

**Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: SB826
Bill Title: Taxation, revenues, and cannabis.

Patron: Lucas

Bill Summary: Creates a regulatory framework for retail marijuana sales in the Commonwealth, upon which a 12.875 percent marijuana tax, a 1.125 percent sales tax, and a three percent mandatory local tax are imposed under the renamed Virginia Alcoholic Beverage and Cannabis Control Authority.

Budget Amendment Necessary: Yes.

Items Impacted: Item 415 (VSP), Item 50 (OAG), Item 390 (DOC), Items 91 and 92 (VDACS), Items 489 and Item 490 (ABC), and Items 261 and 263 (TAX).

Explanation: See below.

Fiscal Summary: The proposed bill has varying levels of impact on several state agencies: Virginia State Police (VSP), Virginia Office of the Attorney General (OAG), Virginia Department of Corrections (DOC), Virginia Department of Agriculture and Consumer Services (VDACS), and Virginia Alcoholic Beverage Control Authority (ABC).

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VSP	\$0	\$211,245	\$199,510	\$199,510	\$199,510	\$199,510
OAG	\$0	\$160,226	\$160,226	\$160,226	\$160,226	\$160,226
DOC	\$0	\$50,000	\$0	\$0	\$0	\$0
VDACS	\$0	\$865,365	\$865,365	\$865,365	\$865,365	\$865,365
TOTAL	\$0	\$1,286,836	\$1,225,101	\$1,225,101	\$1,225,101	\$1,225,101

Nongeneral Fund Expenditure Impact:

Position Impact:

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

Fiscal Analysis:

VSP: Currently, the Civil and Applicant Records Exchange (CARE) under VSP is tasked with processing criminal history record background checks. Currently, one Fingerprint Technician and one Program Support Technician can process up to 10,000 inked fingerprint cards per year and up to 20,000 electronic fingerprint transmissions. It is unknown how many background checks will be required as a result of this bill. VSP reports that CARE is operating at capacity, and the cost for two additional positions is \$211,246 the first year and \$199,511 in subsequent years, including salary and benefits.

TAX: TAX does not require additional funding at this time because the implementation costs of this bill can be absorbed within existing resources.

In November 2020, the Joint Legislative Audit and Review Commission (JLARC) published a report entitled “Key Considerations for Marijuana Legalization.” Using the midrange point of JLARC’s estimates as a base, TAX has estimated that this bill could generate total state revenues of \$10.1 million in Fiscal Year 2027, \$24.1 million in Fiscal Year 2028, \$49.2 million in Fiscal Year 2029, \$75.7 million in Fiscal Year 2030, \$98.9 million in Fiscal Year 2031, and \$119.1 million in Fiscal Year 2032. Such revenues include additional revenues estimated to be generated from the 12.875 percent state excise tax and 1.125 percent sales tax that would be imposed by this bill. These estimates exclude the impact of any local excise tax at a rate of three percent that could be imposed under this bill.

According to TAX, the detailed estimated revenue impact of the bill is as follows:

Fiscal Year Revenue Collections and Uses from Retail Marijuana Market (Millions \$)

	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032
Marijuana Tax (8%)	\$10.1	\$24.1	\$49.2	\$75.1	\$98.9	\$119.1
Sales and Use Tax (1.115%) ¹	\$0.9	\$2.1	\$4.3	\$6.6	\$8.6	\$10.3
<i>Local Option (3.5%)</i>	\$2.3	\$5.6	\$11.5	\$17.6	\$23.1	\$27.8
<i>Local Taxes (Food and Beverage, Meals)</i>	<i>Unknown Gain</i>	<i>Unknown Gain</i>	<i>Unknown Gain</i>	<i>Unknown Gain</i>	<i>Unknown Gain</i>	<i>Unknown Gain</i>
Marijuana Tax (8%)	\$10.1	\$24.1	\$49.2	\$75.7	\$98.9	\$119.1
Early Childhood	\$4.0	\$9.7	\$19.7	\$30.3	\$39.6	\$47.6
Cannabis Equity Reinvestment Fund	\$3.0	\$7.2	\$14.8	\$22.7	\$29.7	\$35.7
Substance Use Disorder	\$2.5	\$6.0	\$12.3	\$18.9	\$24.7	\$29.8

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

Public Health Program	\$0.5	\$1.2	\$2.5	\$3.8	\$4.9	\$6.0
SUT Distributions (1.115%)	\$0.9	\$2.1	\$4.3	\$6.6	\$8.6	\$10.3
GF - Restricted (1%)	\$0.8	\$1.9	\$3.8	\$5.9	\$7.7	\$9.2
GF - Transfer (0.115%)	\$0.1	\$0.2	\$0.5	\$0.7	\$0.9	\$1.1

¹ Includes 1% education funding based on school age population, 0.125% education transfer based on school age population, less the 0.01% dealer discount.

* Estimates based upon JLARC's estimates in its 2020 report, "Key Considerations for Marijuana Legislation".

** Estimates assume retail sales beginning January 1, 2027. All sales would be taxed at the 12.875% marijuana tax rate, in addition to the local sales tax. Localities would have the option to impose a 3% excise tax in addition to local sales tax and local food and beverage tax.

