

FY 2020

**Adult Use Cannabis Program
Annual Report –
Dispensing Organizations**

Cannabis Control Section
Illinois Department of Financial and
Professional Regulation
FY 2020

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INTRODUCTION

September 30, 2020

The Cannabis Regulation and Tax Act (P.A. 101-0027, the “Act”) became effective on June 25, 2019. The Act created the Adult Use Cannabis Program, which allowed state-licensed cultivation centers, craft growers, and infusers to grow cannabis plants and manufacture cannabis concentrates and cannabis-infused products that could be sold to state-licensed dispensing organizations for sale to purchasers aged 21 and over.

Under the Act, the Department of Financial and Professional Regulation (the “Department”) is charged with licensing and regulating the state’s adult use cannabis dispensing organizations. For each medical cannabis dispensing organization registration an entity held as of the effective date of the Act, the entity was permitted to obtain one “Early Approval Adult Use Dispensing Organization License at a Same Site” (the “Same Site License”) and one “Early Approval Adult Use Dispensing Organization License at a Secondary Site (the “Secondary Site License”), which allowed the dispensing organization to sell adult use cannabis at its current medical cannabis dispensary location and one additional location beginning January 1, 2020. To obtain a Same Site License or a Secondary Site License, medical cannabis dispensing organization registrants had to submit a complete application, a new license fee, and contribute up to \$200,000 to the Cannabis Business Development Fund, which will be used to provide low-interest loans to Social Equity Applicants that receive future cannabis licenses.

The Act also directed the Department to issue up to 75 new adult use dispensing organization licenses in 2020 and up to 110 new adult use dispensing organization licenses in 2021.

The Act requires the Department to submit a report to the General Assembly and Governor by September 30 of each year with data reflecting the state of the industry as of the end of the previous fiscal year. As such, all data presented in this report was current as of June 30, 2020.

Pursuant to Section 55-80 of the Act, this Report must include:

- 1) The number of licenses issued to dispensing organizations by county, or, in counties with greater than 3,000,000 residents, by zip code;
- 2) The total number of dispensing organization owners that are Social Equity Applicants or minority persons, women, or persons with disabilities as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act;

- 3) The total number of revenues received from dispensing organizations, segregated from revenues received from dispensing organizations under the Compassionate Use of Medical Cannabis Program Act by county, separated by source of revenue;
- 4) The total amount of revenue received from dispensing organizations that share a premises or majority ownership with a craft grower;
- 5) The total amount of revenue received from dispensing organizations that share a premises or majority ownership with an infuser; and
- 6) An analysis of revenue generated from taxation, licensing, and other fees for the State, including recommendations to change the tax rate applied.

410 ILCS 705/55-80(a)(1-6)

Adult Use Dispensing Organization Licenses by County (except Cook)

County	# of Licenses	County	# of Licenses
Adams	1	McLean	1
Champaign	2	Peoria	1
DuPage	3	Rock Island	1
Effingham	1	Saline	1
Fulton	1	Sangamon	2
Grundy	1	St. Clair	1
Jackson	1	Tazewell	1
Kane	1	Union	1
Knox	1	Vermillion	1
Lake	1	Will	1
LaSalle	1	Williamson	1
Madison	1	Winnebago	2

TOTAL: 33

*No Adult Use dispensing organization licenses were issued in counties not listed.

Adult Use Dispensing Organization Licenses by Zip Code (Cook County)

