

# Regulation and Taxation of Marijuana

## The Pros and Cons

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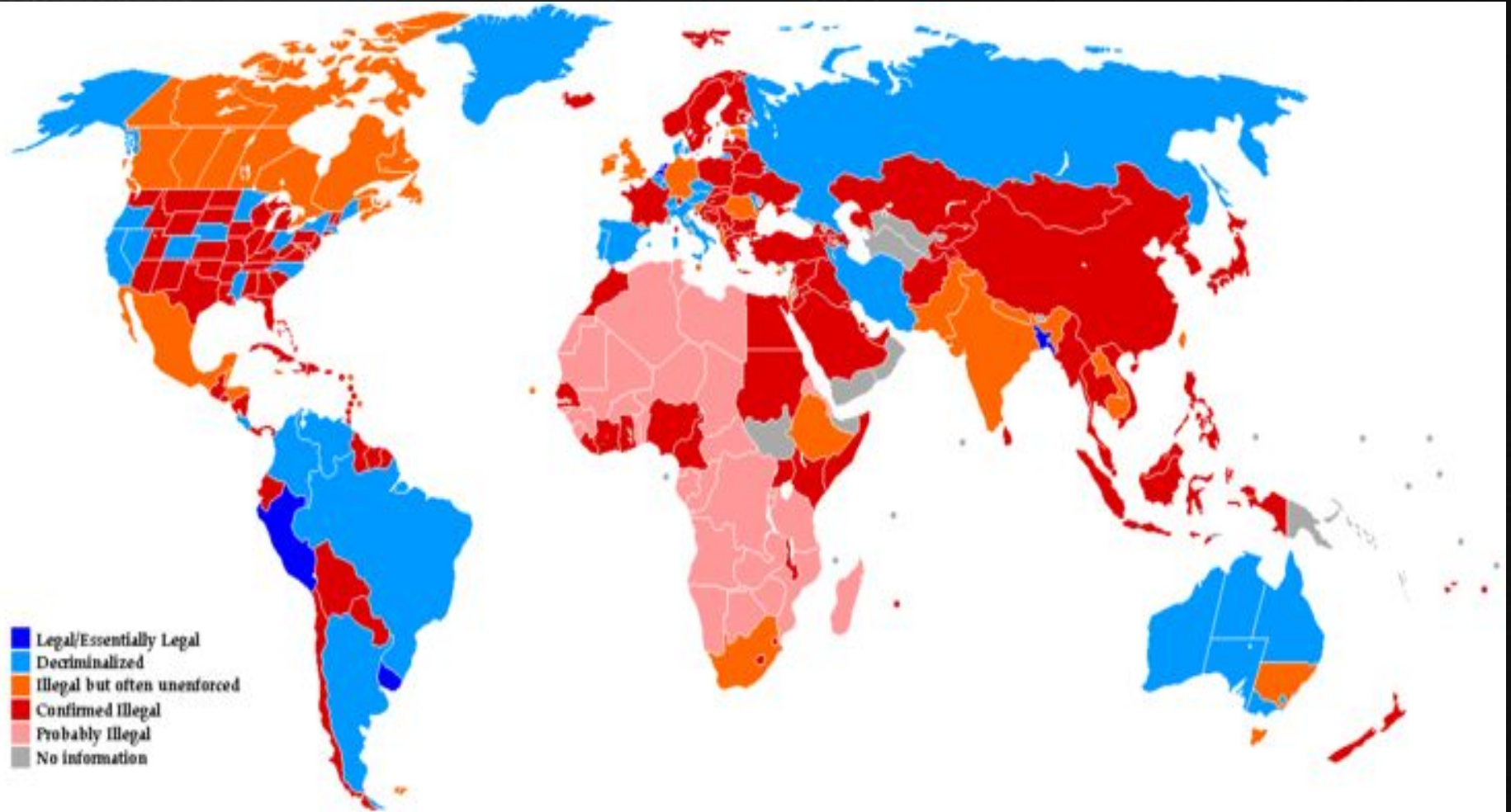
# Current Situation

- Marijuana is essentially legal in several states
- Marijuana is NOT taxed in its current "legal" form
  - In the form of sales tax
- Marijuana possession is a misdemeanor
  - Based on the amount of Marijuana one is carrying
- Marijuana legislation has been rejected by California voters in 2010, however plans for the bill to be on the ballot for 2012 are in motion.

The End

Questions?

# Areas in the world with marijuana legislation





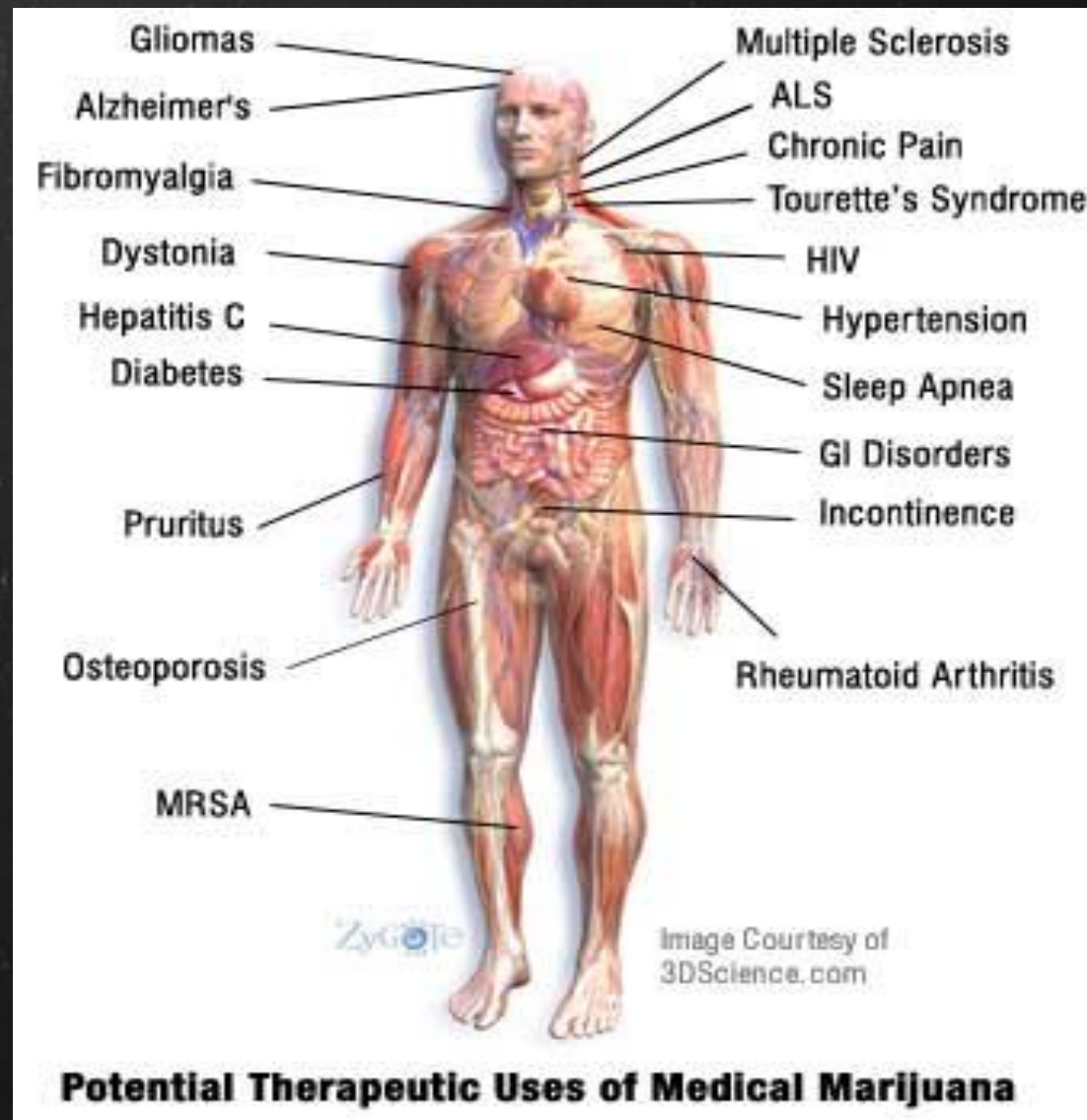
# PRO ARGUMENT

## 1. Medical Benefits:

- Proponents cite that the usage of marijuana can be effective treatments for the symptoms of cancer, AIDS, multiple sclerosis, glaucoma and even epilepsy.
- The California Medical association which represents over 30,000 physicians have now endorsed proposition 19 and the legalization of marijuana.



