



ERICSA

1963 - 2023

A GEM 60 YEARS
IN THE MAKING

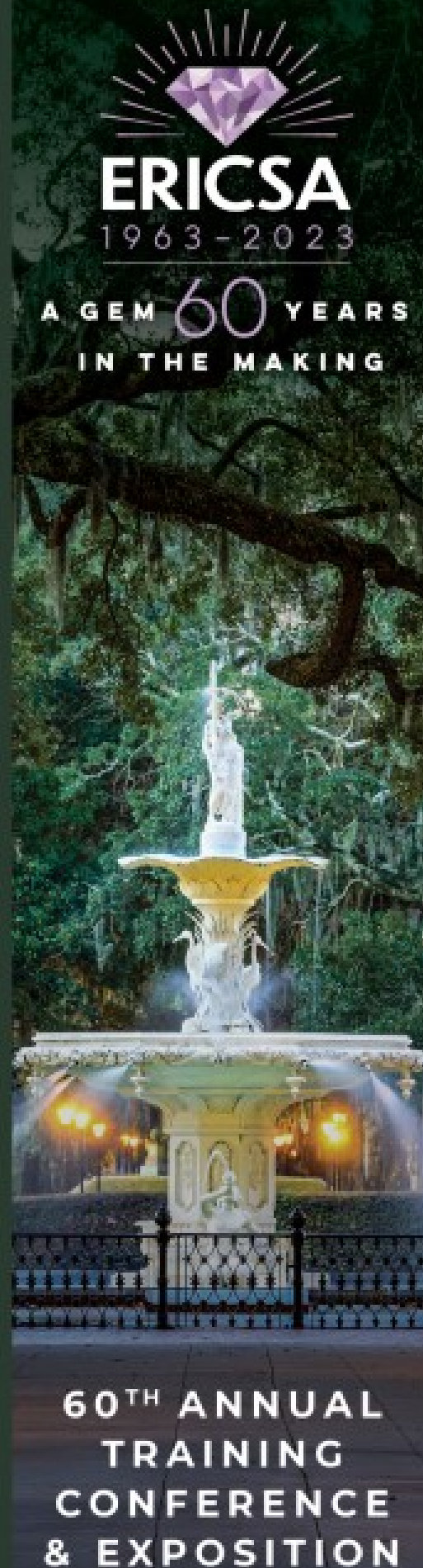
JAVANNAH

60TH ANNUAL TRAINING CONFERENCE & EXPOSITION

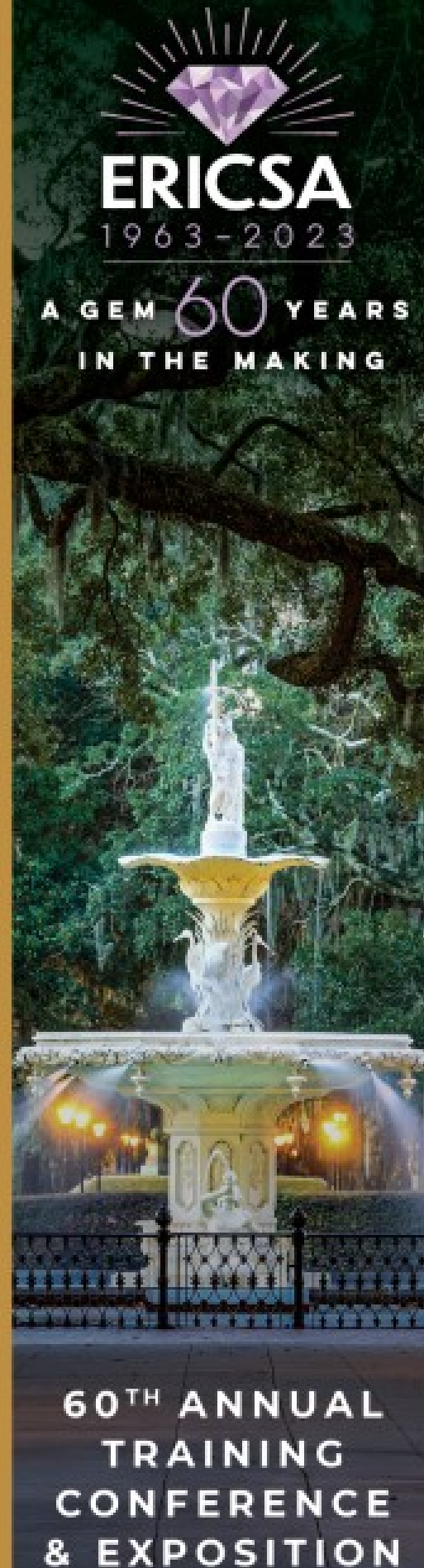
MONDAY, MAY 22 - FRIDAY, MAY 26, 2023

Of Quartz You Can Enforce on Cannabis Companies

Paul Gehm & Liz West
Management Analysts
Michigan Supreme Court
State Court Administrative Office
Friend of the Court Bureau



Regardless of whether cannabis use is already legal in your state, come for an engaging and interactive conversation to learn from one another on the expanding cannabis industry. The session will cover background information on cannabis-related businesses, including banking, licensing and employment issues. Join the discussion about how industry operations may create challenges, and opportunities, to engage with the parent and employers for enforcement.



