

# **Cannabis Businesses Challenge Michigan Tax Increase**

## **Michigan Cannabis Trade Group Sues To Invalidate Newly Enacted 24 Percent Wholesale Tax, Alleging Constitutional Violations And Procedural Missteps**

*Industry Lawsuit Lands In Michigan Court Of Claims As Businesses Move Quickly To Halt A Wholesale Tax Tied To The State Budget And Road Funding*

A leading trade association for marijuana businesses in Michigan has filed a lawsuit seeking to overturn the state's newly approved 24 percent tax on the wholesale sale or transfer of cannabis. The complaint, lodged with the Michigan Court of Claims on Tuesday, October 7, 2025, targets the statute enacted as part of the recent budget deal, arguing that both the law and the process used to pass it are unconstitutional. The group is asking the court to declare the new tax invalid and to block the state from enforcing it before it takes effect.

### **Voter-Initiated Legalization Framework And Existing Excise Tax Form The Backbone Of The Challenge To The New Levy**

Michigan voters approved Proposal 1 in 2018, creating the Michigan Regulation and Taxation of Marijuana Act (MRTMA), which legalized adult-use cannabis for those 21 and older and imposed a 10 percent excise tax at retail, in addition to the state's 6 percent sales tax. The trade association argues that MRTMA is the exclusive vehicle for imposing cannabis excise taxes and that any change to that framework must either be approved by voters or pass the Legislature with a three-fourths supermajority.

### **Legislative Vote Counts And Supermajority Thresholds Sit At The Center Of The Dispute Over How The Tax Was Enacted**

Lawmakers advanced the 24 percent wholesale tax through a separate statute during final budget negotiations, not as an amendment to MRTMA. The measure cleared the Michigan House 78–21 (with 11 members not voting) and the Senate 19–17 (with one member not voting and one seat vacant). Because those margins fall short of the three-fourths supermajority the plaintiffs say is required to alter a voter-initiated law's tax scheme, the association contends the levy cannot stand.

# **Allegations Extend Beyond Vote Math To Include Title-Object Concerns And A Claimed Unlawful Change Of Purpose As The Bill Evolved**

Beyond the constitutional argument tied to MRTMA, the complaint asserts that the bill's original title and purpose shifted dramatically during the legislative process—from establishing a fund related to road financing and revenue replacement without creating a tax, to imposing a new 24 percent excise tax on wholesale cannabis transactions. The association says that evolution violated Michigan's constitutional rules on a bill's title and single-object requirements, as well as the prohibition on changing a bill's purpose midstream. The suit additionally raises a contracts-clause claim under the state constitution.

## **Urgent Request For Judicial Relief Seeks A Declaratory Judgment And An Injunction To Stop Enforcement Before The Tax Starts Hitting Invoices**

The plaintiffs are asking the Court of Claims to declare the statute unenforceable and to issue injunctive relief preventing the Department of Treasury from collecting the wholesale tax. As of Wednesday morning, a Treasury spokesperson indicated the department had not yet been served and declined substantive comment. The tax is slated to take effect with the new budget cycle and, if implemented, would layer atop the existing 10 percent retail excise tax and 6 percent sales tax that already apply in the regulated market.

### **Budget Context And Policy Rationale Frame The State's Position As Supporters Tie The New Revenue To Roads And Infrastructure**

Governor Gretchen Whitmer and legislative negotiators folded the wholesale tax into the broader \$81 billion state budget package finalized in early October, with backers projecting roughly \$420 million in annual collections dedicated to road and bridge improvements. The administration has pitched the tax as a key plank in a multi-year infrastructure push intended to address long-standing deficiencies in Michigan's transportation network.

## **Market Implications Include Price Pressure, Margin Squeeze, And Competitive Shifts That Could Reshape Michigan's Cannabis Landscape**

Industry stakeholders warn that a wholesale-level levy of this magnitude could ripple through the supply chain—raising transfer prices from cultivators and processors to retailers, squeezing margins for smaller firms, and potentially nudging some consumers back toward illicit channels if retail prices climb. Local operators have described preparing for cost increases as the tax's January start approaches, with some anticipating consolidation advantages for larger, vertically integrated businesses that can absorb or redistribute costs more effectively than independent shops.

### **Legal Questions To Watch: Voter-Initiated Statutes, Supermajority Rules, And The Boundaries Of Title-Object And Purpose Requirements**

The lawsuit sets up a pivotal test of how far legislators can go in adjusting policy around a voter-initiated statute without returning to the ballot or securing a supermajority. The court will likely scrutinize whether the wholesale tax operates as an amendment to MRTMA in substance, even if enacted via a separate law, and

whether the bill honored Michigan's constitutional requirements for title clarity, single purpose, and consistent scope through the amendment process. These questions could reverberate beyond cannabis policy, shaping how future Legislatures approach changes to other voter-approved laws.

## **Public Safety And Broader Policy Narratives Form The Backdrop, With Mixed Research On Traffic Fatalities In Legalization States**

As the tax debate unfolds, competing narratives about legalization's public-safety impacts continue. Some recent analyses and news reports point to increases in THC-positive drivers in fatal crashes, while other research has found that post-legalization traffic death trends in certain states have not outpaced national patterns. These findings do not directly bear on the wholesale tax's legality, but they shape the wider policy conversation that legislators and courts cannot ignore.

## **What Comes Next: Procedural Timelines, Potential Injunctions, And Business Planning In An Era Of Regulatory Flux**

In the near term, the Court of Claims will determine briefing schedules and whether to grant temporary injunctive relief. If a preliminary injunction issues, collection could be paused while the case proceeds on the merits; if not, businesses may need contingency plans that account for higher pass-through costs on wholesale transactions. Given the state's budget commitments tied to the tax, an appeal to the Michigan Court of Appeals is likely regardless of the initial outcome, and the Michigan Supreme Court could ultimately be asked to weigh in on voter-initiated law protections and legislative authority.

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