

New York Cannabis Operators Set to Save Big as Potency Tax Falls Through

New York Governor Kathy Hochul's initiative to replace the state's potency tax with a flat excise tax on cannabis products commenced on June 1, coinciding with the start of the new fiscal year. This transition is hailed as a significant victory for most cannabis operators, particularly benefiting smaller retailers, processors, and social equity licensees, marking a favorable development for consumers as well.

Relief for Operators and Consumers Alike

The change in tax structure is anticipated to result in a reduction in retail cannabis product prices, a crucial development as licensed marijuana companies vie against numerous unlicensed cannabis establishments in the state, particularly within New York City.

Governor Hochul's Initiative

Governor Hochul recommended the repeal of the potency tax on marijuana products earlier this year, advocating for its substitution with a flat 9% excise tax. Previously, the state's 2021 legalization law mandated specific tax rates based on THC content, significantly burdening operators with substantial tax liabilities.

Industry Responses and Economic Impact

The revised tax policy has prompted reactions across the cannabis industry spectrum. Vertically integrated operators like PharmaCann anticipate minimal economic impacts, while smaller entities like Naturae and Silly Nice welcome the relief, foreseeing opportunities for price reductions and community support initiatives.

Ongoing Challenges in Tax Collection

Despite the overall positive response to the tax overhaul, concerns linger regarding tax payment delays and cash flow constraints among operators. The shift to a flat excise tax system has raised operational challenges, necessitating a closer examination of payment structures and collection mechanisms to ensure financial stability within the industry.

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