# Uses of Marijuana for treatment of medical conditions.



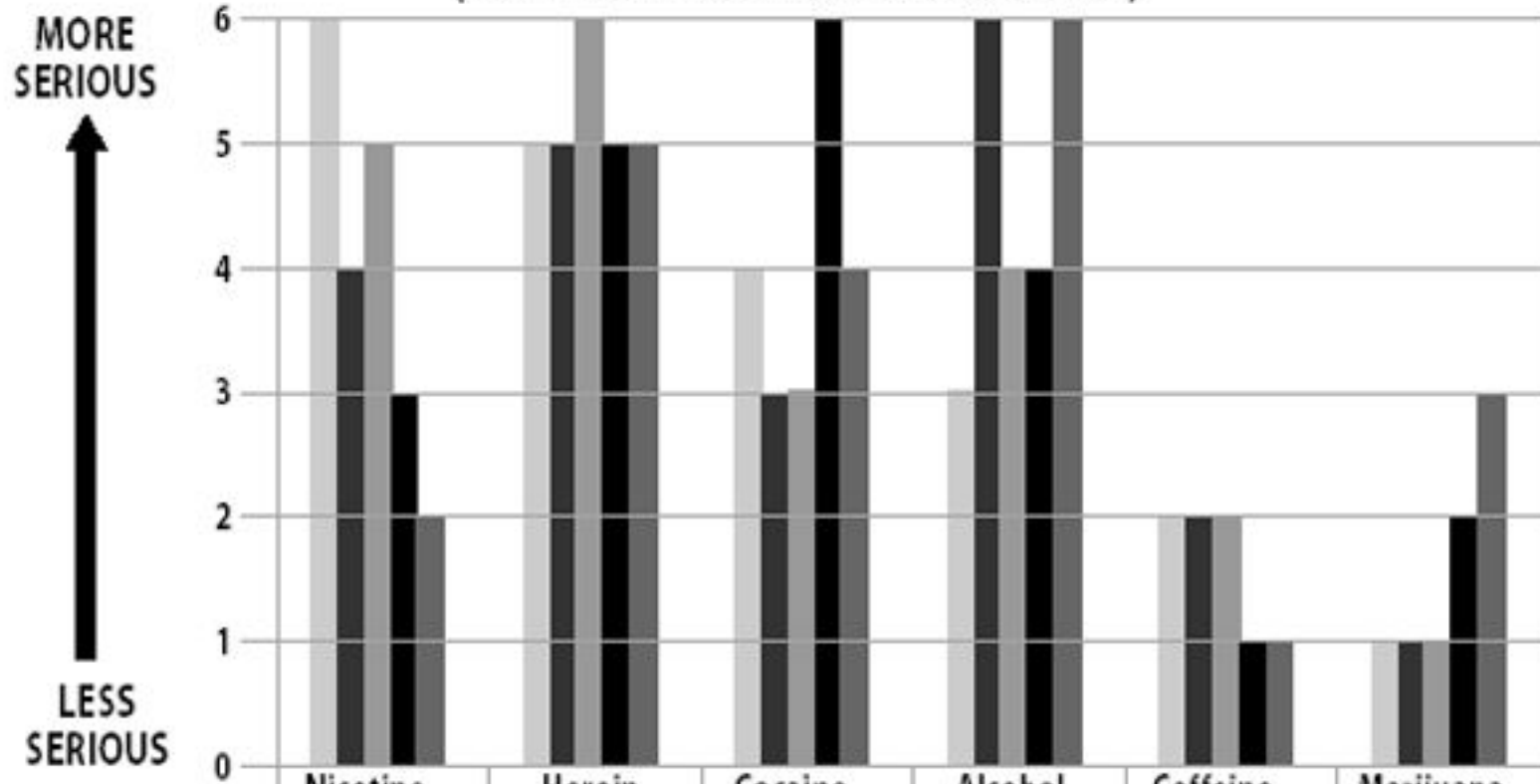
**Display 4.18****Number of vomiting and retching episodes for 15 chemotherapy-receiving cancer patients, under placebo and marijuana treatments**

Subject Number	Total Number of Vomiting and Retching Episodes	
	Marijuana	Placebo
1	15	23
2	25	30
3	0	0
4	0	99
5	4	31
6	2	21
7	1	79
8	4	113
9	9	53
10	0	0
11	22	61
12	11	18
13	0	12
14	0	6
15	0	5



## Comparing Dangers of Popular Drugs

(Lower score indicates less serious effect)



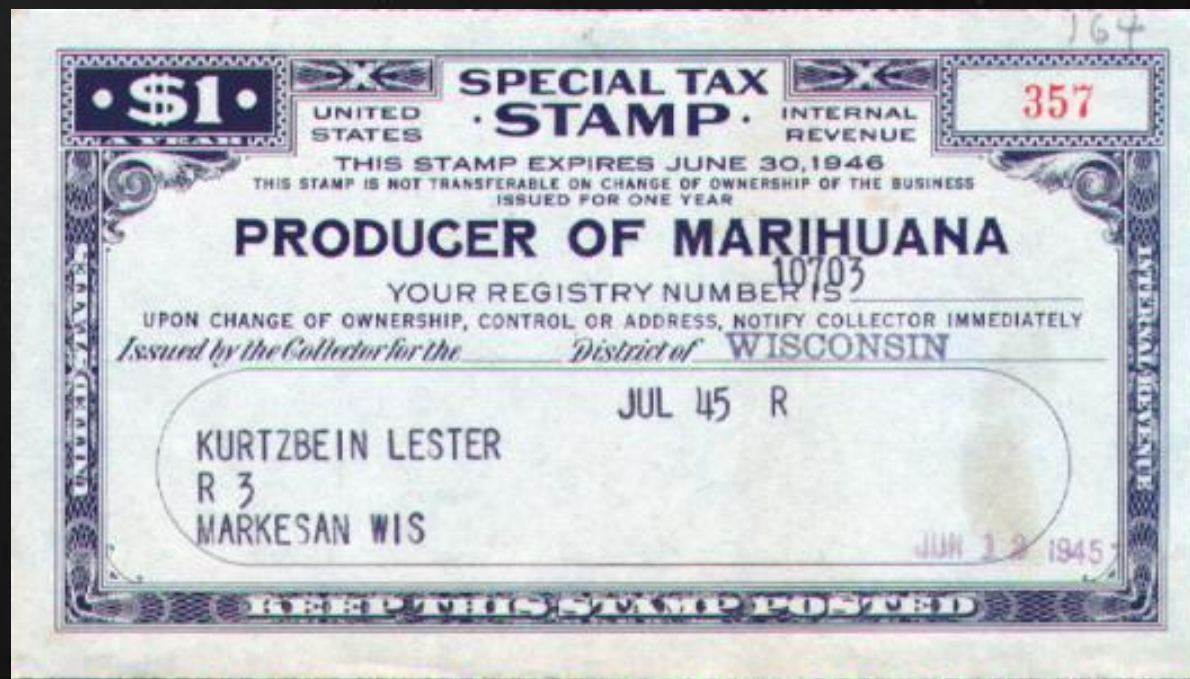
DEPENDENCE	Nicotine	6	Heroin	5	Cocaine	4	Alcohol	3	Caffeine	2	Marijuana	1
WITHDRAWAL	Nicotine	4	Heroin	5	Cocaine	3	Alcohol	6	Caffeine	2	Marijuana	1
TOLERANCE	Nicotine	5	Heroin	6	Cocaine	3	Alcohol	4	Caffeine	2	Marijuana	1
REINFORCEMENT	Nicotine	3	Heroin	5	Cocaine	6	Alcohol	4	Caffeine	1	Marijuana	2
INTOXICATION	Nicotine	2	Heroin	5	Cocaine	4	Alcohol	6	Caffeine	1	Marijuana	3



# PRO ARGUMENT

## 2. Revenue generation:

- a. Taxes to provide revenue for the state.
- b. Competitive pricing within marijuana market will generate revenue for businesses.
- c. Regulation will be very strict among consumers as to keep abusers in check and the production for the private sector.