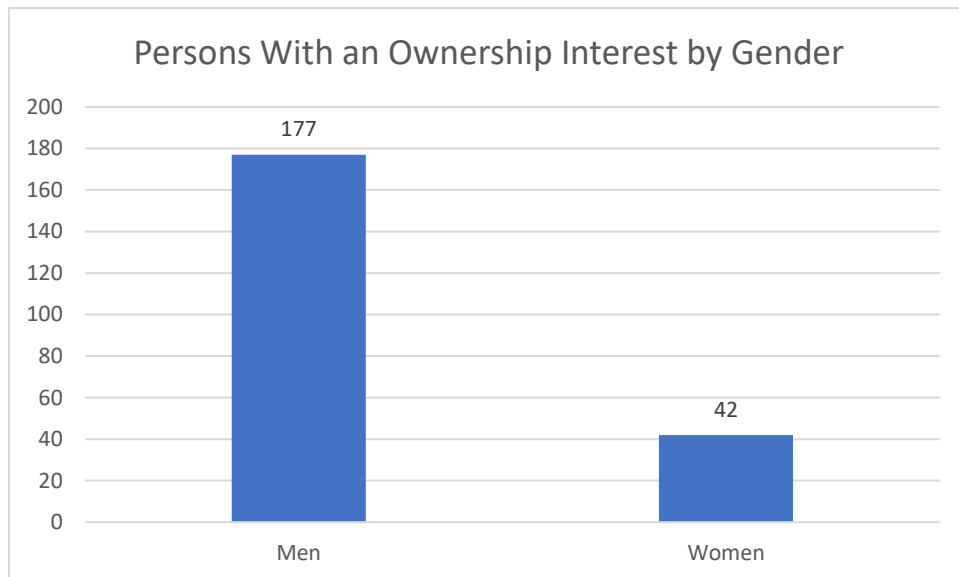
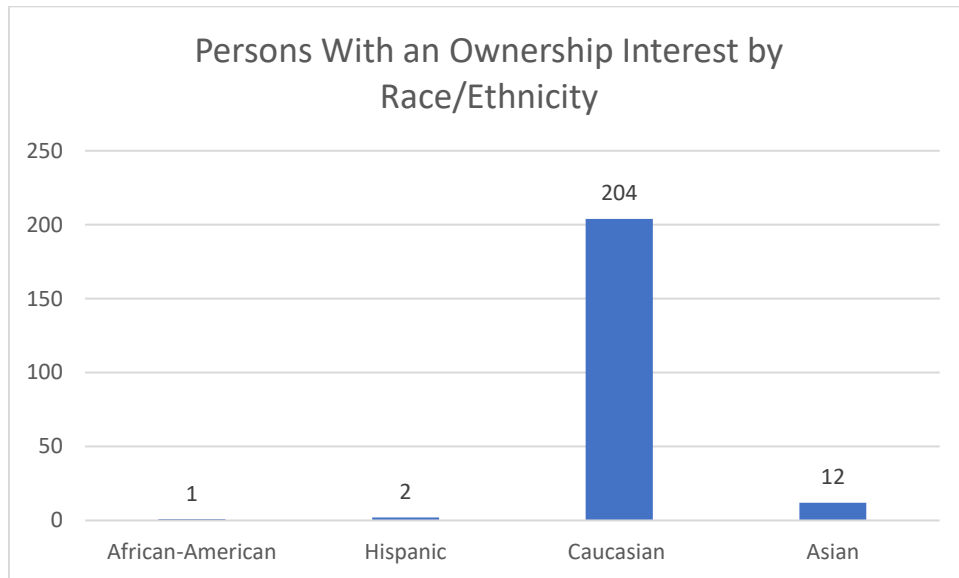
Zip Code	# of Licenses	Zip Code	# of Licenses
60005	1	60617	1
60008	1	60630	1
60056	1	60631	1
60089	1	60632	1
60201	1	60638	1
60301	1	60640	1
60425	1	60642	2
60430	1	60647	1
60458	1	60654	2
60469	1	60707	1
60608	1	60714	1
60613	1		

TOTAL: 25

*No Adult Use dispensing organization licenses were issued in zip codes not listed.

