

Legal Ruling: Missouri Municipalities Permitted to Stack Taxes on Cannabis Operators

A recent judicial ruling in Missouri has paved the way for municipal governments to impose additional taxes on adult-use cannabis sales, allowing them to stack taxes on top of the existing 6% state tax. Here's a closer look at the implications of this ruling:

Legal Challenge by Cannabis Producer

The ruling stems from a lawsuit filed by cannabis producer Robust Missouri, challenging the interpretation of the constitutional amendment that legalized marijuana in the state. The lawsuit questioned whether local governments, such as counties and cities, could impose a maximum of 3% sales tax combined or if they could each impose a separate 3% sales tax.

Judge's Clarification

In his ruling, St. Louis County Circuit Judge Brian May clarified that both counties and cities have the authority to impose taxes on cannabis sales. Judge May emphasized that accepting Robust's interpretation would grant municipalities unchecked authority, potentially undermining county ordinances related to public health and safety.

Impact on Cannabis Industry

Andrew Mullins, executive director of the Missouri Cannabis Trade Association, expressed concerns about the implications of high taxes on the cannabis industry. He warned that excessively high taxes could fuel the illicit market, as products sold illegally do not incur taxes and can thus be offered at lower prices. Mullins highlighted the importance of ensuring that legal cannabis sales remain competitive to prevent the proliferation of illicit operations.

Appeal and Pending Cases

Despite the ruling, Robust Missouri is appealing the judge's decision, indicating ongoing legal challenges surrounding cannabis taxation in Missouri. Additionally, another company, St. Joseph-based Vertical Enterprise, has a pending tax case in Buchanan County, further underscoring the complexity of tax regulations in the state.

The ruling allowing Missouri municipalities to stack taxes on adult-use cannabis sales marks a significant development in the state's cannabis industry. While it provides local governments with additional revenue opportunities, concerns persist regarding the potential impact on the competitiveness of legal cannabis sales and the proliferation of the illicit market. As legal challenges and pending cases continue, stakeholders in the cannabis industry will closely monitor developments in Missouri's evolving regulatory landscape.