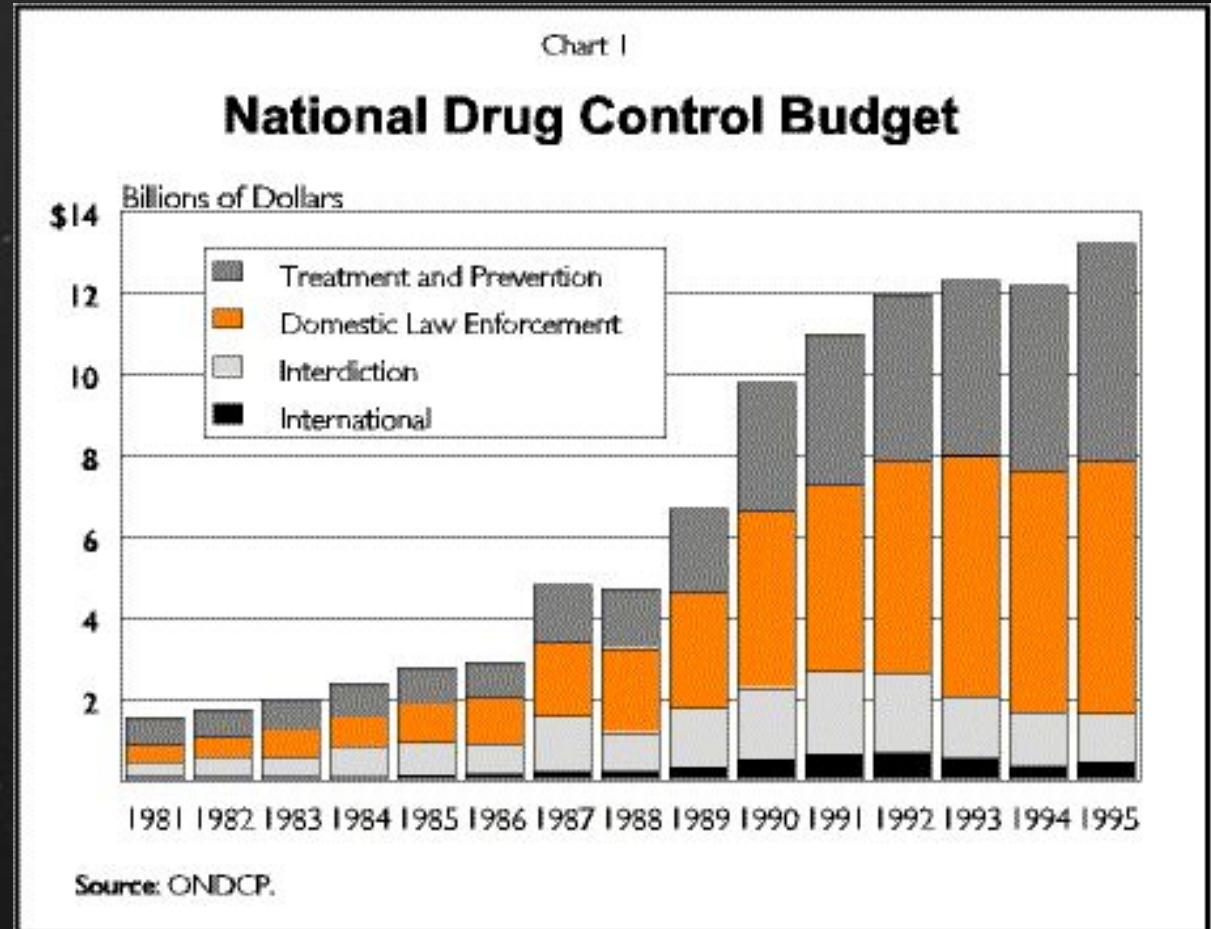
# PRO ARGUMENT:

- The Budgetary Implications of Marijuana Prohibition:
  - by Jeffrey A. Miron, Econ Professor Harvard Uni.
- Economist Jeffrey Miron published a study for the economic benefits of marijuana legalization.
- The report estimates that legalizing marijuana would save \$7.7 billion per year in government spending on enforcement of prohibition.
- This study reflects the impacts on marijuana alone and excludes the enforcement and policies of other drugs.



# PRO ARGUMENT:

- Miron estimates that legalizing marijuana could save \$7.7 billion per year on marijuana enforcement.
- \$5.3 billion of this savings would fund other state and local budgets, \$2.4 billion would return back to the federal government.





# PRO ARGUMENT:

- The report also estimates that marijuana legalization would yield tax revenue of \$2.4 billion annually if marijuana were taxed like all other goods and \$6.2 billion annually if marijuana were taxed at rates comparable to those on alcohol and tobacco.



# Study on the revenue estimates at creating a state regulated marijuana market.

## Annual U.S. Marijuana Market Size Sensitivity Analysis: Price and Consumption

\$ Billions

		Average Price Per Joint			
		\$5	\$10	\$15	\$20
One Joint...	Per Day	\$27 B	\$55 B	\$82 B	\$109 B
	Every Other Day	\$14 B	\$27 B	\$41 B	\$55 B
	Every 5 Days	\$5 B	\$11 B	\$16 B	\$22 B
	Every 10 Days	\$3 B	\$5 B	\$8 B	\$11 B
	Per Month	\$1 B	\$2 B	\$3 B	\$4 B

*Assumes 6% of population above age 12 partakes in any given month, and 1 joint contains ~1 gram of marijuana.*

SOURCE: US DEPT OF HHS, CNBC ANALYSIS

APRIL 2010



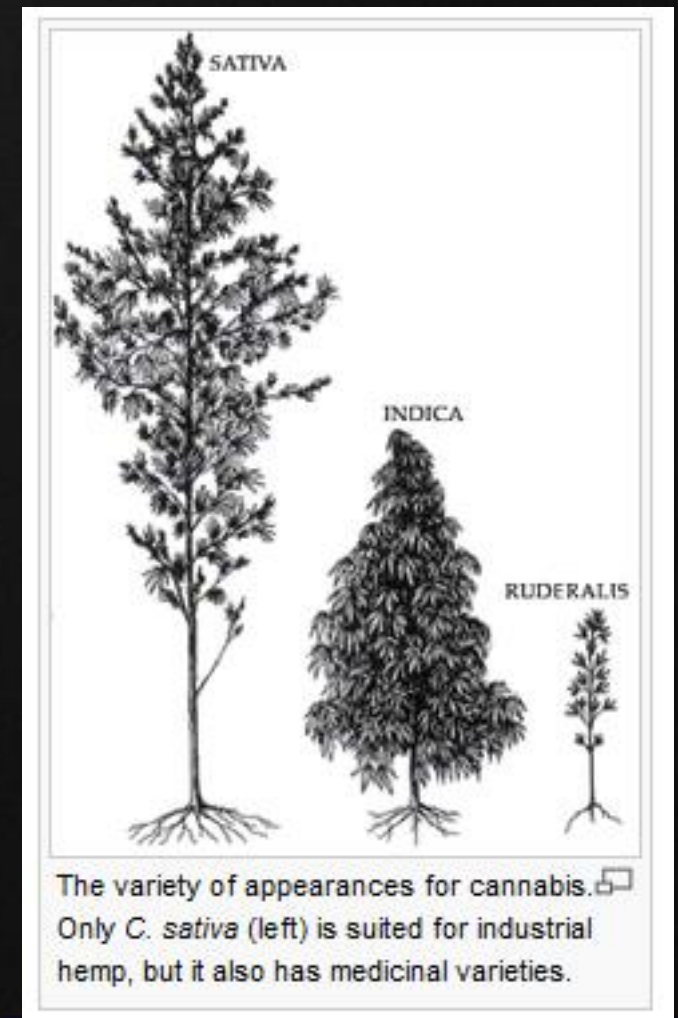
# PRO ARGUMENT:


- Addressing issues of a Con Counter Argument:
  - The regulation of marijuana will be strict enough to equate the consumption of marijuana to that of alcohol and tobacco.
  - The state would regulate and tax the products making it more likely that the industry will be privatized.
  - Legislation has also stated that production of marijuana must abide by the same rules as producers of alcohol and tobacco.
  - Driving under the influence sentences and fines should also be increased to deter accidents and drug related injuries.