Session Roadmap



Lay of
the Land



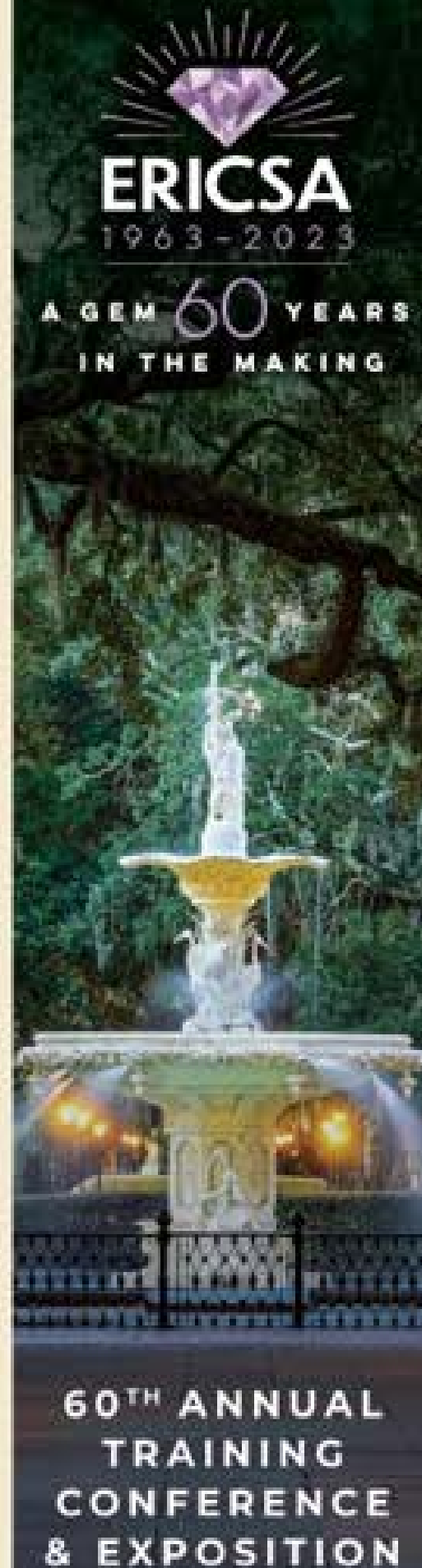
Roadblocks



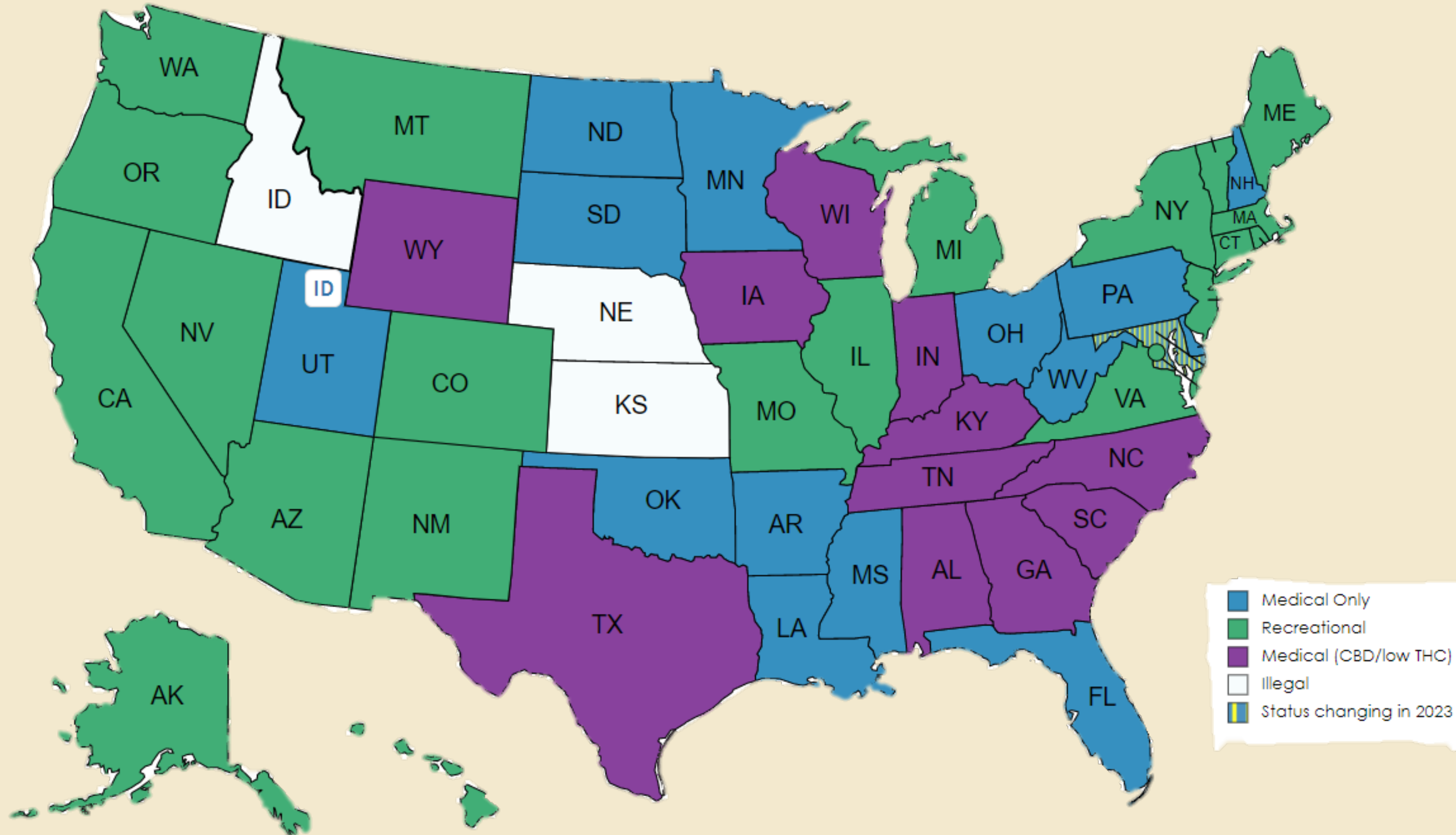
Enforcement /
Engagement



Best Practices



Snapshot of US Status