Illinois Total Adult Use Dispensaries as of June 30, 2020: 58

Dispensing Organization Ownership Demographics



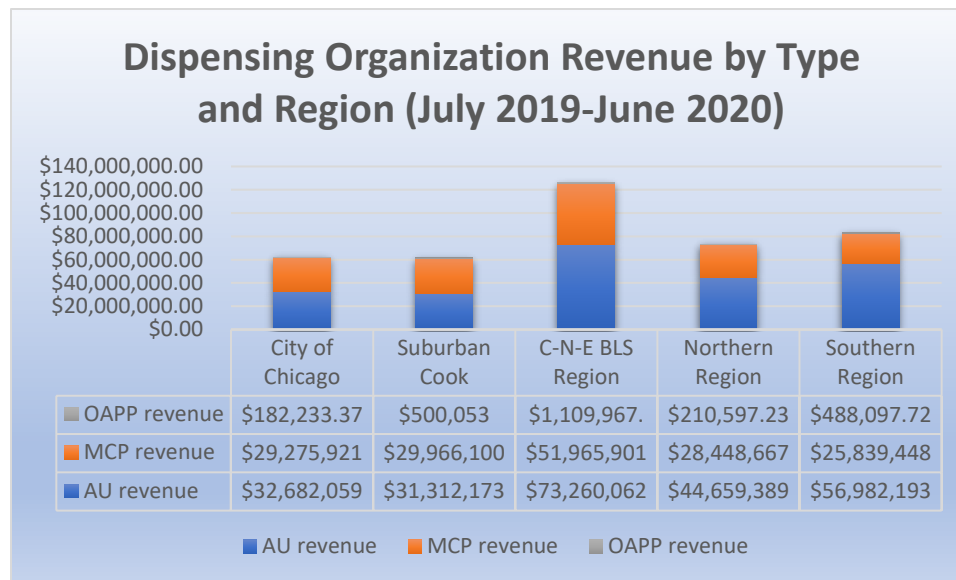
*As of June 30, 2020, no licenses had been issued to Social Equity Applicants.

**The Department does not collect data on whether owners are persons with disabilities.

Dispensing Organization Revenues

Due to the limited number of dispensaries in each county (other than Cook), the Department is not reporting revenue on a per-county basis. As the state adds more licenses under the statute, the Department may be able to provide data for smaller sets of individual counties. Until then, the Department has divided the state into five (5) districts for the purpose of reporting revenues (only counties with dispensaries are listed):

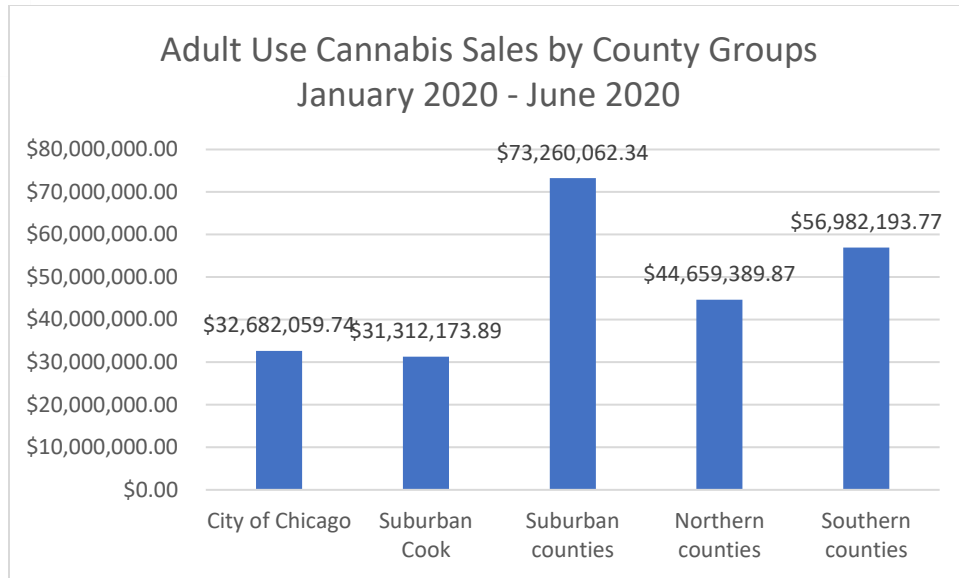
1. **City of Chicago (13 AU dispensaries/11 medical dispensaries)**
2. **Suburban Cook County (12/11)**
3. **Non-Cook Suburban Counties (10/11)**
 - a. **DuPage, Grundy, Kane, Lake, Will**
4. **Northern Counties (12/11)**
 - a. **Champaign, Fulton, Knox, LaSalle, McLean, Peoria, Rock Island, Tazewell, Vermillion, Winnebago**
5. **Southern Counties (11/10)**
 - a. **Adams, Effingham, Jackson, Madison, Saline, Sangamon, St. Clair, Union, Williamson**