# PRO ARGUMENT

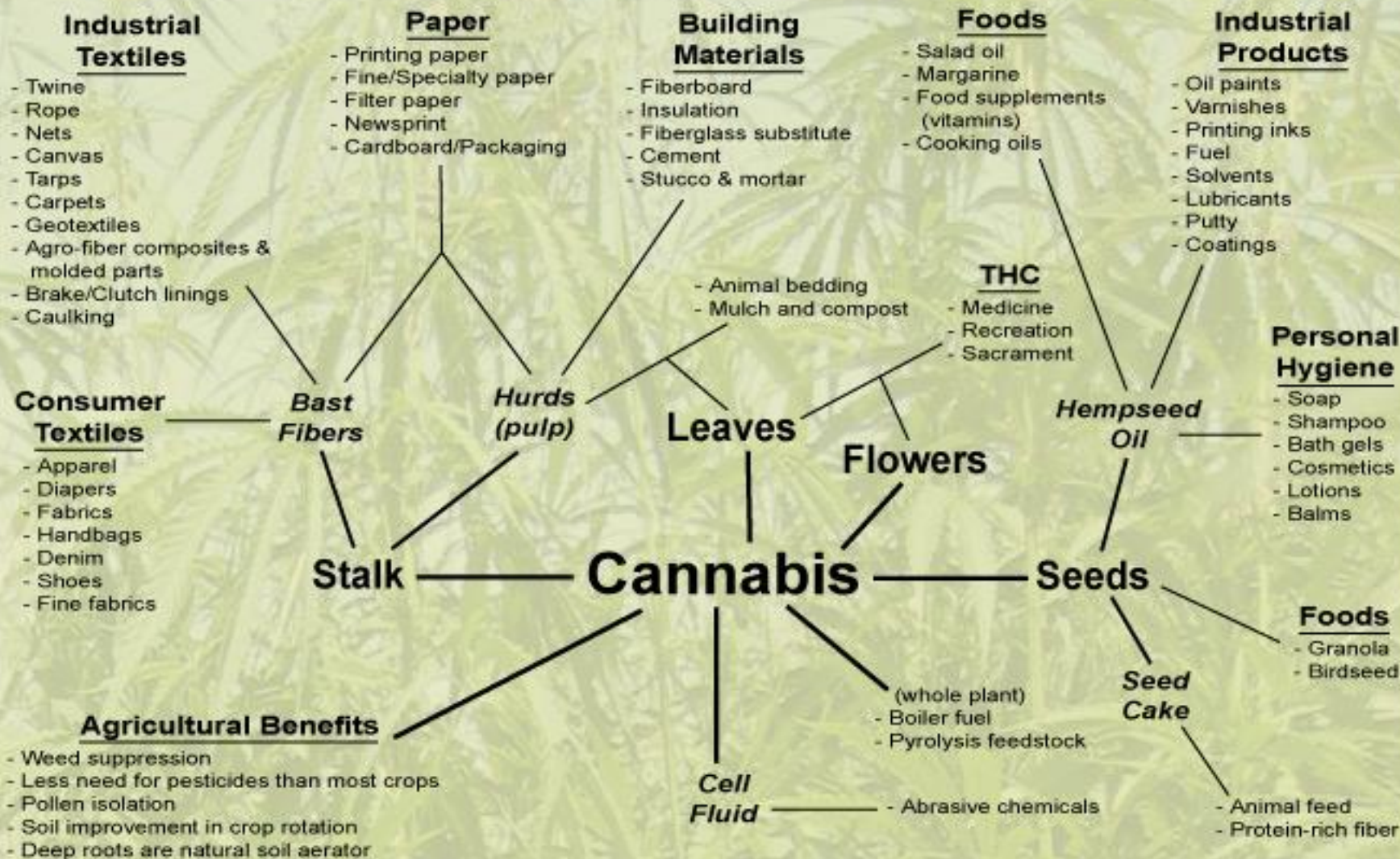
3. Benefits of creating a New Hemp industry
  - a. Create a new market, result in new jobs
  - b. Saves California's Forests



The variety of appearances for cannabis.   
Only *C. sativa* (left) is suited for industrial hemp, but it also has medicinal varieties.



# Modern Uses for the Cannabis Plant



# PRO ARGUMENT:

- Addressing issues of a Con Counter Argument: Economics-
  - Agriculture can surge from the legalization of marijuana as well as farmers can benefit from the new market and grow new crops.
  - The American farmer is a dying profession and a much needed one.
  - To legalize marijuana would help revive America's agriculture industry and decrease imports of agriculture from other countries.
  - Causing more agriculture to be home grown american products with the new revenue for the industry from legalization.

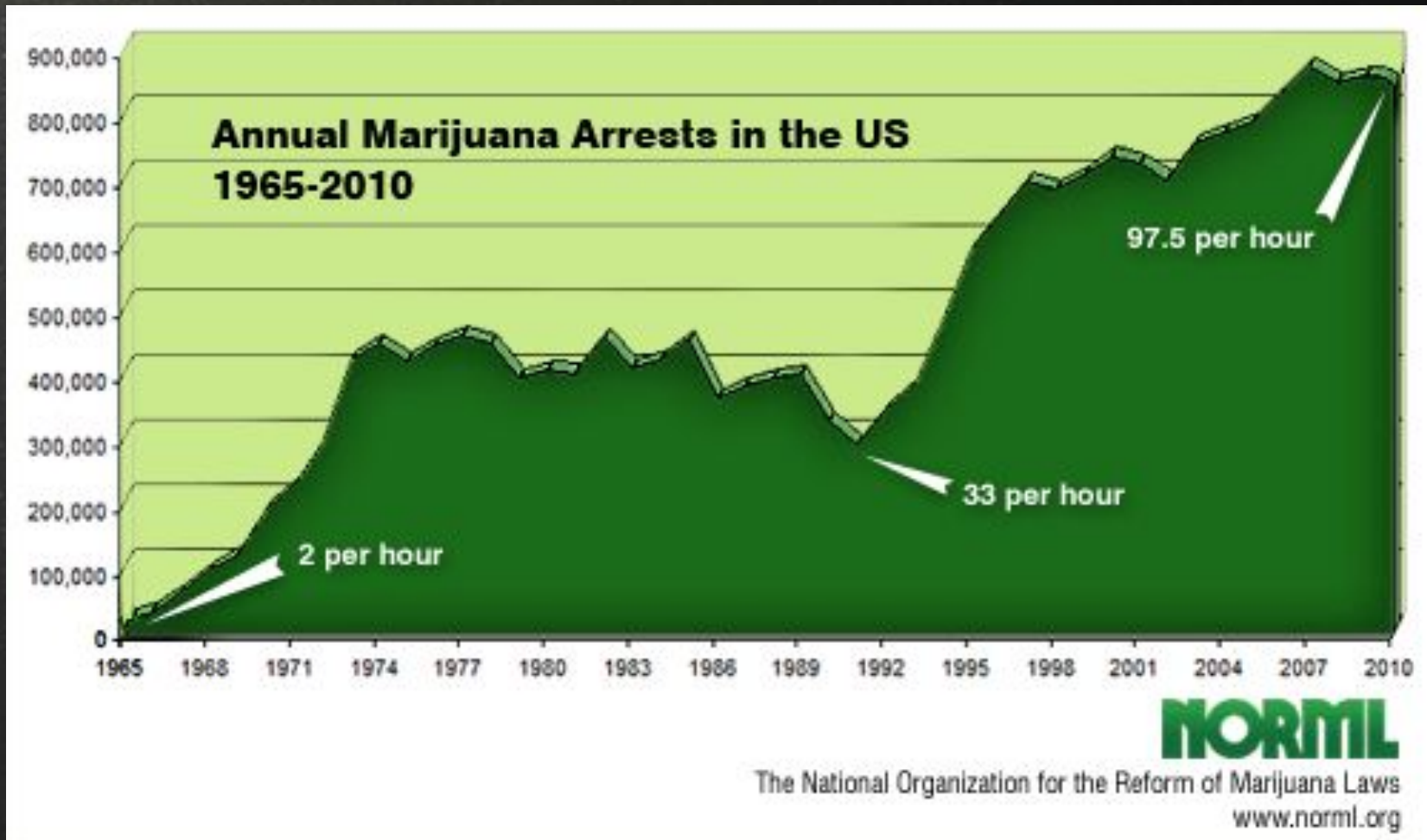


# PRO ARGUMENT:

## 4. Law enforcement impact:

- Local law enforcement spends millions of dollars on marijuana enforcement and arrests.
- Marijuana related charges and now defined by the law as mostly misdemeanors and petty crimes.
- Petty crime offenders are put into jails in general population among hardened criminals, being influenced by harder criminals leading to a life of crime.
- Legalizing marijuana can put thousands of drug dealers out of work and reduce marijuana revenue for illegal criminal activity.