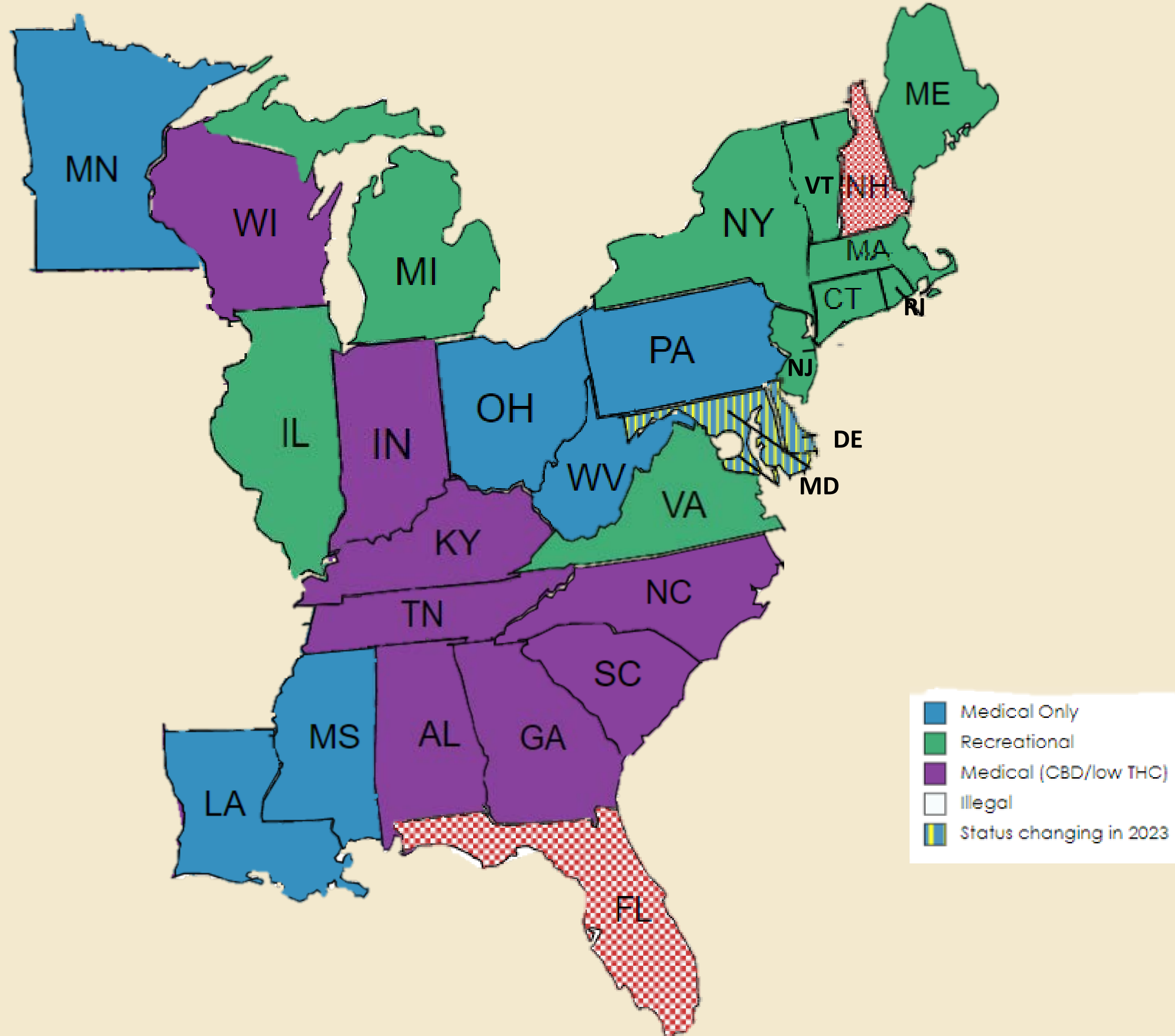
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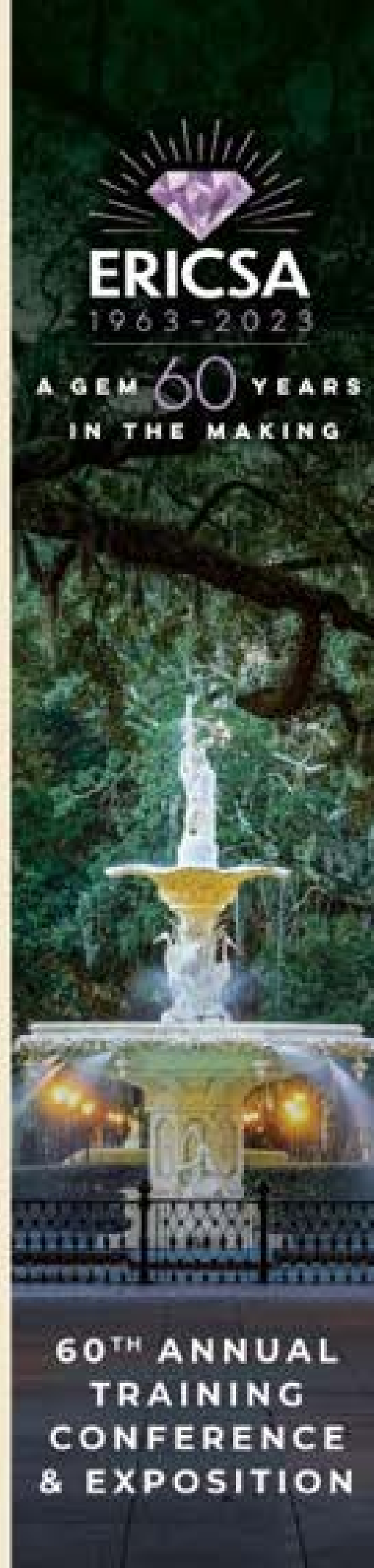
**60TH ANNUAL
TRAINING
CONFERENCE
& EXPOSITION**



