

## NEW JERSEY LEGALIZES, DECRIMINALIZES RECREATIONAL CANNABIS

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March 12, 2021

### WHAT'S HAPPENED?

On February 22, 2021, Governor Murphy signed recreational adult-use cannabis bills into law. The law establishes a five-member Cannabis Regulatory Commission (“CRC”) to regulate the industry. The CRC must now adopt rules and regulations controlling licensing of new cannabis businesses, governing drug testing by employers and establishing funding for community programs within 180 days of the law’s enactment. Within 30 days after the rules and regulations are adopted, the CRC will begin processing applications for licenses based on a point system to be further developed. Seven types of licenses are available: Cultivator, Manufacturer, Wholesaler, Distributor, Retailer, Delivery and Clinical Registrant. The law caps the amount of Cultivation licenses at 37 for the first two years. The law does not directly establish caps for the other licenses.

The law also creates a separate license category for micro-businesses that must meet the following criteria in order to qualify: (a) 100% ownership by current New Jersey residents who have resided in state for at least the past two consecutive years; (b) at least 51% of owners, directors, officers and employees must be residents of the municipality where the micro-business is located or a neighboring municipality; (c) no more than 10 employees; and (d) must operate in an area with no more than 2,500 square feet and possess no more than 1,000 cannabis plants each month.

### WHY DO YOU NEED TO KNOW ABOUT THIS?

From a land use perspective, municipalities that wish to prohibit cannabis businesses must enact an ordinance within 180 days from February 22, 2021. If a municipality takes no action within this time-frame, all licenses will be permitted to operate within the municipality for a five-year period. Upon expiration of this five-year period, the municipality will have another opportunity to prohibit the operation of cannabis businesses. Municipalities that do not prohibit businesses may collect a 2% tax. The State will collect a 7% tax on all sales. 30% of the sales tax revenue generated will go toward CRC’s operations, while 70% will be directed to communities most adversely-impacted by drug law enforcement.

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## WHAT SHOULD YOU DO NOW?

Monitor for announcements regarding municipal and CRC regulations. Anyone wishing to seek licensure should obtain further information on the process and identify potentially suitable locations for cannabis business operations. The medical marijuana licensing process and geographic locations may provide some guidance to those interested in pursuing recreational licensing and land use approvals.

The new law presents complex legal issues relating to land use, financial transactions, banking, employment and taxation. If you have questions about the law, please contact Robert S. Baranowski at [baranowski@hylandlevin.com](mailto:baranowski@hylandlevin.com) or William F. Hanna at [hanna@hylandlevin.com](mailto:hanna@hylandlevin.com).

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