



## 2020 Contribution of the Washington Cannabis Sector to the State's Economy

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The economic contributions of the cannabis sector are substantial for the state, particularly with respect to state revenues. This Fact Sheet highlights some of the more important contributions of the cannabis sector to the state of Washington as well as how expected cannabis excise tax revenues are projected to evolve under the potential legalization of recreational home cultivation (HB1019).

**Table 1: Washington State Cannabis Contributions to Gross State Product and Employment (2020)**

Direct Effects	\$602,375,289
Indirect Effects (earned from business-to-business transactions)	\$285,917,519
Induced Effects (earned from spending for personal activity)	\$960,404,415
<b>Total Contributions</b>	<b>\$1,848,697,222</b>
Direct Employment	5,816
Indirect Employment (off farm jobs supported by grain farm business transactions)	2,385
Induced Employment (off farm jobs supported from personal grain farm employment)	10,496
<b>TOTAL EMPLOYMENT</b>	<b>18,697</b>

Source: WSU IMPACT Center

### Measures of Economic Contributions in 2020

We report impacts on a GSP basis because it is a consistent measure over time. GSP avoids double counting of production values and, as such, is a more inherently stable measure than those of sales or output. Employment is measured on a full-time equivalent basis. The direct contributions of the cannabis sector accounted for the dollars retained in the state economy, that would otherwise have exited the state for the importation of substitute goods. The value added or gross state product associated with retained spending amounted to \$602 million in 2020.

By retaining that value in the economy, Washington's cannabis sector contributed roughly \$1.85 billion in total gross state product. This occurred in two ways: sector member purchases of business inputs (everything from equipment and growing medium to business services including accounting and legal fees), and the personal purchases of sector employees (paying for housing expenses, grocery shopping, paying for entertainment, etc.). As illustrated in Table 1, cannabis sector purchases of business inputs, and subsequent business-to-business sales, generated \$285.92 million of economic value in 2020.

In addition to providing revenue to other businesses through business-to-business transactions, sales are also generated by cannabis sector owners and employees through their expenditures on personal products and services. The value of out-of-sector expenditures by Washington Cannabis producers, processors, retailers, and their employees generated another \$960.40 million in gross state product throughout 2020. Cannabis thus represents one of the largest single agricultural commodities within the state.

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Table 2 shows the associated contributions to the state’s tax revenues. While there is a 37% retail tax on cannabis sales, tax receipts extend beyond that, capturing property taxes as well as corporate tax revenues and fees. As described in Table 1, activities in the sector have upstream, i.e., multiplier effects, as well the associated taxes collected from cannabis sector vendors in the supply chain and employees also contribute to the tax base supported by cannabis sector operations. While direct excise taxes amounted to nearly \$469 million in 2020, total tax collections steaming from the cannabis sector equaled \$883.4 million. Marijuana Excise Taxes remain the single largest line item in the Department of Revenue’s General and Selective Sales Tax category.

**Table 2: Washington State Tax Revenues from Cannabis Sector Operations by Tax Source**

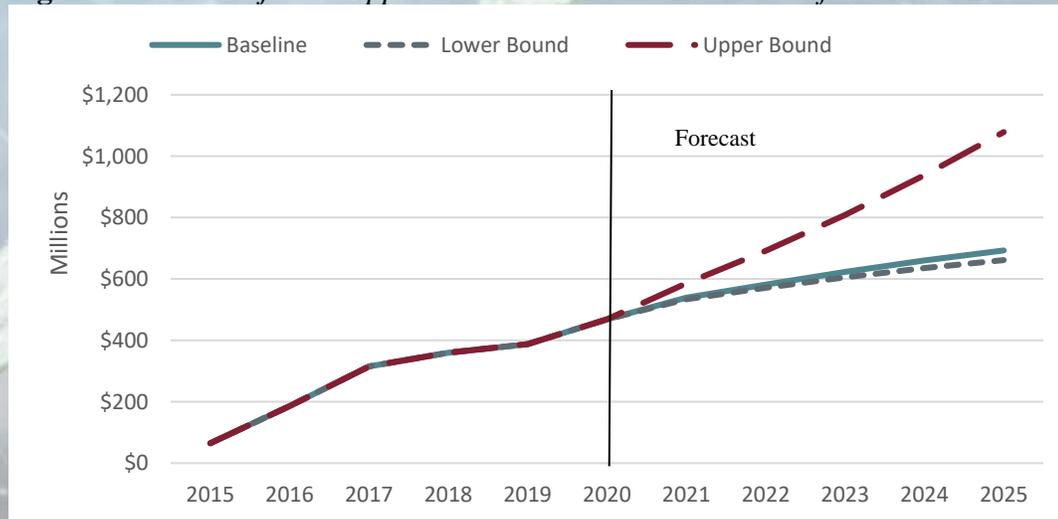
Revenue Source	Direct	Multiplier	Total
Property	\$195,029,566	\$13,253,770	\$248,387,556
2020 Sales & Excise Taxes	\$468,502,946	\$31,838,408	\$596,680,303
Corporate and Other	\$23,252,704	\$5,787,700	\$38,315,684
<b>Total</b>	<b>\$686,785,216</b>	<b>\$50,879,878</b>	<b>\$883,383,543</b>

Source: IMPLAN and Author’s Calculations

**Upper and Lower-Bound Estimates of Marijuana Excise Tax Revenues Resulting from HB1019.**

HB1019 is legislation revising sections of RCW 69.50 to allow regulated growth of marijuana for recreational use by Washington resident’s over the age of 21. This legislation has a potential to negatively affect retail sales by allowing home-grown cannabis to substitute for commercially grown cannabis sold in retail shops. However, as seen in the beer and wine industries, it also has the potential to expand the market beyond its current size and demographic allowing for significant potential gains in retail sales. Even with the most conservative set of assumptions Excise taxes are still projected to grow in 2021 by 11%, or roughly \$520 million. Under the most optimistic set of assumptions, where retail growth is generated through network externalities and market expansion, excise taxes may grow by as much as 25% in 2021, equivalent to \$586 million. Figure 3 shows the forecast under both sets of assumptions out to 2025. The difference in these upper and lower-bound assumptions suggest minimal downside risk from legalization of home production and large potential economic returns.

**Figure 3: 2025 Projected Upper and Lower-Bound Estimates of Cannabis Excise Tax Revenues**



Source: Department of Revenue Tax Statistics 2020 and author’s calculations.