

Michigan Cannabis Companies Challenge State Tax Hike in Court

Michigan Cannabis Operators Take Legal Action to Block Massive 24% Wholesale Tax

Industry Advocates Argue the Tax Violates Voter Rights and Could Devastate the State's \$3.2 Billion Market

Michigan's cannabis industry is heading to court to challenge what they describe as an unconstitutional and economically devastating new tax.

In an Oct. 29 filing with the Court of Claims, the Michigan Cannabis Industry Association (MICIA) and Lansing-based marijuana manufacturer PG Manufacturing asked the court to block a new 24% wholesale tax on cannabis, set to take effect Jan. 1, 2026, according to *MichiganLive*.

Industry representatives say the new levy—described as the largest cannabis tax hike in recent U.S. history will cripple businesses and undermine the will of voters who approved Michigan's cannabis legalization framework in 2018.

The New Tax Would Make Michigan's Cannabis Among the Most Heavily Taxed in the Nation

The 24% wholesale tax is part of a state budget package passed in September and signed by Gov. Gretchen Whitmer, who said the measure will help raise an estimated \$420 million in new revenue for infrastructure and road projects.

However, operators say the additional tax, layered on top of the existing 10% excise tax and 6% state sales tax, will push legal prices so high that consumers will increasingly turn to the illicit market or shop across state lines.

“This tax will devastate small operators, increase prices for consumers, and undo years of progress building a stable, regulated cannabis economy,” said MICIA Executive Director Robin Schneider in a statement accompanying the lawsuit.

Lawsuit Challenges the Constitutionality of the Tax Under Voter-Approved Law

At the heart of the lawsuit is the argument that the new tax violates the Marijuana Regulation and Taxation of Marijuana Act (MRTMA), the voter-approved initiative that established Michigan's legal marijuana market.

Under the state constitution, any amendment to a voter-initiated law requires approval from three-fourths of the Legislature.

The tax package, however, passed the state Senate by a narrow 19–17 vote, falling far short of that threshold.

“This is legislative gamesmanship at the expense of the voters,” the lawsuit states. “Lawmakers do not have the authority to rewrite the MRTMA’s tax provisions without supermajority support.”

Industry Warns of Economic Fallout and Regional Consequences

If implemented, the new tax could make Michigan’s marijuana products among the most heavily taxed in the country, surpassing rates in major markets like California and Illinois.

Michigan’s \$3.2 billion annual cannabis market—second only to California’s—is one of the few in the nation still experiencing growth. But operators warn the tax could reverse that momentum by pushing customers to the unregulated market.

“This measure will drive people back to the streets, not the stores,” said PG Manufacturing CEO David Hall. “It’s already tough competing with illegal sellers. This tax just widens that gap.”

The state’s own projections estimate the measure could raise \$420 million, but industry experts say those numbers are overly optimistic and don’t account for potential drops in legal sales volume.

Whitmer’s original proposal called for an even higher 32% wholesale tax, which her administration said could raise \$470 million—a plan widely criticized by cannabis operators and economists alike.

Border Towns and Small Businesses Could Be Hit the Hardest

Operators in border communities such as Monroe and Niles—where out-of-state consumers make up a significant share of sales say the new tax would make Michigan less competitive compared to neighboring states like Illinois and Ohio.

“If this goes through, we’ll see an immediate drop in traffic from out-of-state buyers,” said one retailer in southwest Michigan. “They’ll just cross a different border to get cheaper cannabis.”

Small businesses, which make up the majority of Michigan’s licensed operators, say they lack the financial cushion to absorb additional costs. Many have already been squeezed by declining wholesale prices, high compliance costs, and oversupply.

What Comes Next for Michigan’s Cannabis Market

The lawsuit seeks a temporary injunction to block implementation of the tax while the case proceeds.

Legal experts say the case could set a precedent for how far state legislatures can go in modifying voter-approved cannabis laws—an issue that could resonate in other states with similar frameworks.

Despite mounting pressure, Whitmer’s administration has stood by the tax, arguing that the funds are critical for infrastructure needs and that the market can absorb the increase.

For now, Michigan’s cannabis industry is bracing for a potential legal showdown that could shape the future of cannabis taxation and regulation nationwide.

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