

Legal Cannabis Promises Big Profits But Comes with High Licensing Price Tags

Many in the Golden State are eagerly anticipating the start of 2018 for the new era it will usher in: no longer will individuals seeking to legally use marijuana need to find a physician to recommend it. Thanks to Prop 64, adults 21 and over will be permitted to recreationally use cannabis as of January 1st. No medical condition required.

As California gears up to tax and regulate what is expected to be the largest legal cannabis market in the country, hopeful cannapreneurs are applying for state licenses. Although no licenses will be issued prior to January 1st (when the adult use law goes into effect), the state is allowing individuals keen on starting a marijuana business to submit applications this month in the hopes that some cannabis dispensaries will be ready for the public when the new year begins.

Temp. licenses at first, and only after local green light

No matter how solid a marijuana dispensary business plan might look on paper, however, only temporary licenses will be issued by the state at the outset. And the state will not approve any licensing application unless and until the applicant demonstrates permission granted by his/her local authority. (The law allows counties and municipalities to opt out of pot altogether, which some have already done.)

The California Bureau of Cannabis Control (BCC) will initially issue licenses valid for four months (with ninety-day extensions possible). This gives state officials time to finalize comprehensive regulations for permanent (annual) licensing of legal marijuana businesses.

Although a 276-page [rulebook](#) was released last month, public hearings will need to be held before the regulations are finalized.

The temporary licensing period also gives prospective cannapreneurs additional time to gather the various materials required by the state demonstrating that the retail space meets all licensure criteria. (Also, anyone holding a permanent license to run a legal marijuana business in the state must pass a background check first.)

Part of starting a marijuana business is writing a check to the state

Although the state stands to make serious sums of money from taxes collected on retail sales (some estimates put that at \$1 billion per year), the leafy green will also yield billions in additional cash-green to the state in the form of fees imposed on legal marijuana business participants.

The initial required fee for those hoping to get into the retail side or the production side of California's vast cannabis industry (such as those interested in opening a marijuana dispensary or those interested in legally growing cannabis for dispensaries) is \$1,000: that's the baseline annual licensing application fee. Depending on how much product a legal marijuana business sells, however, there will be additional licensing fees that range between \$4,000 and \$72,000.

On top of that, businesses seeking licenses to transport and distribute legal marijuana in California will need to pay an additional fee of between \$1,200 and \$125,000, depending on how much canna-green they move each year. (For example, a marijuana business with more than one role in the industry and grossing over \$4.5 million per year should expect to owe the state that upper-end fee.)

Many state fees will fall on a spectrum



Similarly, the cannabis investors and cannapreneurs who are planning to enter the product testing facet of the industry will face additional charges on top of the base licensing fees. They should plan on writing a check of anywhere from \$20,000 to \$90,000 to the state on an annual basis.

Marijuana cultivators will need to come up with between \$135 and \$8,655 so that the state's Department of Food and Agriculture can review their application for a growing license. Additionally, cultivators must yearly pay a fee hinging on overall production that year (around \$1,200 for small growing areas and up to nearly \$78,000 for large marijuana farms).

Those in the industry manufacturing edible cannabis products must pay a \$1,000 application fee, and then a licensing charge scaled according to the size of the enterprise, ranging between \$2,000 and \$75,000.

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