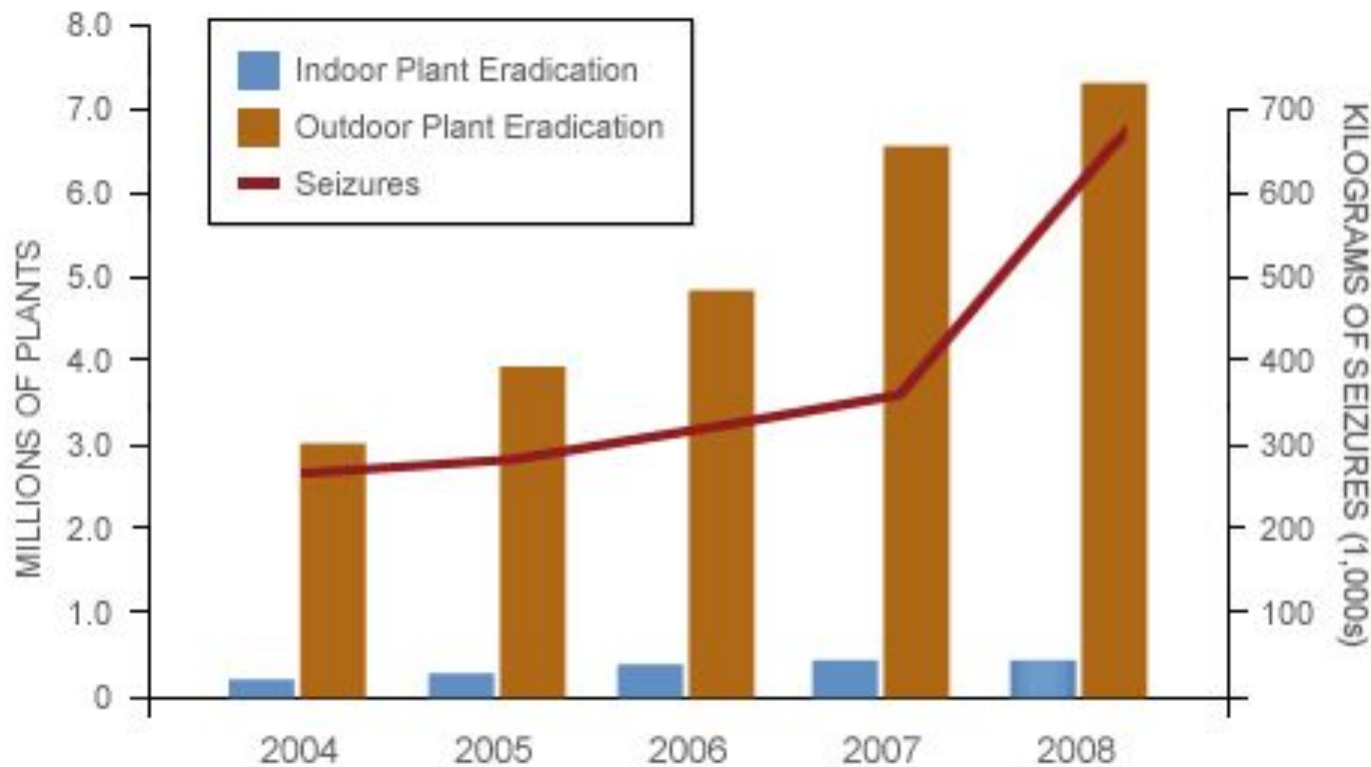


\*Law enforcement can benefit greatly from spending resources on other crime areas. Criminal resources against marijuana are more costly to the state and does not justify the end result. The war of drugs has become a losing battle



# Study on the amount of seizures law enforcement spends on marijuana activity.

## National Cannabis Eradication and Seizures



SOURCE: DEA, CNBC ANALYSIS

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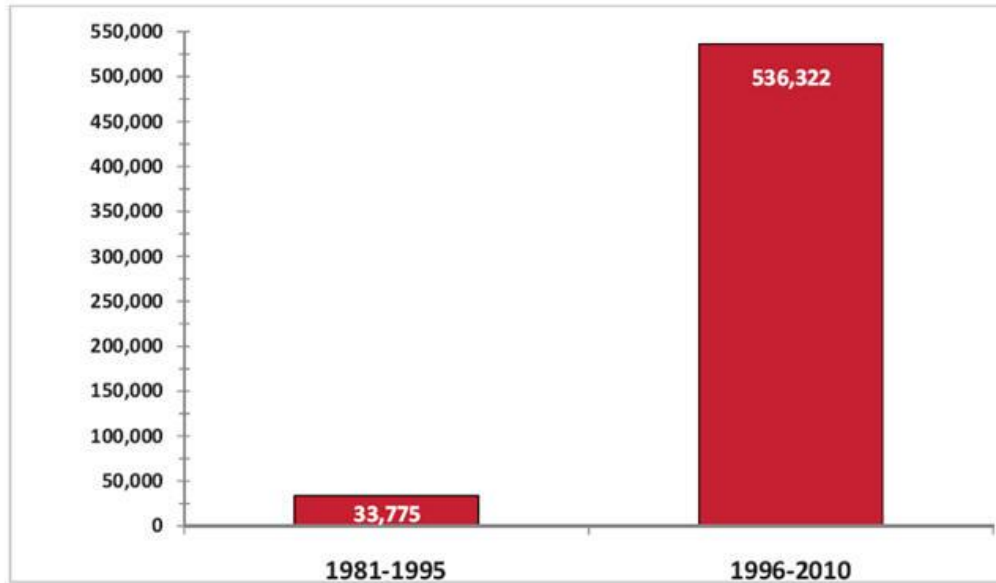




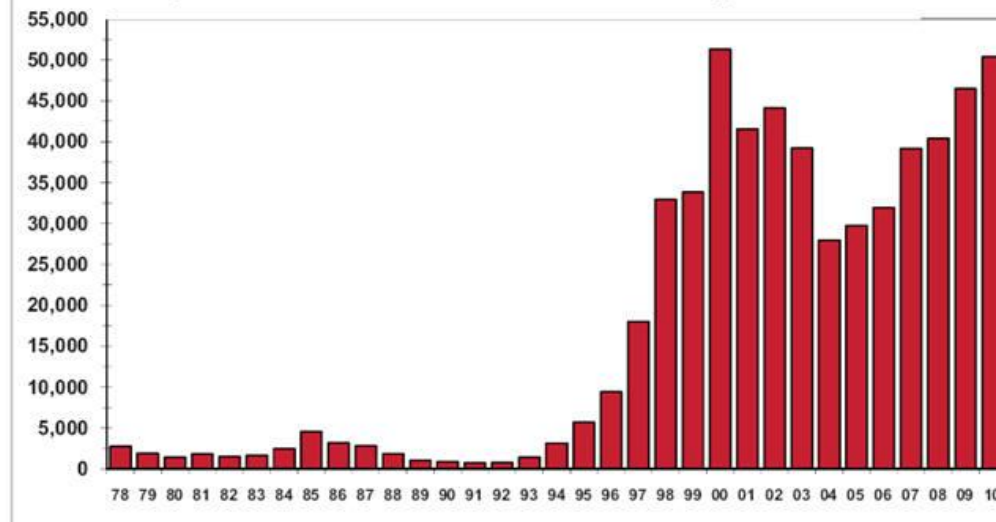
# California Marijuana Arrest Rates 1980-2008



