

## **Cannabis Operators in Michigan Push Back Against Big Tax Increase**

### **Michigan Cannabis Operators Protest Massive Tax Hike, Consider Lawsuit**

*Cannabis Businesses Mobilize Against Proposed 24% Wholesale Tax at Capitol Protest*

Michigan's cannabis industry erupted in protest this week as hundreds of operators, employees, and advocates gathered at the state Capitol in Lansing to oppose a newly proposed tax hike that could reshape the state's marijuana market. The proposal, backed by both Democratic Gov. Gretchen Whitmer and Republican lawmakers, would impose a 24% wholesale tax on marijuana products starting in January 2026. The demonstration, reported by *The Detroit News*, underscored the industry's fears that the measure could devastate the second-largest cannabis market in the United States.

### **Lawmakers Pitch Cannabis Tax as Infrastructure Fix Worth \$420 Million Annually**

Michigan officials argue the tax hike is necessary to fund urgent infrastructure improvements. According to state estimates, the new wholesale tax could generate \$420 million per year, earmarked for road and bridge repairs across Michigan. Legislators have framed the cannabis industry as a lucrative source of revenue, pointing to the market's \$3.2 billion in annual sales. The state House approved the measure last week, advancing the bill toward final passage despite intense pushback from operators who say the industry is already struggling with oversupply and declining margins.

### **Cannabis Businesses Warn of Market Damage and Consumer Price Shock**

Industry representatives and small business owners warn that the proposed wholesale tax would not only increase operating costs but also drive up retail prices for consumers. Advocates argue that this could push buyers back into the illicit market, a trend seen in high-tax states such as California. "This kind of sudden increase will damage the industry," said cannabis consumer George Lynch, who spoke to *The Detroit News* at the protest. With Michigan's market already saturated, operators fear that higher costs will accelerate closures and consolidation.

### **Michigan Cannabis Industry Group Considers Legal Action Against State**

Beyond protests, the Michigan Cannabis Industry Association (MCIA) is weighing a potential lawsuit to stop the tax hike. According to *Bridge Michigan*, industry leaders believe the new measure may violate the state's voter-approved 2018 adult-use cannabis law, which set initial taxation rules. MCIA argues that altering the financial structure of legalization without voter approval could be unconstitutional. If litigation moves forward, the lawsuit could become one of the most significant legal challenges to cannabis taxation in the country.

## **Lawmakers Defend Tax Plan as Fair and Necessary for Public Works**

State legislators, however, insist the proposal is legally sound. Rep. Alabas Farhat, a Democrat from Dearborn, dismissed claims that the industry is facing financial collapse. "Cannabis companies aren't doing as bad as they say they're doing," Farhat told reporters, emphasizing that Michigan's marijuana tax rates remain lower than those in many other states. Under current law, cannabis purchases in Michigan are subject to a 10% excise tax plus the 6% state sales tax, totaling 16%—below the national median of 17% documented by Ohio State University researchers in 2023.

## **Cannabis Taxation Trends Highlight National Divide on Revenue and Regulation**

Michigan's move comes as states across the country reassess how cannabis revenues can shore up public budgets. Several states have enacted tax hikes this year to address shortfalls, betting on cannabis as a dependable revenue stream. By contrast, California recently rolled back a scheduled excise tax increase, with Gov. Gavin Newsom signing legislation to keep taxes lower in an effort to stabilize the struggling legal market. Observers note that Michigan could be testing whether its cannabis industry is robust enough to shoulder additional tax burdens without suffering the same consequences seen elsewhere.

## **Industry Fears a Repeat of Other States' Struggles With the Illicit Market**

Cannabis operators in Michigan point to lessons from other states where excessive taxation weakened the legal market. In California, years of high taxes allowed the illicit market to thrive, as consumers sought cheaper options outside the regulated system. Michigan entrepreneurs fear the same outcome if lawmakers move forward. The concern is especially pressing in Michigan's saturated market, where competition has already driven down wholesale prices and squeezed small operators. Critics warn that a steep tax increase could tip the balance further, creating a landscape dominated by only the largest multistate operators.

## **Protest Highlights Tensions Between State Revenue Goals and Industry Survival**

The rally at the state Capitol highlighted the widening gap between policymakers seeking new funding streams and cannabis businesses struggling to stay competitive. Advocates held signs and delivered speeches condemning the tax as a cash grab at the expense of small businesses and consumers. While many agree that Michigan's infrastructure is in dire need of repair, cannabis operators argue that their industry should not be singled out as the state's financial lifeline.

# Michigan's Cannabis Industry Braces for Legal and Political Battle

As Michigan lawmakers push forward with the proposed 24% wholesale tax, the state's cannabis operators are preparing for a two-pronged fight: continued public protest and a potential legal challenge in court. The outcome could set an important precedent for cannabis taxation nationwide, particularly in states balancing the dual goals of maximizing revenue and sustaining a viable legal market. With Michigan cannabis sales already slowing and operators warning of dire consequences, the next steps in this political and legal battle could reshape the future of the state's \$3.2 billion marijuana industry.

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