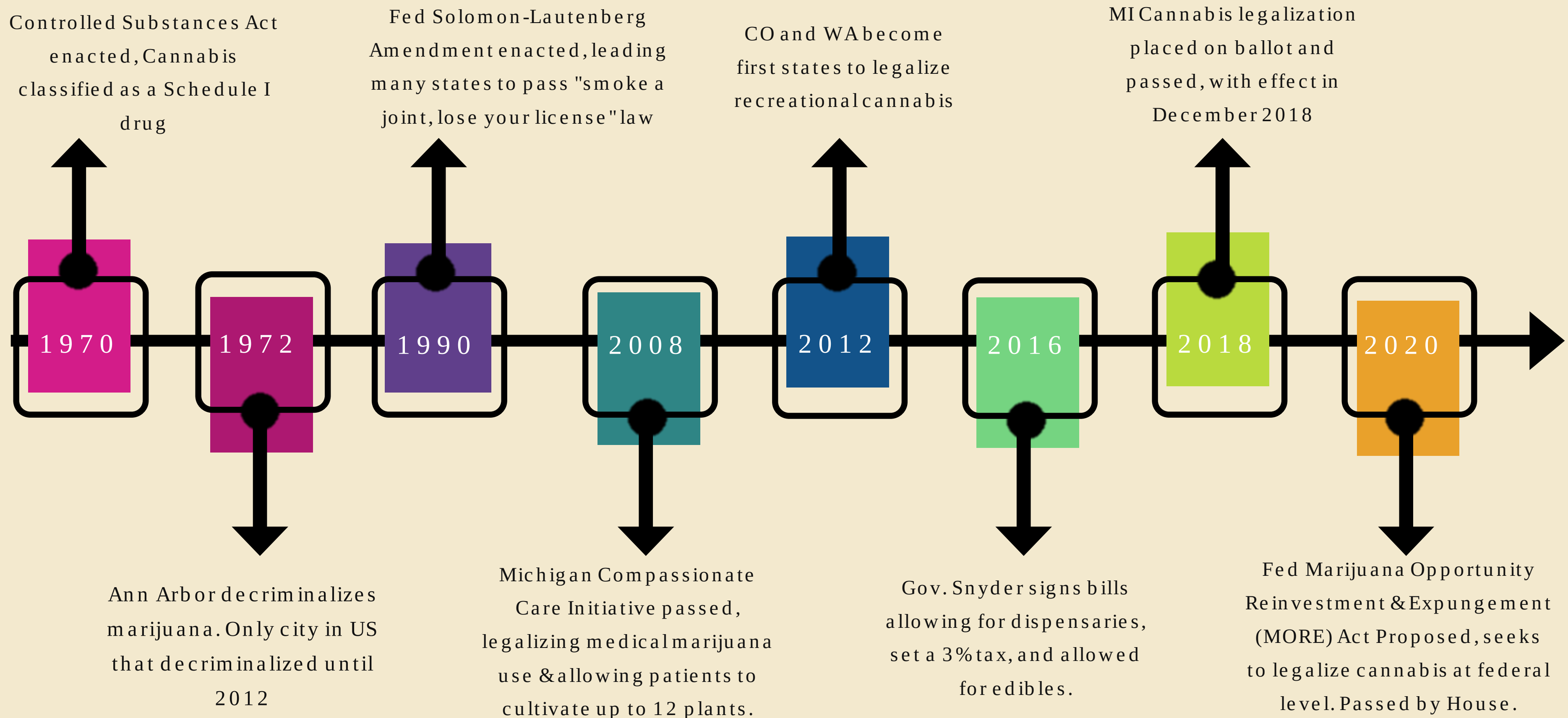

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TRAINING
CONFERENCE
& EXPOSITION

- Biden Executive Order
- PA bill proposing sale through liquor stores
- MA determining tax/sales scheme
- Doctors and scientists know little about cannabis risks/benefits due to restrictions on research (Assn. American Medical Colleges Dec. 2022)