### 30 Years of Marijuana Possession Arrests in New York City, 1981-1995 & 1996-2010

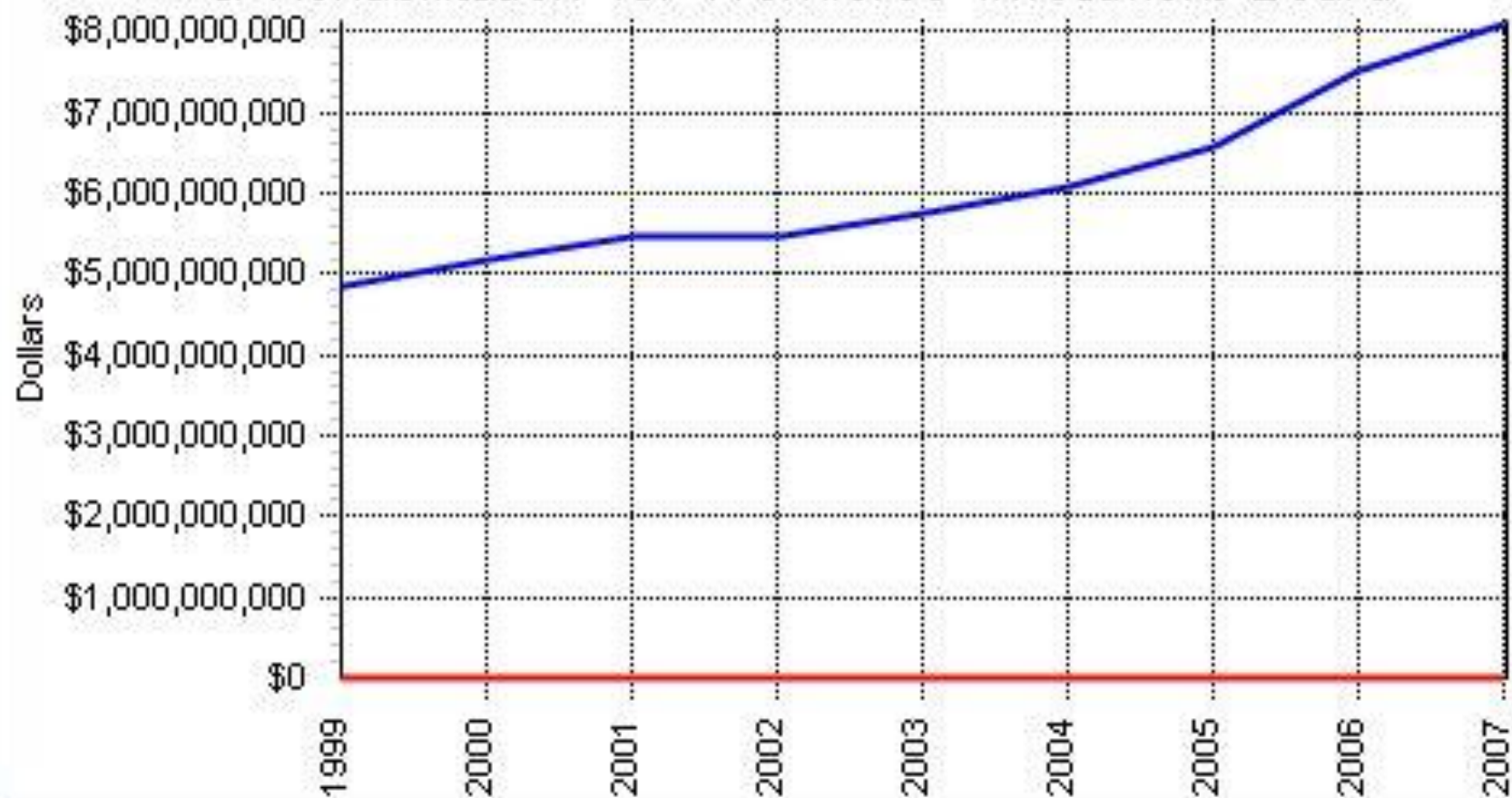


### Marijuana Possession Arrests in New York City, 1978 - 2010



Source: New York State Division of Criminal Justice Services, Computerized Criminal History System (Feb 2011). Includes all fingerprintable misdemeanor arrests for NYS Penal Law Article 221.10 as the most serious charge in an arrest event. Ages 16 and older. These tables show only the lowest-level misdemeanor marijuana possession arrests and charges.  
- Harry G. Levine, Sociology Department, Queens College and the Graduate Center, City University of New York. Feb 2011

## California State Spending - Department of Corrections & Rehabilitation vs. Workforce Investment Board



- Department of Corrections and Rehabilitation + predecessor entities (California Legislative Analyst's Office)
- Workforce Investment Board (California Legislative Analyst's Office)



# PRO ARGUMENT:

- Counter Argument: Economics-
  - Reports on the economics potential of a regulated marijuana market has been estimated to be over \$100 billion dollars yearly by the Dept of HHS. (reported by CNBC)
  - Economist Jeffrey Miron estimates the revenue potential to be around \$14 billion annually.
  - Easy to project that the monetary potential could be somewhere in the middle.

# CON ARGUMENTS: ECONOMICS

- Marijuana in its current state has a high profit margin
  - roughly selling at \$8.60 per half gram
  - roughly produced at \$1.70 per half gram
- Farmers will be enticed to produce this crop
- Could affect the price of other crops

# Intoxicated Driving

- Marijuana affects your ability to drive and operate machinery
  - Similar to alcohol
- For every mile driven by a drunk driver above the legal limit of .08 BAC the cost to is \$2.50
  - including \$.80 to people other than the drunk driver

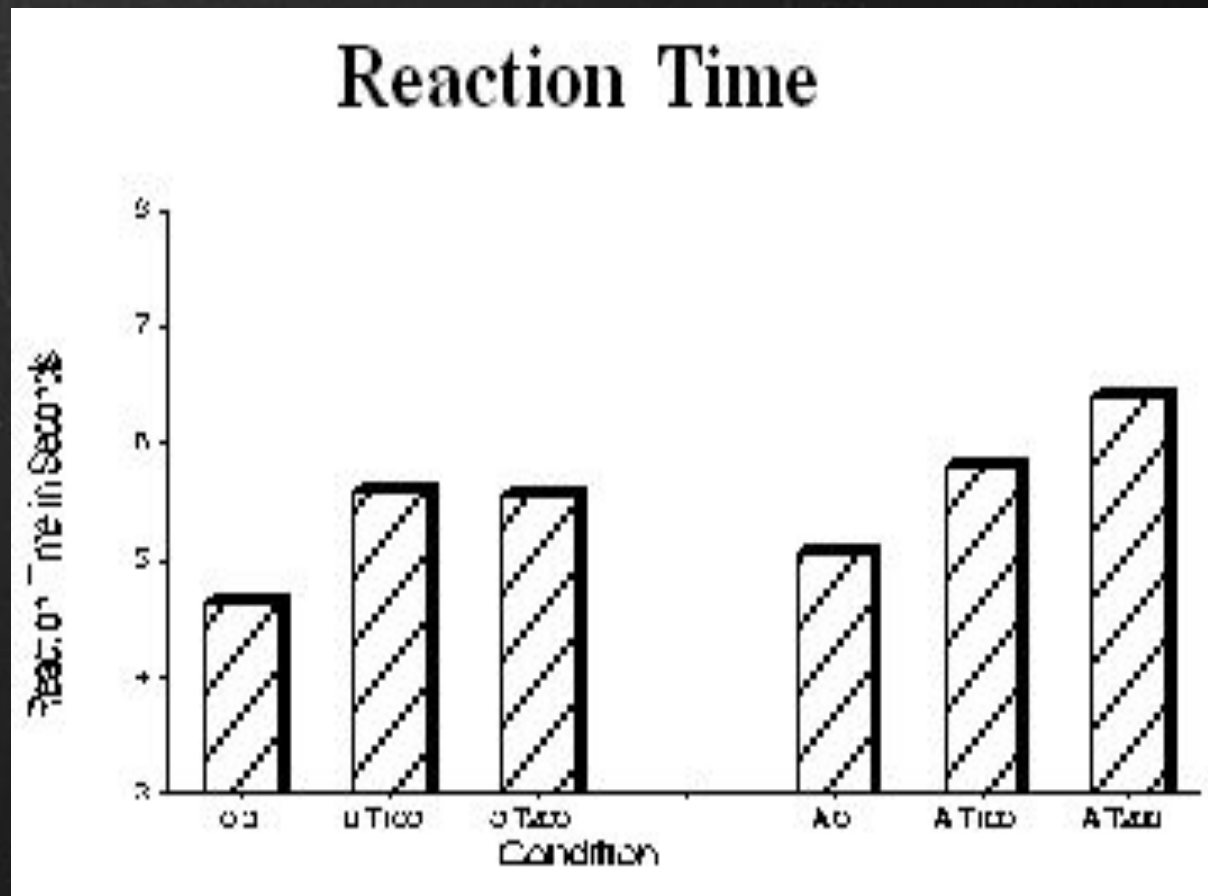


# CON ARGUMENTS: POLITICAL

- High or intoxicated driving
  - danger for the public
  - reaction time and the ability to make the right decision
  - no way of testing for someone being high

