via lottery, including 100 vertically integrated mezzobusinesses and 150 retailers.

What's Next

- An administrative law judge has until April 8 to decide whether to accept the rules. If approved, the rules will be officially adopted and published in the state register.

- The OCM intends to issue adult-use licenses via a lottery sometime in May or June.

License Type	Licenses Available	Applications Submitted
Cultivator	25 general, 25 social equity	96
Delivery	No cap	236
Event Organizer	No cap	Will be accepted this summer
Manufacturer	12 general, 12 social equity	83
Mezzobusiness	50 general, 50 social equity	273
Microbusiness	No cap	1,849
Retailer	75 general, 75 social equity	
Testing Facility	No cap	12
Transporter	No cap	72
Wholesale	No cap	48

Contact Us

For additional cannabis policy information and analysis, or for more information about our legislative and regulatory tracking and government affairs services, please contact us.

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