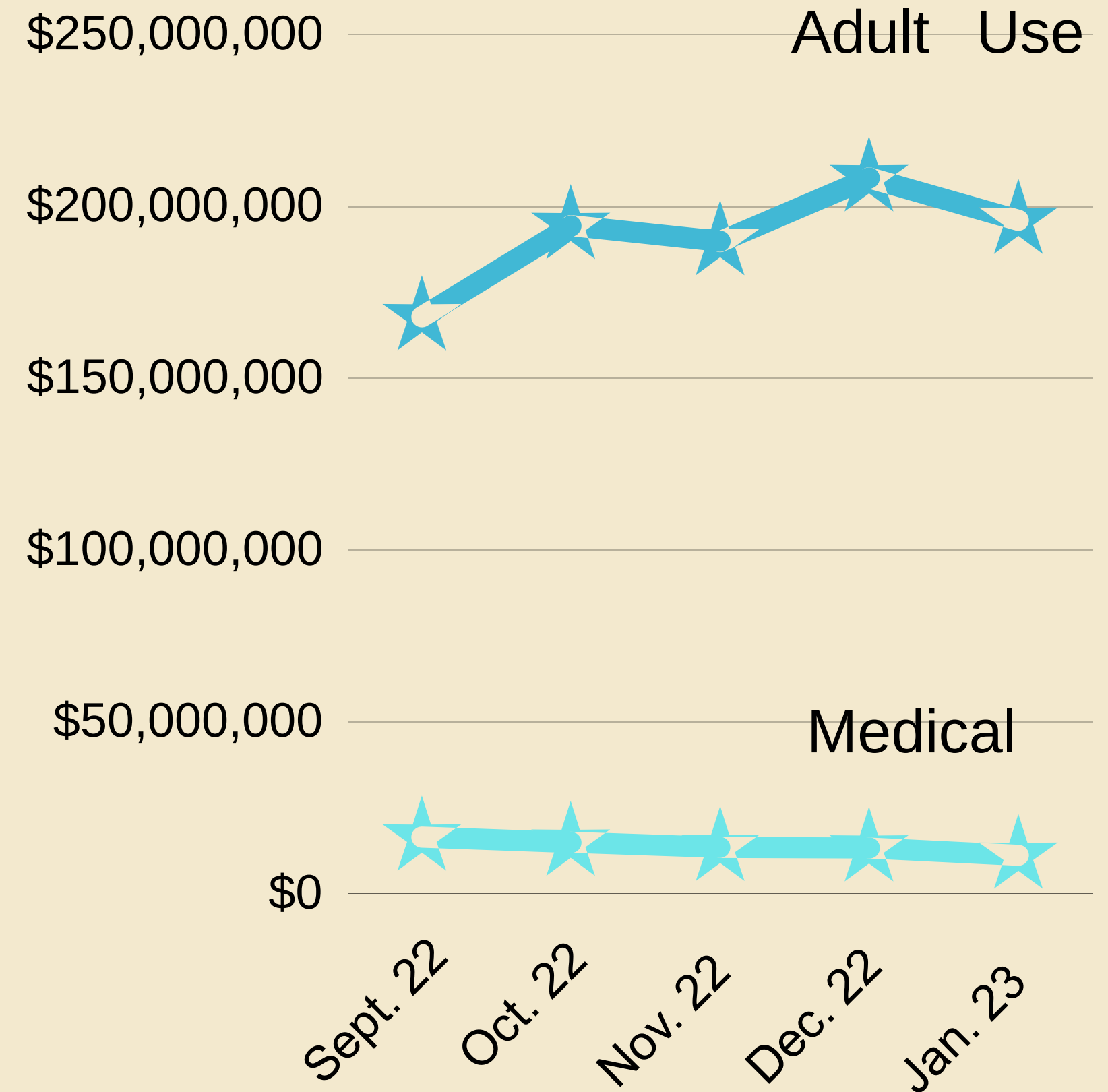


Snapshot of MI Statutes



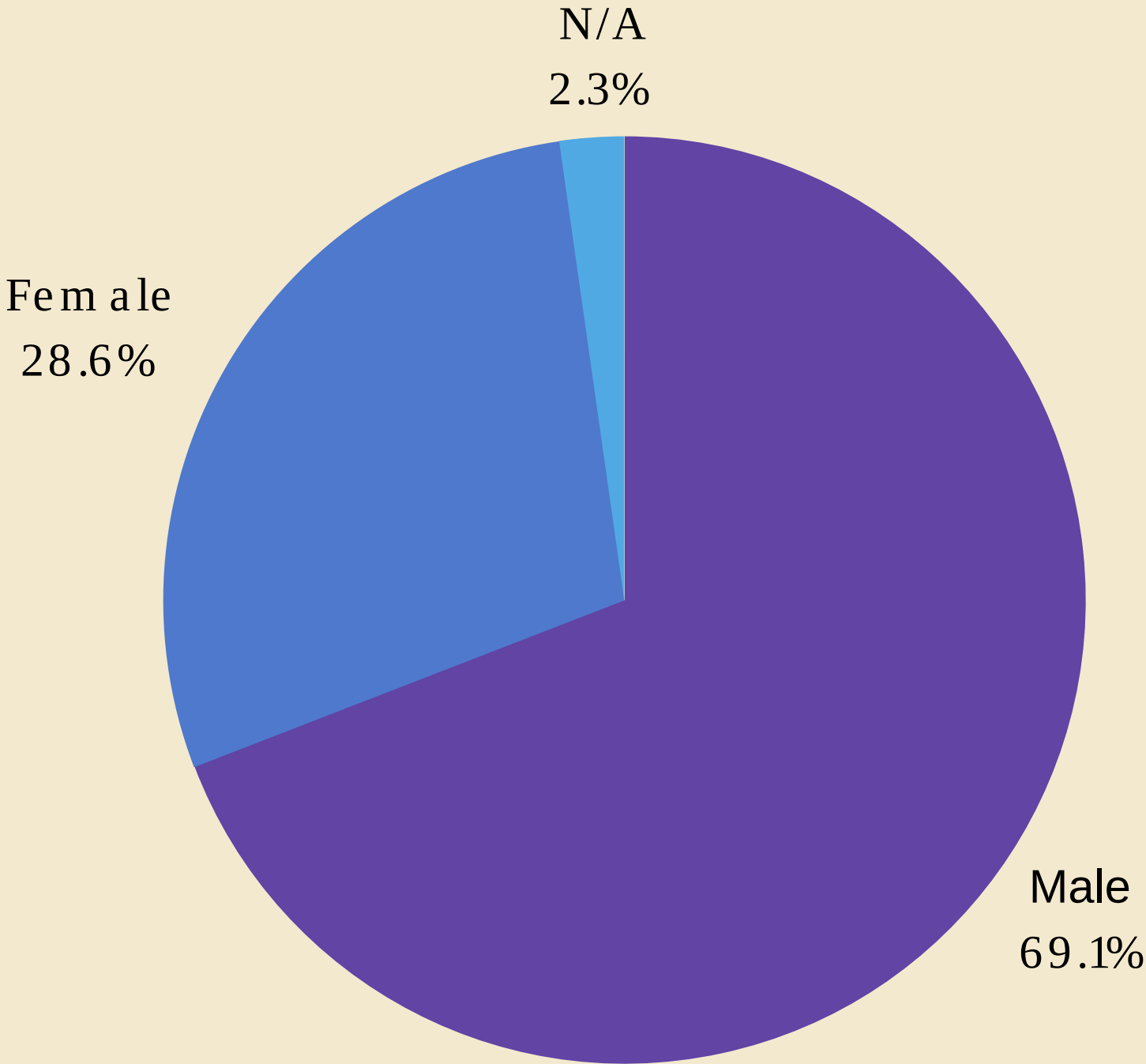
Michigan Cannabis-Related Market Snapshot

