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## **OLR Bill Analysis**

### **sHB 5109**

#### ***AN ACT REPLACING THE CANNABIS TOTAL THC TAX WITH AN EXCISE TAX.***

#### **SUMMARY**

This bill replaces the current state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis (which are 0.625 cents, 2.75 cents, and 0.9 cents respectively per milligram of total THC reflected on its label) with a single tax of 10.75% of a retailer's gross receipts from cannabis sales.

As under existing law, the tax applies to sales by a cannabis retailer, hybrid retailer, or micro-cultivator. It does not apply to (1) sales of cannabis for palliative (medical) use; (2) sales of cannabis by a delivery service to a consumer; or (3) the transfer of cannabis to a transporter for transport to any other cultivator, micro-cultivator, food and beverage manufacturer, product manufacturer, product packager, dispensary facility, cannabis retailer, hybrid retailer, or producer.

Under existing law and the bill, retailers and micro-cultivators must collect the tax from consumers at the time of sale (except for the exempt sales described above). The tax applies in addition to the 3% municipal cannabis tax and the 6.35% state general sales tax.

Relatedly, the bill increases, from 65% to 70%, the amount of cannabis tax revenue directed to the social equity and innovation account for FYs 27 and 28 and correspondingly decreases the amount directed to the General Fund for those years, from 10% to 5%.

The bill also makes technical and conforming changes, including deleting an obsolete definition.

**EFFECTIVE DATE:** October 1, 2026, and applicable to sales occurring on or after that date.

## **BACKGROUND**

### ***Cannabis Terms***

By law, “cannabis” has the same meaning as “marijuana,” which is all parts of a plant or species of the genus cannabis, whether growing or not, and including its resin, compounds, manufactures, salts, derivatives, mixtures, and preparations; high-THC hemp products; manufactured cannabinoids; or cannabimon, cannabimol, cannabidiol (CBD), and similar compounds, except CBD derived from hemp. Marijuana and cannabis do not include the following:

1. a plant’s mature stalks; fiber made from the stalks; oil or cake made from the plant’s seeds; a compound, manufacture, salt, derivative, mixture, or preparation made from the stalks other than the extracted resin;
2. the plant’s seeds;
3. hemp with a total THC concentration of up to 0.3% on a dry weight basis that is not a high-THC product;
4. any substance the federal Food and Drug Administration approves as a drug and that is reclassified in any controlled substance schedule, or that it unclassifies; or
5. infused beverages.

A “cannabis edible product” is a product containing cannabis or cannabis concentrate, combined with other ingredients, that is intended to be ingested, including by sublingual or oral absorption.

“Cannabis plant material” is the cannabis flower, trim, and all parts of the cannabis plant or species, excluding (1) a growing plant and its seeds or (2) hemp as defined under state law.

“Total THC” is the sum of the percentage by weight of tetrahydrocannabinolic acid, multiplied by 0.877, plus the percentage of weight of THC.

**Social Equity and Innovation Account**

The social equity and innovation account’s money must be allocated by the Office of Policy and Management secretary for purposes that the Social Equity Council determines further the principles of equity and may include providing (1) access to capital for businesses in any industry, (2) technical assistance for the start-up and operation of a business in any industry, (3) funding for workforce education in any industry, (4) funding community investments, and (5) funding investments in disproportionately impacted areas.

**Related Bills**

sSB 84, § 26, favorably reported by the Finance, Revenue and Bonding Committee, has identical provisions.

sSB 405 (File 303), § 2, favorably reported by the Public Safety and Security Committee, reduces, by 5%, the amount of tax revenue the social equity and innovation account receives under current law (from 65% to 60% in FYs 27 and 28 and from 75% to 70% starting in FY 29).

sHB 5350 (File 401), §§ 17 & 47, favorably reported by the General Law Committee, make several changes to the definition of cannabis.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 43 Nay 10 (03/30/2026)