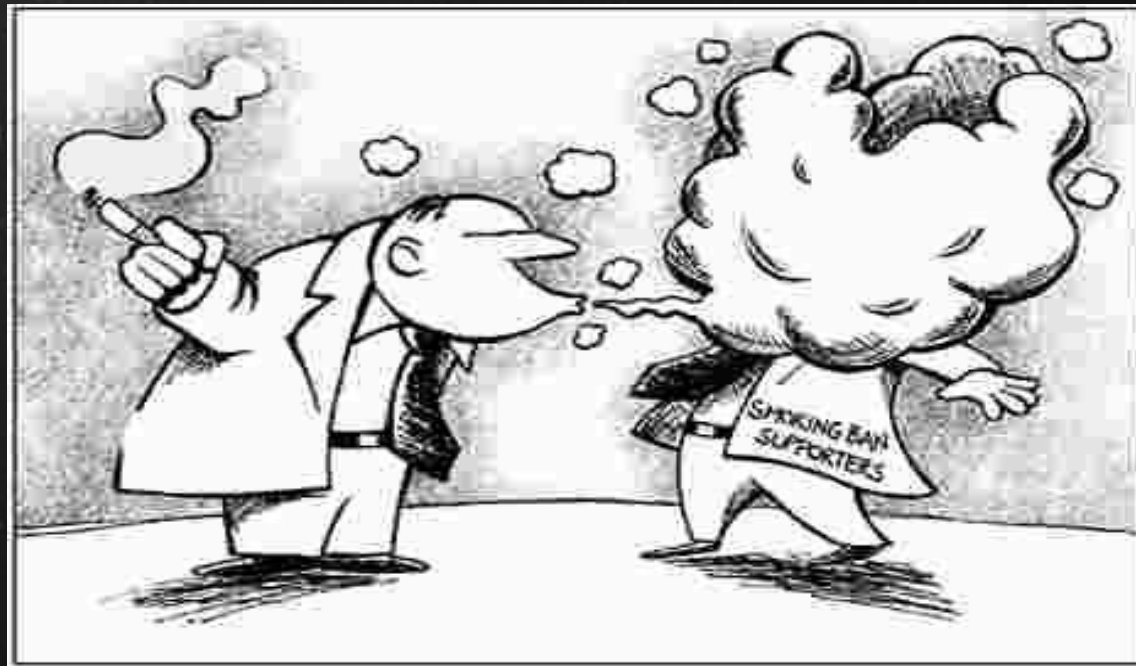


# CON ARGUMENTS



# CON ARGUMENTS

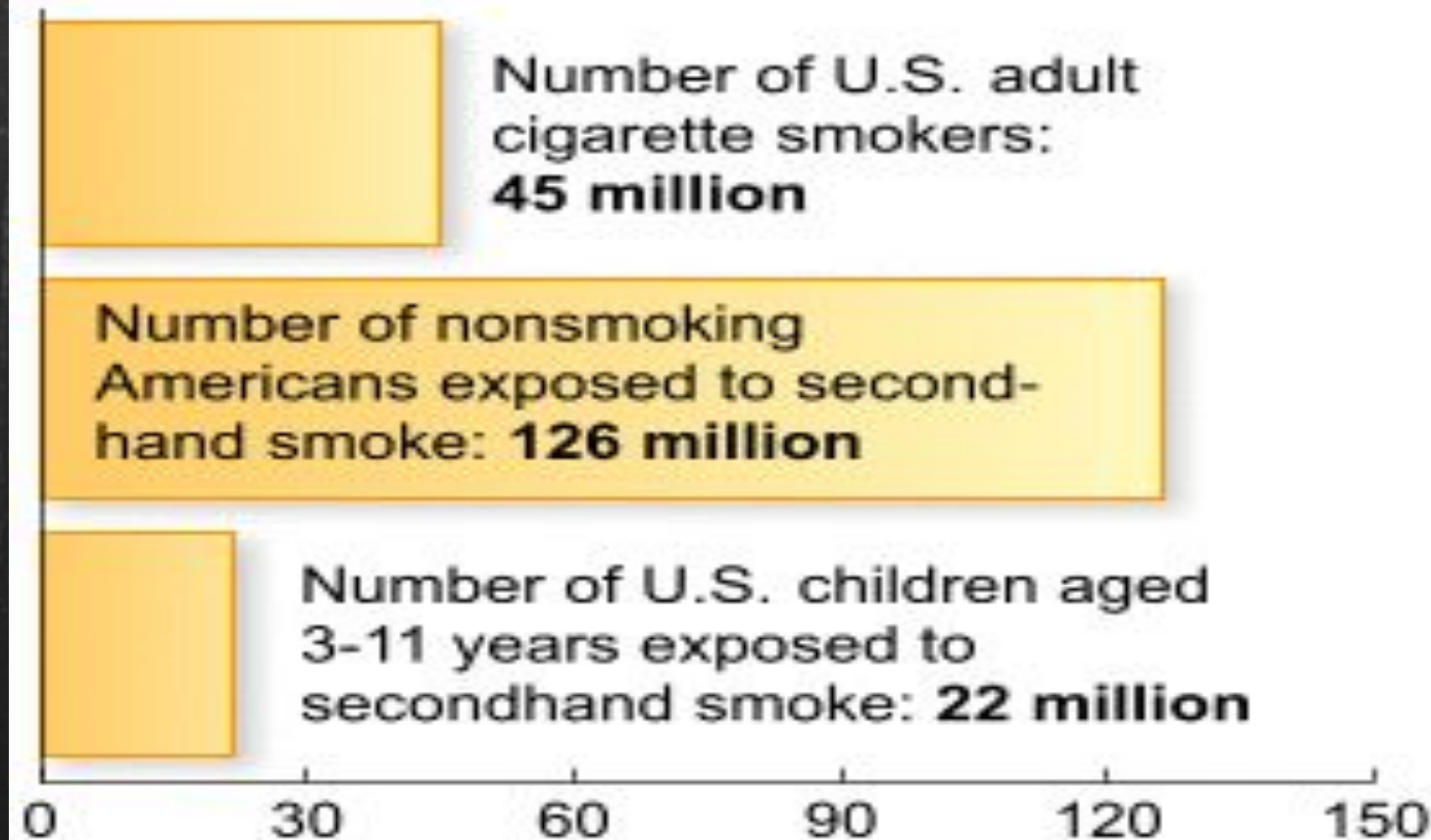
- Second hand smoke
  - involuntarily exposed to second hand smoking everyday will increase.
  - Bad consequence for the health of non-smoking people



