

Congress: Tax Marijuana on a Federal Level?

By Mike Adams · Wed Dec 17, 2014

While it is painfully obvious the US government is in no hurry to repeal prohibition and establish a taxed and regulated marijuana market, that hasn't stopped a handful of progressive lawmakers from introducing legislation aimed at making the concept a reality in the near future. However, while most pot-savvy citizens are aware that Uncle Sam is sitting on proposals that could turn the war on marijuana into the next industrial revolution, few understand how the product would be taxed.

In February 2013, Congressmen Jared Polis and Earl Blumenauer filed two pieces of legislation that would not only put an end to federal prohibition—it would also create a taxation system for the cannabis industry. It's called the Marijuana Tax Equity Act, and it would legalize the cultivation, sale, and use of marijuana while squeezing the holy hell out of the market for tax dollars.

Shockingly, if the bill were to pass, it would impose a 50 percent federal excise tax on cannabis sales, in addition to a yearly occupational tax on the marijuana workforce. After two years, the law would be up for review by the Internal Revenue Service.

In a recent article in [Forbes](#), Robert W. Wood questions the logic behind attaching such a hefty excise tax to marijuana. He investigates a document, published in November, entitled “Federal Proposals to Tax Marijuana: An Economic Analysis,” which attempts to justify the proposed excise tax and speculate on its potential structure.

“Economic analysis as a general rule suggests that excise taxes are less desirable than more general taxes (such as income or broad based sales taxes) because they distort prices of different commodities,” [wrote](#) authors Jane G. Gravelle and Sean Lowry, adding that an excise tax on marijuana is necessary for five reasons: “reflect external, or spillover, costs to society;” “discourage use, particularly for youth;” “prevent too rapid a fall in price;” “fund related programs;” and “raise revenue.”

Wood suggests that the statistics contained in the report may not be accurate, using Colorado’s collective 27.9 percent pot tax as his prime example. He argues that the state’s projection of \$33.5 million within the first six months was too enthusiastic a prediction because regulators failed to factor in the continued use of the black market due to high prices—a phenomenon that has led to 40 percent of Colorado’s pot transactions happening on the streets, according to the Marijuana Policy Project.

That said, it is conceivable that the black market would continue to flourish if federal regulators impose a 50 percent excise tax on legal cannabis sales. However, nationwide legalization would be sure to cause a decline in the cost of marijuana, possibly bringing prices

down from the current \$200-\$300 per ounce to somewhere in the vicinity of its production costs—\$5-\$20 per ounce —making legal marijuana as affordable as alcohol and tobacco.

Mike Adams writes for stoners and smut enthusiasts in HIGH TIMES, Playboy's The Smoking Jacket and Hustler Magazine. You can follow him on Twitter [@adamssoup](#) and on [Facebook/mikeadams73](#).

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