Moody's: Washington might not see the marijuana tax windfall previously projected

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A slow start to sales, high taxes and easy-to-get medical marijuana may translate to lesser-than-expected revenues from Washington state's newly legal recreational pot market, according to a new report from Moody's, the credit rating agency.

Marijuana for recreational use went on sale in Washington earlier this month and is taxed three separate times—25 percent each at the production, wholesale and retail levels—in addition to state and local sales taxes. Combined, the trio of taxes translate to an effective rate of 44 percent, Moody's finds.

"The tax structure in Washington State is likely to be a major deterrent for consumers who do not see the value in obtaining the product from a storefront as opposed to a medical dispensary," writes Moody's Analyst Andrea Unsworth, the report's author. Why pay a higher tax when getting approval for medical marijuana is reportedly relatively easy? Washington's forecasters last revisited their estimate in June, too, and anticipated $51.2 million in revenues from fees and taxes for the 2015 to 2017 budget and more than two times more for the following two years.

A similar situation appears to be playing out in Colorado, where recreational marijuana sales began on Jan. 1. Colorado economists in 2012 predicted $67 million in revenues from retail pot in the 2014-2015 fiscal year. They dropped that estimate to $54 million in March and $30.6 million again in June. State forecasters explained why in a June report:

"One reason that revenue has lagged behind earlier estimates is that medical marijuana users have not converted to the adult-use market," they wrote.

Aside from its high tax rates on recreational pot, the state also has only opened up roughly 7 percent of the market. Of the 334 marijuana store licenses available, Washington has issued just 24, well below originally expected. The state has also licensed fewer growers than expected.

Yet Moody's says it isn't concerned about the state's credit standing. The state never planned to lean heavily on the revenues for funding and the shortfall will likely be short-lived. Supply will no doubt eventually meet demand, Unsworth writes.