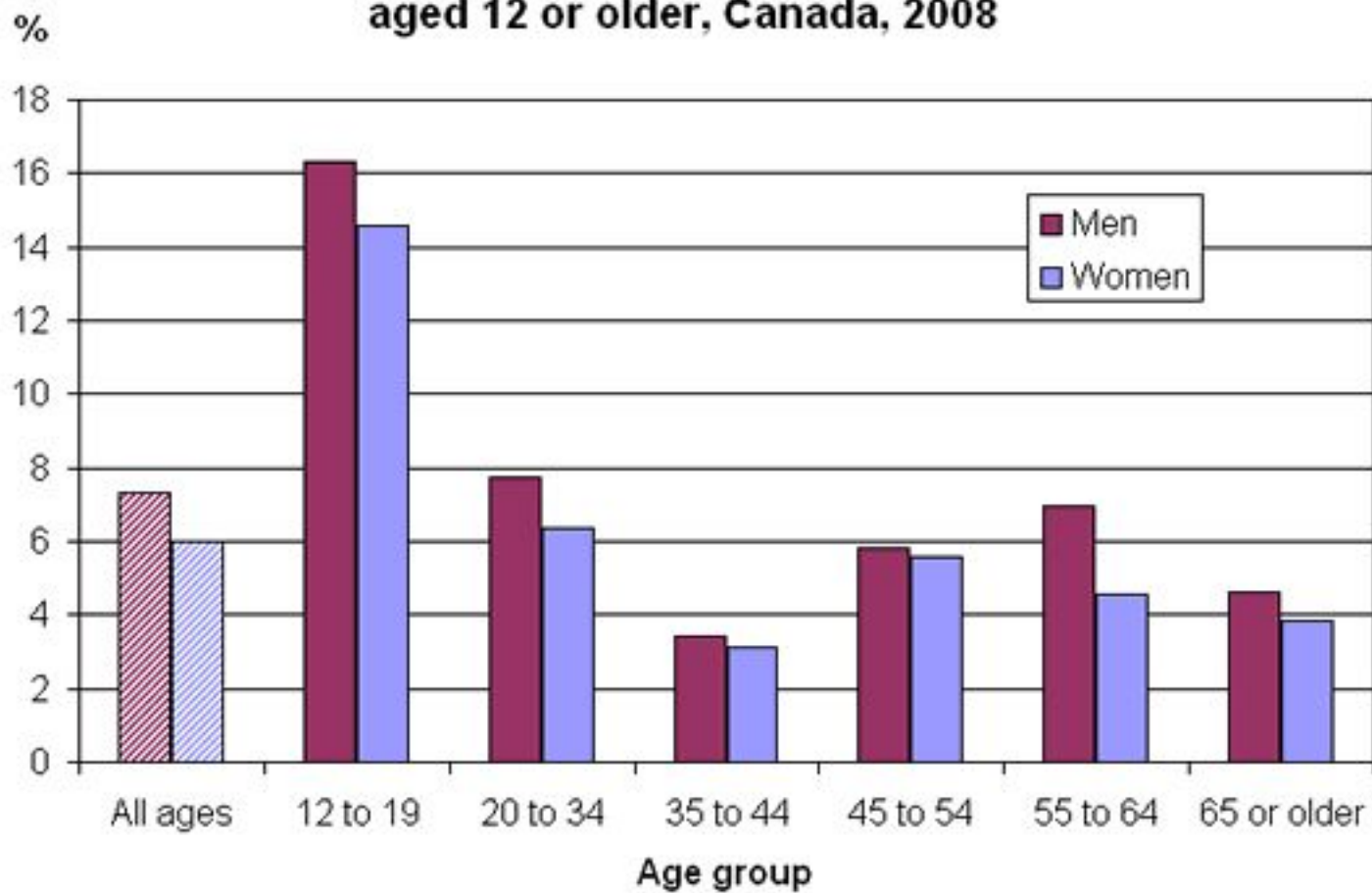


# CON ARGUMENTS

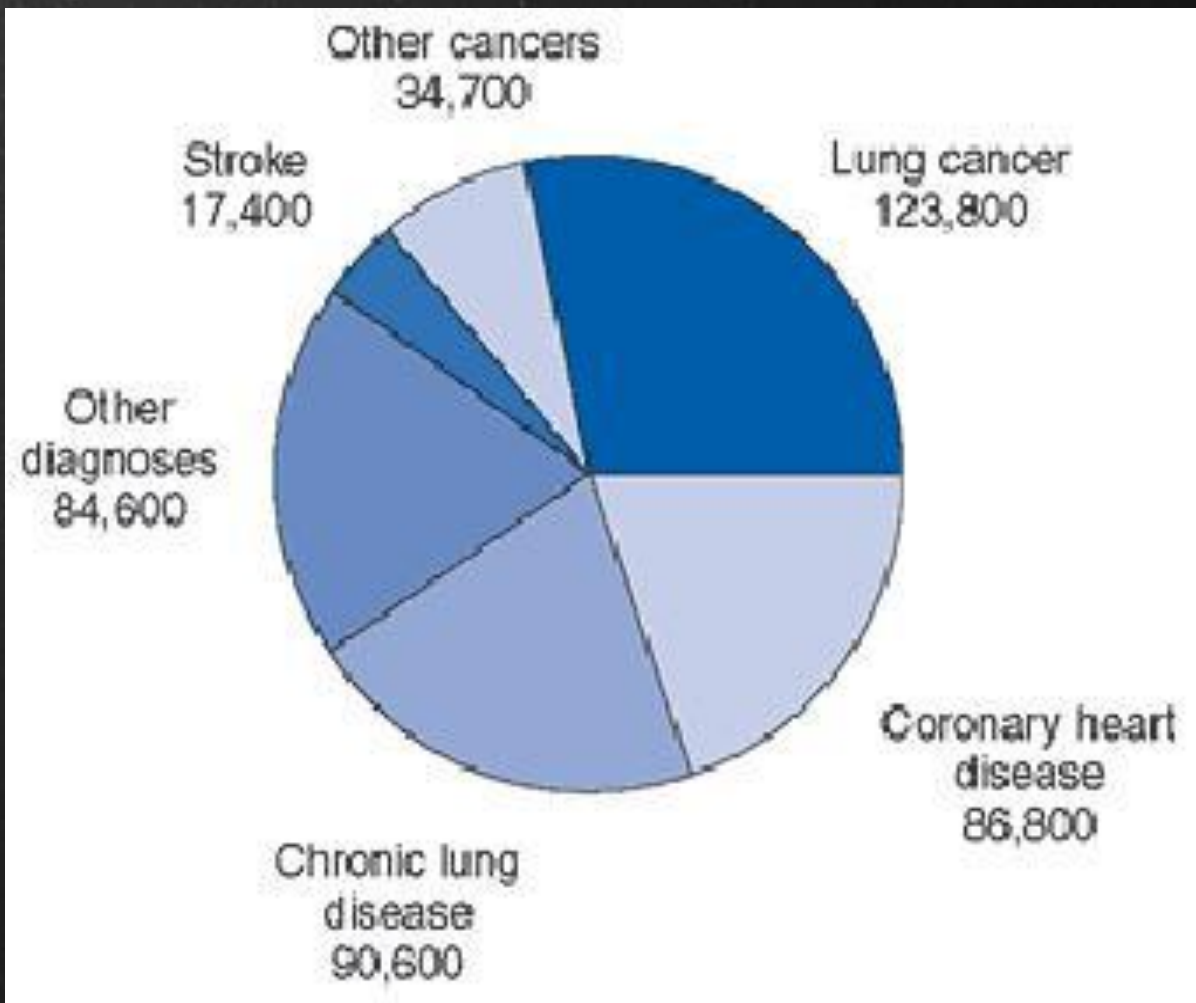
## Secondhand Smoke



**Percentage of non-smokers regularly exposed to second-hand smoke at home, by age group and sex, population aged 12 or older, Canada, 2008**



**Source:** Canadian Community Health Survey 2008.





# CON ARGUMENTS

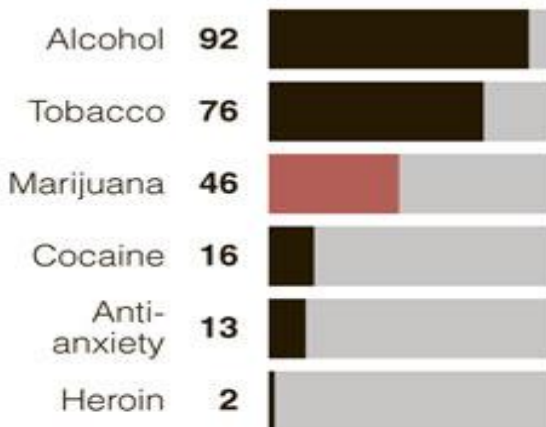
- Gateway drug
  - Introduction to drug-using behavior
  - We can't allow the legalisation of another gateway drug



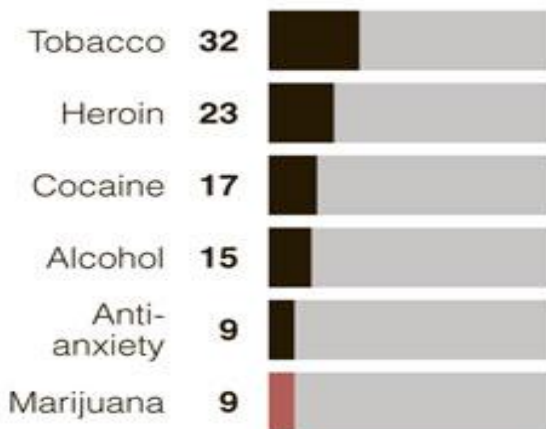
## Use and Misuse

From a 1999 study, the last major analysis of substance use and dependence.

Percentage who have tried:



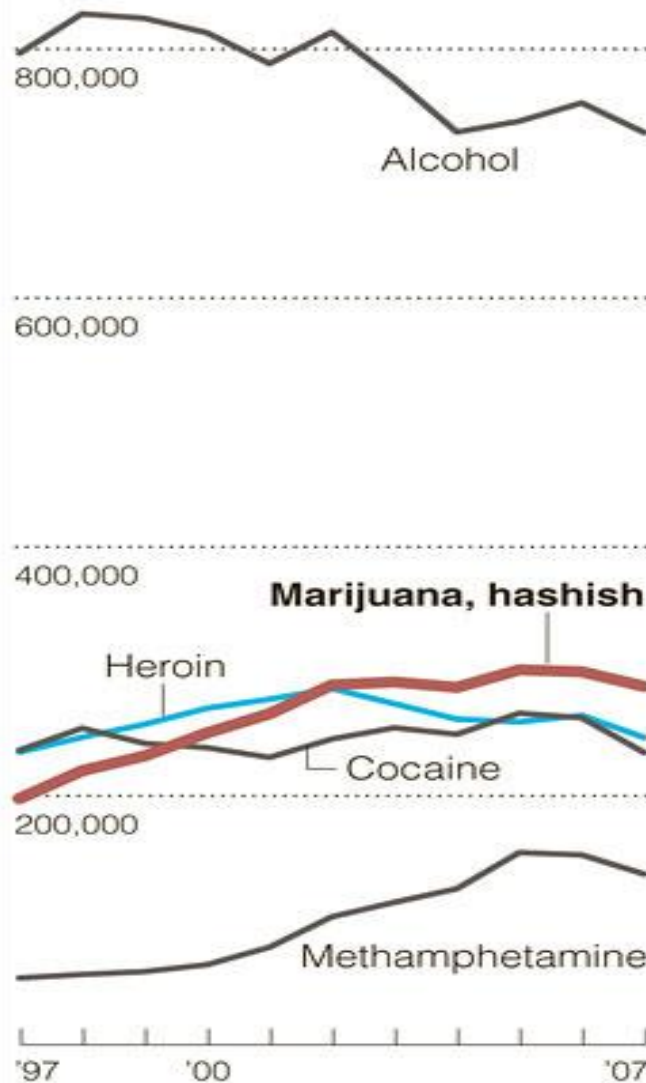
Of those who tried these substances, percentage who became dependent on them:



Source: Institute of Medicine of the National Academies

## In Treatment

Number of people in the United States in treatment for dependency on these substances:



Source: Department of Health and Human Services

# COUNTER ARGUMENT

- Regulation and taxation of marijuana appears beneficial when viewed from a monetary perspective.
- The cost is in a form dangers
  - to oneself
  - to other people
- Cost include
  - Medical
  - Marijuana also increases health risks
  - Insurances



# Conclusion

- Taxation and regulation of marijuana is totally in the best interest of the republic from a economist's perspective
- However, this comes at a cost of potential danger to the public

Questions?