



PROPOSED STUDY QUESTIONS 2021 Medical Marijuana Tax Preference Reviews

State of Washington Joint Legislative Audit and Review Committee

December 2020

JLARC will review seven tax preferences for medical marijuana

The 2006 Legislature directed JLARC staff to conduct performance audits of tax preferences. These preferences are included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.



Washington voters passed Initiative 692 in 1998, which allowed for the medical use of marijuana. In 2012, Washington voters passed Initiative 502, which allowed for the production, processing, sale, and consumption of recreational marijuana in a highly regulated marketplace. The 2015 Legislature passed legislation which merged the medical market with the recreational market and revised how marijuana is taxed.

This legislation established seven tax preferences intended to provide tax relief to qualifying patients and their designated providers when purchasing or obtaining marijuana for medical use. The Legislature recognized a similarity to drugs and supplements prescribed by health care professionals, which are not subject to sales tax.

A separate tax preference for medical marijuana, because it does not qualify for the exemption for prescription drugs

The Legislature found that an authorization for the medical use of marijuana is different from a prescription. Both prescription drugs and the medical use of marijuana require oversight by a medical professional. However, statute specifies that a medical authorization is not a prescription. A prescription is an “order”, whereas an authorization for medical marijuana is a formalized statement of professional opinion regarding marijuana. As a result, prescription drug tax preferences do not extend to medical marijuana.

This study will address the following questions:

1. To what extent has each tax preference been used?
2. How do these preferences compare to preferences for other medical necessities?
3. How does taxation of medical marijuana in Washington compare to tax policy in other states?

Study Timeframe

Preliminary Report: July 2021

Proposed Final Report: December 2021

Study Team

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JLARC Study Process

