

Michigan Lawmakers Approve Big Cannabis Tax Increase

Michigan Approves Massive Cannabis Tax Hike, Sparking Industry Concerns

Michigan's cannabis industry will soon face one of the highest tax burdens in the country after state lawmakers approved a sweeping new 24% wholesale tax as part of the state's \$75 billion budget.

A Triple Tax Burden for Cannabis Operators

The new wholesale tax, approved early Friday morning, will be added on top of Michigan's existing 10% excise tax and 6% sales tax, bringing the total effective tax rate for cannabis operators to some of the steepest in the nation.

With the state's cannabis market valued at \$3.2 billion, industry leaders warn that the added tax pressure could drive consumers to cheaper alternatives, including unregulated sources.

Revenue Goals vs. Industry Risks

Governor Gretchen Whitmer and supporters of the measure argue that the new tax will generate roughly \$420 million in revenue, with funds earmarked for rebuilding Michigan's aging roads and bridges.

The move comes as several U.S. states raise cannabis taxes to shore up revenue in the face of slowing economic growth and reduced federal funding. However, experts caution that steep tax increases often backfire, pushing consumers into the illicit market while undercutting licensed operators.

California, for example, recently scrapped a planned 25% excise tax increase after industry pushback highlighted risks to both the regulated market and tax revenue collection.

Industry Pushback and Fears of Market Decline

Cannabis businesses and advocates in Michigan say the tax threatens to undo years of progress in building one of the nation's strongest regulated cannabis markets.

"Levying a new 24% wholesale tax on Michigan's cannabis industry undermines the significant progress made in one of the nation's strongest cannabis markets," said Rodney Holcombe, vice president of public policy at wholesale platform LeafLink.

“The industry has delivered 47,000-plus jobs, increased consumer safety, and generated reliable tax revenue for the state,” Holcombe added. “This new tax reverses this and may actually lead to less tax revenue collection due to fewer legal sales and an uptick in illicit market transactions.”

A Market Already Facing Challenges

The timing of the tax increase has also raised concerns, as Michigan’s cannabis market has already faced turbulence. Earlier this year, a major multistate operator exited the state, citing rising costs, competitive pressures, and thinning profit margins.

Industry observers warn that piling additional taxes onto businesses already struggling to remain competitive could accelerate market consolidation, leaving smaller operators vulnerable.

When the Tax Takes Effect

The new 24% wholesale tax will take effect in January, giving cannabis companies only a few months to prepare for what many believe will be a fundamental reshaping of Michigan’s cannabis economy.

While lawmakers argue the measure is necessary to fund infrastructure improvements, opponents fear it will ultimately hurt consumers, weaken the legal cannabis market, and give new momentum to the illicit market the state has spent years trying to eliminate.

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