- #2 in CRB jobs in the country
- 2nd largest medical marijuana market in the US
- 378 medical and 633 recreational dispensaries
- January = Over \$196 million in sales

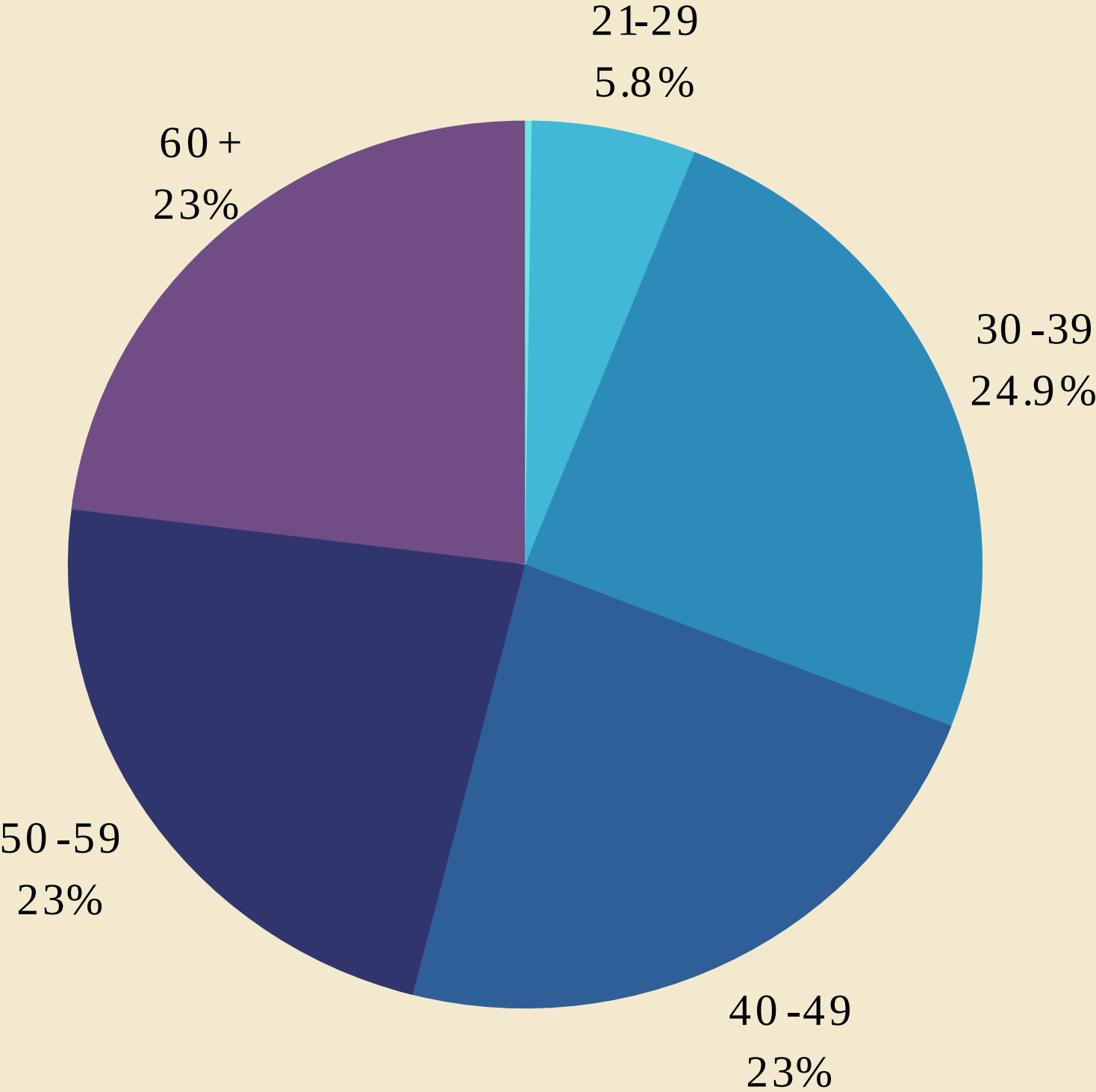


