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New York City Legal Cannabis Market Could Eventually Generate \$1.2 Billion in Taxable Sales and \$47 Million in Annual Revenue, According to IBO Analysis

Rate of Dispensary Openings and Annual Sales Would Need to Accelerate to Match State Budget Projections, IBO Finds

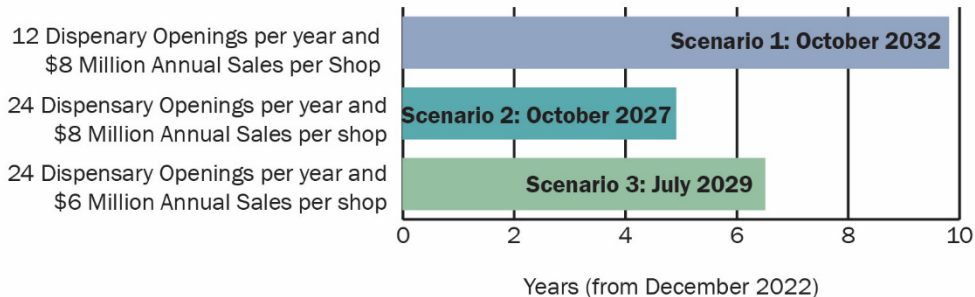
New York City’s legal adult-use cannabis market, when fully mature, could eventually generate \$1.2 billion in annual taxable sales and \$47 million in annual tax revenue, according to a [report](#) released today by the New York City Independent Budget Office (IBO). The rollout of the legal cannabis market has been slowed, however, by several challenges: illicit sales by unlicensed businesses, siting and funding issues for dispensary owners, and multiple lawsuits that have halted market growth in its tracks. As a result, the specific timeline for market maturation is unclear.

The City’s Office of Management and Budget (OMB) has forecasted that by fiscal year 2027, the city will collect \$38 million in cannabis tax revenue, which implies \$950 million in taxable sales. IBO estimates that such market growth is possible—if an average of 24 dispensaries opens per year with each store making an average of \$8.1 million in annual taxable sales. IBO also finds that if current growth patterns continue, the city will not reach \$950 million in annual sales until after 2030.

“It is exciting to contemplate a new source of revenue from legal cannabis sales, but it’s also important to take a realistic look at when and whether NY can count on this fiscal boost,” said **IBO Director Louisa Chafee**. “This analysis looks at the rapidly changing environment and provides revenue scenarios that may be seen depending on the pace of the continued rollout of the legal market.”

Timeframe for Market Growth to Reach \$950 Million in Taxable Sales Will Depend on Number of New Dispensaries and Sales at Each Dispensary

Market Growth Scenario



SOURCES: IBO analysis of data from New York State Cannabis Control Board & New York City Department of Finance

New York City Independent Budget Office



IBO's research showed:

- Based on cannabis market growth in California, Colorado, Massachusetts, Oregon, and Washington state—all of which have at least five years of legal cannabis sales—IBO determined New York City could eventually see sales that could yield between \$833.6 million and \$1.2 billion in annual taxable sales. A market of this scale would yield between \$33 million to \$47 million in annual city revenue. However, New York State's unique requirements for retail licenses have resulted in a slower rollout of the legal market.
- Referring to sales and dispensary data from the first eight months of legal sales, IBO developed scenarios to explore the potential growth trajectory of the legal cannabis market. The current rate of dispensary openings is about one per month or 12 per year. The rate of sales per city dispensary seen so far from the legal market corresponds to about \$8.1 million per dispensary per year. If the average rate of dispensary openings were to double to 24 per year and average sales per dispensary stayed constant at \$8.1 million per year, IBO predicted the city's market will reach \$950 million in annual sales during fiscal year 2027, as predicted by the New York City Office of Management & Budget.
- Based on state law enforcement officials' announcement that they had recovered \$10 million in illicit cannabis products from 31 unlicensed dispensaries across New York State, IBO determined that the estimated 1,500 unlicensed retailers in New York City may hold as much as \$484 million worth of cannabis products in total. If all those products were sold legally, the sales would generate \$19.4 million in tax revenue for New York City. The New York City Council recently passed legislation aimed at deterring the illegal smoke shops.
- The financial plan accompanying the city's 2024 Adopted Budget allocates a combined \$21 million in 2024 through 2027 to the Department of Small Business Services and Economic Development Corporation for cannabis industry support. Cannabis-related programs are not yet fully up and running, and funding will likely need to increase as agencies build staff and develop programs.

As of the release date of this report, a temporary restraining order is in effect on all new retail licenses being distributed and new dispensaries being opened—including for business owners who already hold retail licenses. The outcome of the litigation and its effects on cannabis market and revenue growth in New York City remain uncertain.

New York City Independent Budget Office

The New York City Independent Budget Office (IBO) is authorized under the New York City Charter to provide nonpartisan budgetary, economic, and policy analysis for the residents of New York City and their elected officials. IBO helps to increase New Yorkers' understanding of and participation in the budget process.