

Michigan Cannabis Industry Files Lawsuit Against Tax Increase

Michigan Court Hears Landmark Lawsuit Challenging Newly Passed 24 Percent Cannabis Tax Amid Industry Outcry

Detroit Hearing Focuses on Constitutionality of Tax Increase as Cannabis Business Groups Seek Injunction

Detroit, MI — The Michigan Court of Claims convened on Tuesday morning to hear arguments in a high-stakes lawsuit challenging the state’s newly enacted 24 percent tax on all cannabis products. The tax, which was passed as part of the fiscal year 2026 budget package, has sparked intense backlash from cannabis businesses and industry advocates, who argue that it is unconstitutional and threatens the survival of small retailers across the state.

The lawsuit, filed by the Michigan Cannabis Industry Association, seeks an injunction to prevent the new tax from taking effect on January 1, 2026, claiming that the law violates provisions of the Michigan Regulation and Taxation of Marihuana Act (MRTMA), the 2018 ballot initiative that legalized recreational cannabis in the state.

Industry Argues That the 24 Percent Tax Violates Voter-Approved Ballot Initiative by Circumventing Required Supermajority Vote

During the hearing, representatives from the association contended that the new law alters the structure of the 10 percent excise tax originally approved by voters, imposing a significantly higher rate without the supermajority required to amend a citizen-initiated ballot measure.

“As the leading cannabis trade association, we’re here in court fighting to protect the will of Michigan voters,” said Rose Tantraphol, spokesperson for the Michigan Cannabis Industry Association, following the hearing. “Michigan voters made their voices heard loud and clear in 2018 when they passed a citizen ballot initiative legalizing cannabis, and this 24 percent wholesale tax was imposed in violation of provisions in the state’s constitution.”

According to the industry, the new wholesale tax not only imposes an additional financial burden on producers and retailers but also risks pushing consumers toward the black market, undermining the regulated market that the 2018 initiative sought to establish.

State Argues Wholesale Tax Does Not Amend Existing Law, Defending Measure as Public Infrastructure Funding Tool

In response, the Michigan Department of Attorney General, representing the state Legislature, argued that the wholesale excise tax does not constitute an amendment to the original 10 percent retail excise tax established under the MRTMA.

“Given that the [marijuana tax act’s] excise tax is directed only at a retail transaction, the [road funding act’s] wholesale excise tax does not ‘revise, alter or amend’ the [marijuana tax act],” the state’s filing stated. “The 10 percent tax is imposed in addition to all other taxes, and therefore the new law does not negate or change the initial law.”

The AG’s office emphasized that the tax is an essential revenue source for Michigan’s public infrastructure projects, including road repairs and construction initiatives, which are central to Governor Gretchen Whitmer’s policy priorities for her final full year in office.

“There are limited public resources for the state and all the various decisions the state makes with the public fisc, including for Michigan’s infrastructure,” the filing noted. “That certain entities might have pecuniary interests that are impacted by legislation does not outweigh the public interests of Michigan’s 10-plus million citizens who travel, and should travel safely, on Michigan’s roads.”

Small Businesses and Farmers Warn of Devastating Economic Impact if Tax Is Upheld

Cannabis business owners and employees have voiced strong opposition to the new tax since its passage, warning that it could force small retailers out of business and bolster illicit sales. The Michigan Cannabis Industry Association estimates that the tax could impose severe financial hardship on thousands of licensed businesses, many of which have only recently reached profitability following the legalization of recreational cannabis.

Industry stakeholders argue that a steep increase in taxation could disproportionately affect smaller operators while leaving larger multi-state corporations better positioned to absorb the cost, further consolidating the market and reducing competition.

Court Case Could Set a Precedent for State-Level Cannabis Regulation and Tax Policy Nationwide

Legal experts suggest that the outcome of Michigan Cannabis Industry Association v. Michigan could have implications far beyond the state. If the court finds that the new tax violates the constitutionally protected ballot initiative, it could influence how other states design cannabis tax legislation and how they approach modifications to voter-approved measures.

“This is more than just a Michigan issue,” said one industry attorney familiar with the case. “How courts interpret the limits of state legislatures to alter voter-approved initiatives could affect cannabis policy, taxation, and the regulatory framework across the country.”

Public Safety and Revenue Generation Versus Industry Viability: The Debate Continues

The debate highlights a recurring tension between public revenue needs and the viability of emerging industries. Lawmakers argue that the new tax is critical for funding state projects and ensuring public safety

through well-maintained infrastructure. Meanwhile, cannabis advocates insist that the punitive tax threatens a legitimate, state-licensed industry that provides jobs, tax revenue, and regulated alternatives to the black market.

As the January 1, 2026, implementation date approaches, all eyes will be on the Michigan Court of Claims to determine whether the tax will stand or whether the industry will gain temporary relief through an injunction. Stakeholders from both sides are expected to continue lobbying aggressively as the state navigates this complex intersection of constitutional law, voter intent, and fiscal policy.

The Path Forward: Potential Implications for Michigan and Beyond

Regardless of the court's ruling, the case underscores the challenges of balancing voter initiatives, legislative authority, and the economic realities of newly legalized markets. For cannabis entrepreneurs, farmers, and ancillary businesses, the stakes could not be higher, as the decision will impact not only financial viability but also consumer access and market stability.

If successful, the Michigan Cannabis Industry Association could prevent the wholesale tax from taking effect, preserving the structure envisioned by voters in 2018. Conversely, if the state prevails, cannabis businesses will need to adapt to a significantly higher tax burden while the legal and political landscape for marijuana continues to evolve at both state and federal levels.

The court's decision, anticipated in the coming months, is likely to influence ongoing debates over cannabis taxation, ballot initiatives, and regulatory frameworks throughout the United States. For now, Michigan's cannabis industry watches closely as legal arguments unfold in Detroit, hoping for a resolution that balances public interest with the survival of a thriving legal market.

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