Michigan Medical Marijuana User Snapshot

Gender

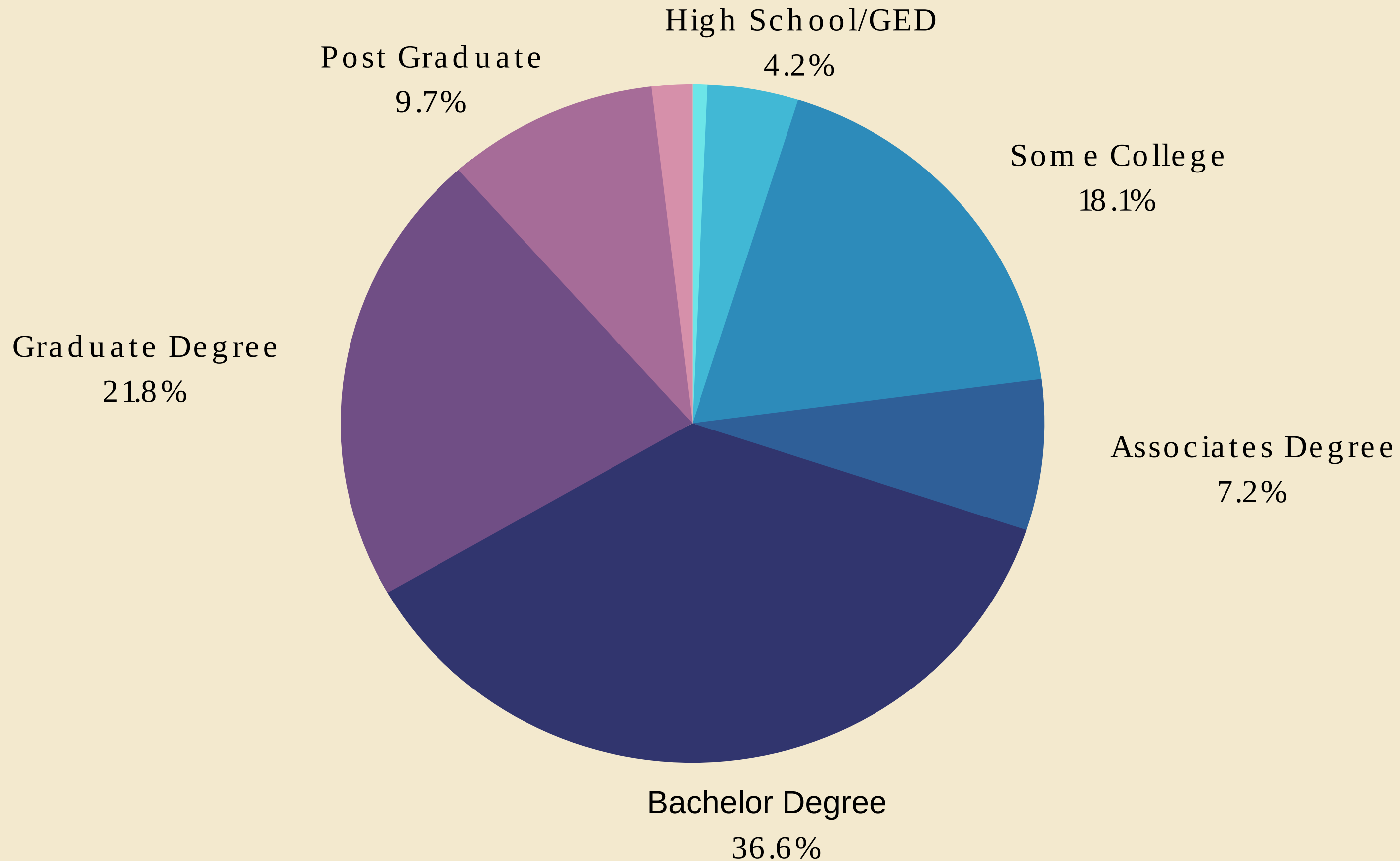


Age



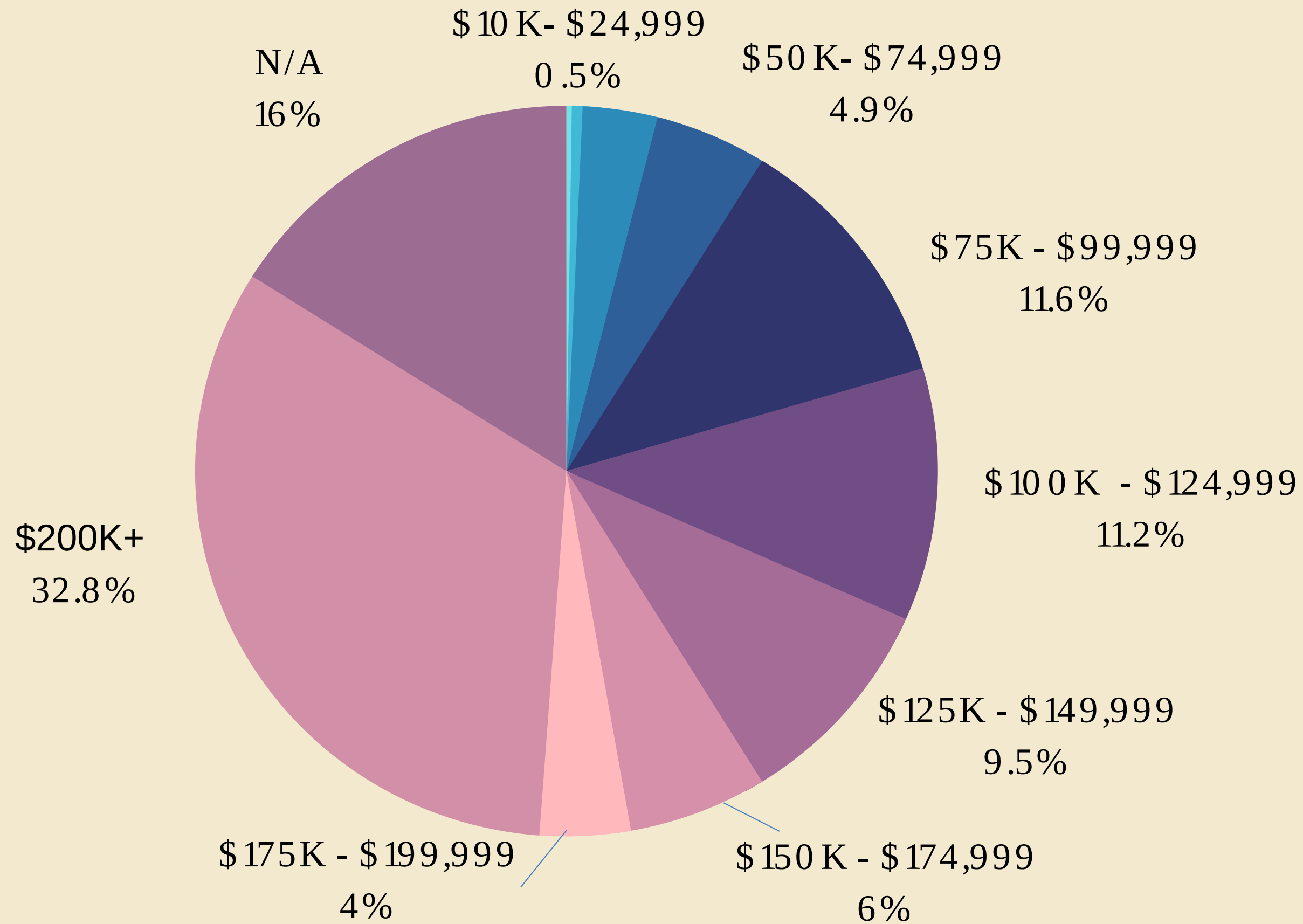
Michigan Medical Marijuana User Snapshot