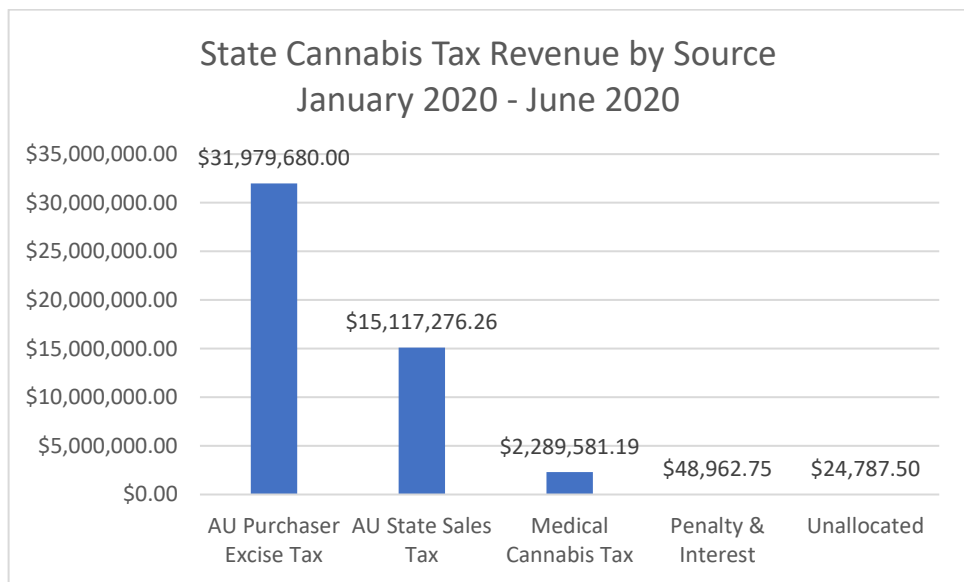
“AU” = Adult Use

“MCP” = Medical Cannabis Program

“OAPP” = Opioid Alternative Patient Program



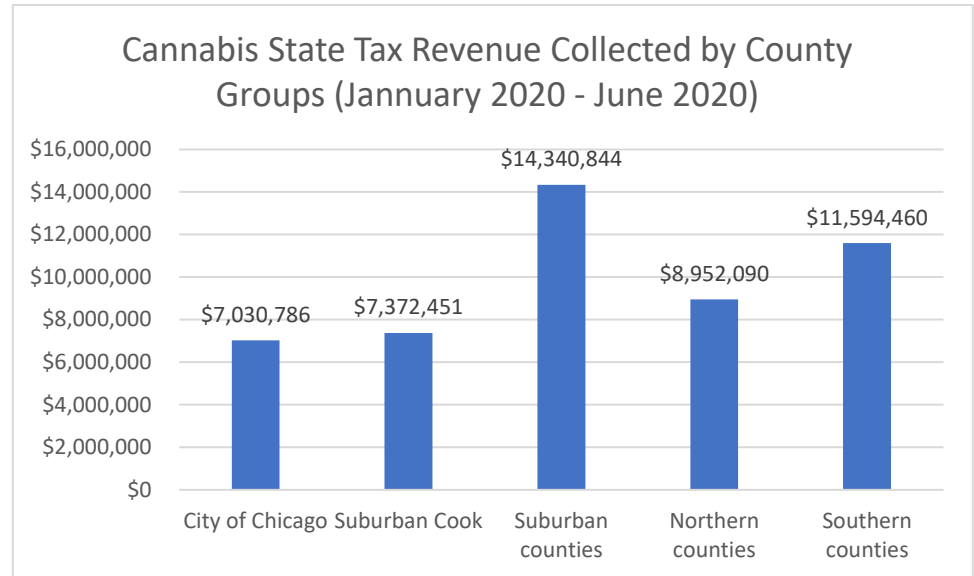
Total Dispensary Sales: \$238,895,879.61



Total Dispensary State Tax Revenues: \$49,460,287.70*

*Does not include local sales or excise taxes.

¹ The Adult Use Purchaser Excise Tax is charged in addition to the state sales tax of 6.25% at rates of 10% of the purchase price for products with less than 35% adjusted THC, 20% of the purchase price for cannabis-infused products such as edibles, and 25% of the purchaser price for products with 35% or higher adjusted THC. Medical cannabis is taxed at a rate of 1% and does not include the state sales tax.



