

# **Testimony Before the New York State Senate and Assembly Joint Budget Hearing on Economic Development**

**February 26<sup>th</sup>, 2025**

**Good morning, esteemed members of the New York State Senate and Assembly.** My name is Nicolas Guarino and I am here today on behalf of the stakeholders in New York's adult-use cannabis industry to highlight the urgent need for reform in the excise tax payment cycle.

## **The Challenge at Hand**

Under the current quarterly tax system, cannabis operators are required to remit excise taxes before they have received full payment for their sales. This places an enormous financial strain on businesses, forcing them to pay taxes on revenue that has yet to be collected.

To illustrate this challenge, let's look at an average operator's cost structure:

- Labor and Payroll: 25%
- Cannabis and Non-Cannabis Inputs: 20%
- General & Administrative, Sales, Marketing, and Distribution Costs: 20%
- Excise Tax: 25%
- Profit Margin: 10%

As you can see, excise tax payments represent a quarter of revenue—yet businesses often receive only half of their owed payments by the tax deadline.

For example, an operator with \$250,000 in total quarterly sales owes approximately \$62,500 in excise tax. However, by the due date, they may have received just \$125,000 of their revenue—forcing them to cover the shortfall through debt, which is not easily accessible in this industry.

## **The Resulting Hardships**

The impact of this system is severe:

- Many cannabis businesses have had liens placed on their property by the state due to unpaid taxes on uncollected revenue.
- Businesses are pushed further into unsustainable debt cycles simply to remain compliant with tax obligations.
- The slow rollout of retail stores in 2023 has made it even harder for operators to stabilize revenue, making this tax structure even more burdensome.

## **Proposed Solution**

Other regulated industries in New York, such as the wine and liquor industry, have been granted

more practical tax payment schedules. Distributors of alcoholic beverages, for example, may elect to file taxes annually instead of quarterly.

We are asking for a similar option for the cannabis industry. If an annual schedule is not feasible, we urge an extension of the tax due date by at least 30 days to align payments more closely with revenue collection.

Current quarterly due dates require tax payment only 20 days after the quarter ends. An additional 30 days would make a meaningful difference, giving operators a chance to collect the revenue they need to pay their taxes.

### **Conclusion**

Thanks to Senator Jeremy Cooney and Assemblymember Donna Lupardo, this solution was passed in both the Senate and Assembly last year with bills S-9359 and A-10196 but was vetoed by the Governor.

The current excise tax payment structure is not just a financial inconvenience—it is an existential threat to cannabis businesses across the state. By aligning tax payment schedules with actual revenue collection, you can provide the industry with a fighting chance to survive and thrive.

We urge this body to take action now before more businesses are forced to close their doors. Thank you for your time, and I welcome any questions you may have.

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