

## Average Market Rate Change Fact Sheet

### Statutory Authority:

- **Effective through August 8, 2017:** Colorado Revised Statute (C.R.S.) § 39-28.8-101(1) requires the Department of Revenue, on a biannual basis in six-month intervals, to determine an Average Market Rate. Pursuant to § 39-28.8-101(1) Average Market Rate (AMR) is defined as the average price of all unprocessed retail marijuana that is sold or transferred from retail marijuana cultivation facilities in the state to retail marijuana product manufacturing facilities, retail marijuana stores or other retail marijuana cultivations.
- **Effective beginning August 9, 2017:** C.R.S. § 39-28.8-101(1.5) requires the Department of Revenue, on a quarterly basis, to determine an Average Market Rate. Pursuant to § 39-28.8-101(1.5) Average Market Rate (AMR) is defined as the average price of all unprocessed retail marijuana that is sold or transferred from retail marijuana cultivation facilities in the state to retail marijuana product manufacturing facilities or retail marijuana stores, less taxes paid on the sale or transfers.
- Retail Marijuana Tax Rule 1 CCR 201-18 specifies that the Department will determine the best methodology to arrive at the Average Market Rate. The Department may, from time to time, change its method of calculating the Average Market Rate if, in the judgment of the Department, such change is necessary to arrive at the most accurate Average Market Rate given the market conditions.
- **Effective through August 8, 2017:** C.R.S. § 39-28.8-302 places an excise tax upon the first sale or transfer of unprocessed retail marijuana by a retail marijuana cultivation facility in the state to retail marijuana product manufacturing facilities, retail marijuana stores or other retail marijuana cultivation facilities at a rate of 15%.
- **Effective beginning August 9, 2017:** C.R.S. § 39-28.8-302 (1)(a)(I) places an excise tax upon the first sale or transfer of unprocessed retail marijuana by a retail marijuana cultivation facility, at a rate of fifteen percent of the average market rate of the unprocessed retail marijuana if the transaction is between affiliated retail marijuana business licensees.
- **Effective beginning August 9, 2017:** C.R.S. § 39-28.8-101 (1) defines affiliated retail marijuana business licensees as marijuana business licensees that are owned or controlled by the same or related interests, where ‘related interests’ includes individuals who are related by blood or marriage or entities that are directly or indirectly controlled by an

entity or individual or related individuals.

- **Effective beginning August 9, 2017.** If a retail cultivation facility sells or transfers unprocessed marijuana to an unaffiliated retail marijuana business, then the AMR no longer applies for this specific transaction. In its place, an excise tax of 15% will be due on the contract price of sale or transfer. Please refer to the “Retail Marijuana Excise Tax Calculation Changes and AMR Frequency Fact Sheet” for more detailed information on this.
- The AMR will be included in the Retail Marijuana Excise Tax return and can be used to calculate the tax when filing returns.
- **Effective beginning August 9, 2017:** The AMR will be utilized by the Department of Revenue in levying the retail marijuana excise tax on the sale or transfer of retail marijuana from a retail marijuana cultivation facility to affiliated retail marijuana business licensees.

Summary:

- The July 1, 2017 Average Market Rate was calculated based on retail marijuana transactions recorded from November 1, 2016 through April 30, 2017 in the Marijuana Enforcement Division’s marijuana inventory tracking system (METRC).
- The methodology used to calculate the AMRs has been updated since the last rate calculations. Specifically, only extreme outliers likely to be data entry errors were removed and the median was used instead of the mean.
- Transactions excluded the following four types of data: 1) transfers containing processed products (e.g., PreRolls, PreRoll Cones, Joints, and Kief); 2) Medical Marijuana transfers; 3) transfers to testing facilities; 4) transfers between businesses with the same name (affiliated businesses).

**Beginning July 1, 2017 the Department will adjust the AMR to the following:**

	<b><u>AMR as of January 1, 2015</u></b>	<b><u>AMR as of July 1, 2015</u></b>	<b><u>AMR as of January 1, 2016</u></b>	<b><u>AMR as of July 1, 2016</u></b>	<b><u>AMR as of January 1, 2017</u></b>	<b><u>AMR that will be effective July 1, 2017</u></b>
Flower Rate (\$/lb)	\$2007	\$1868	\$1948	\$1816	\$1471	\$1298
Trim Rate (\$/lb)	\$364	\$370	\$464	\$505	\$499	\$426
Immature Plant Rate (\$/EA)	\$9	\$8	\$9	\$10	\$10	\$4
Wet Whole Plant Rate (\$/lb)	N/A	N/A	N/A	\$209	\$223	\$227
Seed Rate (\$/seed)	N/A	N/A	N/A	\$2	\$6	\$3