As of June 30, 2020, no dispensaries shared premises or majority ownership with a craft grower or infuser. As such, there is no revenue from such dispensaries.

Cannabis Regulation Fund/Cann. Business Development Fund

The Cannabis Regulation Fund (the “Fund”) was created by Public Act 101-0027. Revenue sources for the fund include: (1) license application fees, (2) licensing fees, (3) penalty fees and fines, and (4) state-levied excise taxes on wholesale and retail transactions. Both the Department of Agriculture and the Department of Financial and Professional Regulation contribute to the Fund. The revenues reported in this section reflect revenue raised by dispensing organization sales, licensing fees, and penalties, and exclude any revenue sources associated with cultivation centers, craft growers, infusers, or transporting organizations.

License Application Fees

Application fees for new dispensing organization licenses were paid between December 10, 2019 and January 2, 2020. Application fees were \$2,500 for qualifying Social Equity Applicants and \$5,000 for non-qualifying Social Equity Applicants and any non-Social Equity Applicant applicants. Social Equity Applicants did not qualify for the reduced fee if they made \$750,000 or more in revenues in the previous year or already held two or more cannabis business establishment licenses in Illinois.

Licensing Fees

Early Approval Adult Use Dispensing Organization Licenses require a licensing fee of \$30,000 and expire on March 31, 2021. Licensing fees are also received from persons obtaining agent identification cards to serve as principal officers, agents-in-charge, and agents of dispensing organizations. Each of these fees is \$100. The Cannabis Regulation and Tax Act allows medical cannabis agents to use their medical cannabis agent cards to serve adult use purchasers at adult use facilities owned by the same entity that owns the medical cannabis facility. Most agents continued to use their medical cannabis dispensing organization agent cards rather than use the adult use cards, so the Department received negligible revenue from adult use agent cards in FY2020.

Penalty Fees and Fines

The Department may assess non-disciplinary fees or disciplinary fines on licensees. Non-disciplinary fees that have been assessed are not made public on an individual licensee basis.

State-Levied Excise Taxes

The Cannabis Regulation and Tax Act included a tiered taxing structure on the retail sales of cannabis. Illinois was the first state to do so. This taxing structure is similar to the taxing structure for alcohol, which taxes beer, wine, and liquor at varying rates depending on the alcohol by volume and fermenting process. The tiers are structured to assess a 10% excise tax on cannabis testing under 35% adjusted THC, a 20% excise tax on all cannabis-infused products, and a 25% excise tax on cannabis testing 35% or more adjusted THC. The numbers included in this section do not include taxes raised from ordinary sales tax or local cannabis excise or sales taxes.

Cannabis Business Development Fund

The Cannabis Business Development Fund (the “CBD Fund”) was also created by Public Act 101-0027. The CBD Fund is funded by legacy medical cannabis cultivation center and dispensing organization registrants. Dispensing organizations were required to make a contribution to the CBD Fund of up to \$200,000 before obtaining an Early Approval Adult Use Dispensing Organization License.

Application fees for Conditional Adult Use Dispensing Organization Licenses:	\$12,977,500
License fees for Early Approval Adult Use Dispensing Organization Licenses:	\$1,710,000
Fees raised from Early Approval Adult Use Dispensing Organization Licensees for the Cannabis Business Development Fund:	\$7,666,509
License fees for adult use dispensing organization principal officers, agents-in-charge, and agents:	\$1,000*
Other Fees:	\$0
Adult Use cannabis sales and excise taxes:	\$47,096,956
Total:	\$69,451,965

*Agents can use their medical cannabis dispensing organization identification cards at the Early Approval Dispensing Organizations. As such, the only agents that have obtained an adult use agent identification card are those that did so as part of the Department’s testing of the new online application process.

Recommendations Related to Tax Rates

While the Cannabis Regulation and Tax Act directs the Department to provide recommendations related to the tax rates that have been applied, the Department has determined it is too early in the Adult Use Cannabis Program to make any such recommendations. Further, six-months of data is insufficient for any meaningful analysis.