



Joint Commission to Oversee the Transition of the Commonwealth into a Cannabis Retail Market

August 20, 2025, at 1:00 p.m.

House Room C

<https://studies.viriniageneralassembly.gov/studies/774>

The Joint Commission to Oversee the Transition of the Commonwealth into a Cannabis Retail Market (the Joint Commission) met on August 20, 2025, with Delegate Paul E. Krizek, chair, presiding.¹ The meeting began with opening remarks from the chair and vice-chair, Senator Lashrecse D. Aird, followed by presentations and discussion. Materials presented at the meeting are accessible through the [*Joint Commission's meetings webpage*](#).

Presentation: Marijuana Taxation and Distributions

Andrea Jimenez, Policy Specialist, Fiscal Affairs Program, National Conference of State Legislatures

Ms. Jimenez began her presentation with a map of marijuana legalization across the 50 states, the District of Columbia, and other U.S. territories, which depicted the states and territories that have (i) not legalized marijuana, (ii) legalized medical marijuana, (iii) legalized both recreational and medical marijuana, and (iv) legalized possession of marijuana but not the sale of marijuana. She noted that only Virginia and the District of Columbia (D.C.) fall into the last category.

Ms. Jimenez also provided examples of three different tax structures used in locations that have legalized the sale of recreational marijuana, including (i) a percentage of price model, in which the tax is levied as a percentage of the sales price (e.g. excise tax, state sales tax, local tax); (ii) a weight-based model, in which the tax is levied based on weight of the marijuana or unit-based; and (iii) a THC content (or potency) model, in which the tax is levied based on the percentage of THC content in cannabis. She also provided information on the cannabis taxes and revenue distributions for Virginia's neighbors, Maryland and D.C., as well as several other states. Ms. Jimenez ended her presentation by explaining that most revenue from taxation of marijuana sales goes into six different areas: rainy day funds; treatment, prevention, and public health; law enforcement; localities; education and schools; and the state general fund.

Presentation: Use of Revenue: How We Legalize It Right

Chelsea Higgs Wise, Executive Director, Marijuana Justice

Ms. Higgs Wise began her presentation with a background on Marijuana Justice as an organization and various pieces of legislation with which the organization has assisted. She noted that in 2021 the General Assembly promised pathways for support to those disproportionately impacted by marijuana prohibition by establishing the Cannabis Equity Reinvestment Fund and Business Loan Fund. However, Ms. Higgs Wise also highlighted the following problems facing the legal marijuana industry: (i) rigid regulations; (ii) no regulation of size and location; (iii)

¹ **Members Present:** Delegate Paul E. Krizek (chair), Senator Lashrecse D. Aird (vice-chair), Senator Adam P. Ebbin, Senator Saddam Azlan Salim, Delegate Katrina Callsen, Delegate Rae Cousins, Delegate Hyland F. "Buddy" Fowler, Jr., Delegate James W. Morefield, Delegate Marcia S. "Cia" Price.

Members Absent: Senator Christie New Craig

oversupply caused by rush to revenue; (iv) litigation; (v) lack of competition; (vi) poor price management; (vii) need for capital; (viii) federal classification of marijuana as a Schedule 1 drug; (ix) delay in acquiring property; (x) local zoning; (xi) interstate commerce; and (xii) access to banking. However, she stated that an adequate investment and a strategic rollout that considers such issues would give the Commonwealth its best chance for a successful long-term marketplace.

Ms. Higgs Wise presented a proposed marijuana revenue distribution as follows: (a) a 2.5 percent local marijuana tax, distributed based on local sales tax and excluding those localities that voted to opt out of the marketplace; (b) a 1.115 percent sales tax, with one percent going to public school age and 0.115 percent going to Public Education Standards of Quality; and (c) an eight percent marijuana tax, which would go to the Cannabis Control Authority, with up to \$2.5 million in a reserve fund and the other funds going to administration of the Authority. She also provided a breakdown of how the eight percent of funds from the marijuana tax should be divided: (1) five percent to public health programs; (2) 10 percent to pre-kindergarten programs; (3) 25 percent to the Department of Behavioral Health and Developmental Services; and (4) 60 percent to the Cannabis Equity Reinvestment Fund (CERF), which would be distributed to scholarships for those in foster care and families impacted by substance abuse, the Cannabis Equity Business Loan Fund, indigent defense for those disproportionately affected by drug enforcement, and grant programs in impacted communities.

