

OHIO AUDITOR OF STATE

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Auditor of State
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TO: City Auditors and Finance Directors
Villages
Townships
Independent Public Accountants

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Cannabis Revenue

Background

In 2023, the voters approved adult-use cannabis. Ohio Revised Code Chapter 3780 addresses Adult Use Cannabis Control, specifically section 3780.23 addresses the funds created. A ten percent adult use tax will be levied and collected by the State of Ohio on all adult use consumers dispensaries. The adult use tax is collectable when the sale is made. All monies collected from the adult use tax will be deposited into the State's adult use tax fund and will be distributed as follows:

1. Thirty-six per cent to the cannabis social equity and jobs fund to be used to implement the requirements of 3780.19 of the Revised Code;
2. Thirty-six per cent to the host community cannabis fund for the benefit of municipal corporations or townships that have adult use dispensaries, and the municipal corporations or townships may use such funds for any approved purpose. Distributions to municipal corporations or townships shall be based on the percentage of adult use tax attributable to each municipal corporation or township;
3. Twenty-five per cent to the substance abuse and addiction fund to support the efforts of the department of mental health and addiction services to alleviate substance and opiate abuse and related research in the state under section 3780.30 of the Revised Code; and
4. Three per cent to the division of cannabis control and tax commissioner fund to support the operations of the division of cannabis control and to defray the cost of the department of taxation for administering the tax levied under section 3780.22 of the Revised Code.

Payments to municipal corporations and townships will be made by the end of the month following the end of each calendar quarter.

These payments will be made to townships and municipal corporations by the Department of Taxation.

Accounting Guidance

The cannabis money received by townships and municipal corporations is an allocation of the adult use tax levied by the State of Ohio and will be classified as intergovernmental revenue. There are no restrictions on the use of cannabis money; therefore, the Auditor of State (AOS) recommends the revenue be receipted into the general fund with an ordinance or resolution passed documenting as such. Township trustees or municipal corporation council may choose to commit the adult use cannabis tax dollars to a specific purpose with the adoption of a resolution to use the dollars for a restricted purpose. The township or municipal corporation resolution could commit the adult use cannabis tax dollars to a specific purpose and report those amounts in a separate special revenue fund, commit or assign cannabis dollars for capital purposes and report in a capital projects fund, or earmark for use in a specific enterprise fund. These separate funds should also be established by resolution. If the township or municipal corporation changes the constraints placed on the cannabis dollars, a mechanism should be in place to track expenditures of the accumulated balance at the time of the change according to the old constraints, separate from expenditures of resources received after the change is effective which would be tracked according to the new constraints. Municipal corporations and townships should set up a separate revenue line item within the intergovernmental category. Townships using UAN should use receipt code 599, "Other—Other Intergovernmental," and Villages using UAN should use receipt code 290, "Other—State Shared Taxes and Permits." The use of a separate fund would be subject to Auditor of State fund approval.

Cannabis money is a state-levied shared tax for Generally Accepted Accounting Principles (GAAP) reporting purposes and will be accounted for like voluntary or government-mandated nonexchange transactions. Since no time requirements are specified, the applicable period is therefore the State of Ohio's fiscal year (July through June). At December 31, a township or municipal corporation preparing GAAP financial statements would record a receivable for the following January through June distributions. The entire amount will be recorded as revenue on the accrual basis; however, some or all of this amount may be recorded as a deferred inflow of resources – unavailable revenue under the modified accrual basis, depending on when the resources are received.

Questions

If you have any questions regarding the information in this Bulletin, please contact the Local Government Services staff of the State Auditor's Office at (800) 345-2519.



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