***Tax revenues for SUT and Marijuana Tax categories are generated by applying respective rates and distributions to the adult-use recreational marijuana sales estimates created by JLARC, combined with VA Tax calculations referenced above.

The 12.875 percent state tax and any local option tax due would be collected by the seller and remitted to the Authority.

After returning the local tax to the locality in which it was collected, ABC would allocate the revenue from the state tax as follows: 40 percent to pre-kindergarten programs for at-risk three-year-olds and four-year-olds; 30 percent to the Cannabis Equity Reinvestment Fund; 25 percent to the Department of Behavioral Health and Developmental Services; and 5 percent to public health programs.

The bill would also allow taxpayers to claim income tax deductions on their Virginia returns for ordinary and necessary expenditures made in connection with carrying on a trade or business licensed under the Cannabis Control Act beginning January 1, 2026.

OAG: The OAG would need to invoice ABC for legal costs, otherwise the Office would need 1 attorney to provide services to ABC funded by the general fund equaling \$160,226 annually, including salary and benefits. Whether ABC is billed or general fund support is provided, the cost to the general fund will be the same.

VDACS: Currently, the Code of Virginia requires the Office of Weights and Measures (OWM) at VDACS to test and certify accuracy of all weights and measures devices in the Commonwealth.

The estimated number of weighing and measuring devices used commercially in Virginia and subject to inspection is 147,803. At full capacity, OWM has 25 inspectors and three supervisors. The inspectors are currently responsible for inspecting retail fuel dispensers, commercial scales, commodities sold in package form, motor fuel quality, and retail price verifications on point of sale (POS) systems.

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

During fiscal year 2025, OWM staff inspected 89,316 weighing and measuring devices. Of the 89,316 weighing and measuring devices inspected, 21,549 were rejected for inaccuracies. Staff also collected 4,948 motor fuel samples. Staff spent approximately 1,645 hours investigating 364 consumer complaints submitted to OWM.

Along with devices, OWM staff verify the weight of commodities sold in package form and conduct audits of the POS systems. Staff sampled 25,930 packaged commodities to check for accurate weight and conducted 69,905 price verifications on the POS systems.

The scales used in retail marijuana stores will require more precision and smaller standards than those that are currently used by OWM. VDACS anticipates that the number of complaints and violations that require follow-up inspection would also increase. VDACS anticipates needing four additional employees in OWM. The estimated cost for these positions is \$549,728 annually, including salary and benefits.

There are currently an estimated 29 edible marijuana processing facilities in the Commonwealth. VDACS also anticipates needing three additional employees in Program 554, Food Safety and Security, to inspect these facilities. This includes two employees for inspectors and one employee for a technical specialist who would be responsible for reviewing the applications of new edible marijuana processing facilities, providing technical support, and conducting needed research. The cost for these positions is \$315,637 annually, including salary and benefits.

ABC: ABC already has the framework in place to regulate and enforce the regulation of the sale of alcohol. To also regulate and enforce the regulation of the sale of marijuana, ABC would need to build upon its existing framework. This expansion would require information technology expansion/improvement as well as additional personnel and equipment.

To regulate cannabis in addition to alcohol, the renamed Virginia Alcoholic Beverage and Cannabis Control Authority would need additional software, integration, and support. Virginia ABC would also require additional sworn and non-sworn personnel who possess a strong knowledge base of licensing, regulatory compliance, and investigations. Legal personnel to provide due process to applicants and licensees will be required.

According to ABC, it would incur costs for information technology, totaling \$2,000,000 annually. ABC would also need to hire 25 new administration and support personnel, totaling \$3,112,682 annually. ABC would also need to hire 64 new regulation and enforcement personnel, totaling \$8,735,411 annually. These cost estimates are in addition to the personnel and IT that ABC will be absorbing from CCA.

Criminal Impact: This bill creates new misdemeanor and felony offenses. The number of individuals who may be convicted of the new misdemeanors and felonies defined in the proposal, and the sentences these individuals may receive, is not known. By creating a regulatory and licensing structure, the proposal may result in fewer convictions related to the unlawful distribution of marijuana. Whether or not, or the extent to which this will occur, is not known.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

currently pays localities \$5.00 a day for each misdemeanant or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2025), the estimated total state support for local jails averaged \$58.25 per inmate, per day in FY 2024.

Due to the lack of data, VCSC has concluded, pursuant to § 30-19.1:4, the estimated amount of the necessary appropriation cannot be determined for periods of imprisonment in state adult correctional facilities; therefore, Chapter 725 of the Acts of Assembly of 2025, requires the Virginia Criminal Sentencing Commission to assign a minimum fiscal impact of \$50,000.

Virginia Department of Education: No expected material fiscal impact on agency operations.

Virginia Department of Motor Vehicles: No expected material fiscal impact on agency operations.

Virginia Lottery: The impact to the Virginia Lottery is unknown at this time.

Virginia Department of Health Professions: No expected material fiscal impact on agency operations.

Other: None.