Presentation: Retail Cannabis Legalization: Revenue Considerations and Equity Analysis

Rodrigo Soto, Legislative and Campaigns Director, The Commonwealth Institute for Fiscal Analysis

Mr. Soto presented on The Commonwealth Institute's (TCI) analysis of four revenue options for the Commonwealth to consider in 2026: establish new income tax brackets, revise sales taxes, revise corporate and other taxes, and create a retail cannabis market.

Mr. Soto explained that establishing two new income tax brackets, one on taxable income between \$100,000 and \$1 million with a six percent tax rate and one on income above \$1 million with a 6.75 percent rate, could generate \$434 million annually. Another suggestion is to establish a fair share tax, with a new state income tax bracket of 10 percent only on annual taxable income that exceeds \$1 million, which could generate \$1.4 billion in fiscal year 2027. Other options include expanding the state sales tax base to include digital personal property and new economy services to generate \$1.03 billion or increasing the watercraft sales tax rate and eliminating the \$2,000 cap to generate \$6.6 million. Further, TCI's analysis explained that reestablishing the state estate tax could generate about \$60 million annually.

Mr. Soto then presented on potential cannabis retail market revenues, which could be determined by the rate of taxation for marijuana at the point of retail sale, the sales and use tax, and additional taxing authority for local governments. He explained that the 2025 legislation (HB 2485, Krizek; SB 970, Rouse) contained different taxation rates than those on which the 2020 JLARC report's revenue projections were based. Lastly, Mr. Soto explained that the choice to invest in equity funds varies from state to state and offered several examples.



Presentation: Empowering Virginia Small Businesses in the Cannabis Industry

Barbara Biddle, Co-Founder, Cannabis Small Business Association; CEO & Founder, District Hemp Botanicals

Eric Spanbauer, Co-Founder, Cannabis Small Business Association; Founder, East Coast Collective

Graham Redfern, Co-Founder, Cannabis Small Business Association; Owner & Farmer, Redfern Hemp

LaTonya Warren, President, Cannabis Small Business Association

This presentation began with personal anecdotes from members of the Cannabis Small Business Association on how the current status of cannabis and hemp legislation has impacted their businesses. Ms. Warren then presented a background of the Cannabis Small Business Association. She continued by explaining that in 2022 and 2023, the General Assembly amended state laws related to hemp, lowering allowable THC levels below the federal standards. She explained that the law also added new criminal penalties for certain federal legal hemp-derived products; imposed expensive labeling and testing requirements; created regulatory uncertainty for farmers, processors, and retailers; and disrupted established supply chains overnight. She provided an economic analysis related to these changes, noting that in Virginia the number of licensed hemp processors fell from 191 to 39 and licensed growers fell from over 1200 to under 200.

Ms. Warren went on to explain that 65.3 percent of U.S. small businesses are profitable, but only 27 percent of U.S. marijuana businesses are profitable. Additionally, cannabis businesses that are profitable face an effective federal tax rate of 52.5 percent, and capital scarcity and the inability to declare bankruptcy add to cannabis small business failure. She ended the presentation by advocating for small business protections to avoid large entities from dominating the retail market and provided the following recommendations: protect the hemp industry and its definition; increase the marijuana license caps and outdoor canopy limits; guarantee low licensing fees, capital requirements, and fair taxes for small businesses; and establish a small business start-up fund.

Public Comment

Members of the public were given a chance to speak regarding the information presented at the meeting.

Next Meeting

The next meeting of the Joint Commission was not scheduled.



For more information, see the [*Joint Commission's website*](#) or contact the Division of Legislative Services staff:

Taylor Mey, Senior Attorney, DLS
tmey@dls.virginia.gov
804-698-1870

Stephen Kindermann, Lead Senior Attorney, DLS
skindermann@dls.virginia.gov
804-698-1880

Troy Hatcher, Staff Attorney, DLS
thatcher@dls.virginia.gov
804-698-1829