Education Level



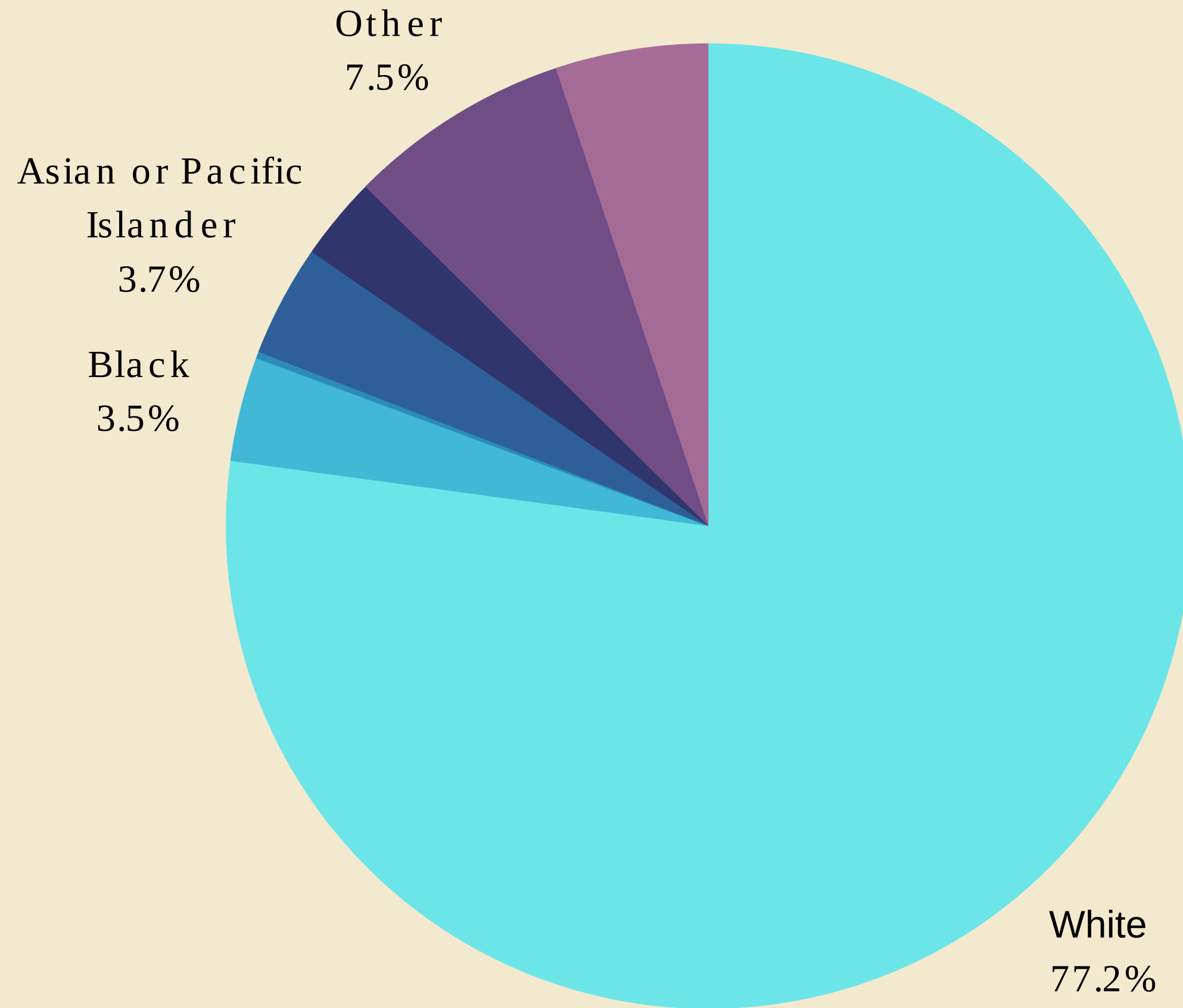
Michigan Medical Marijuana User Snapshot

Household Income



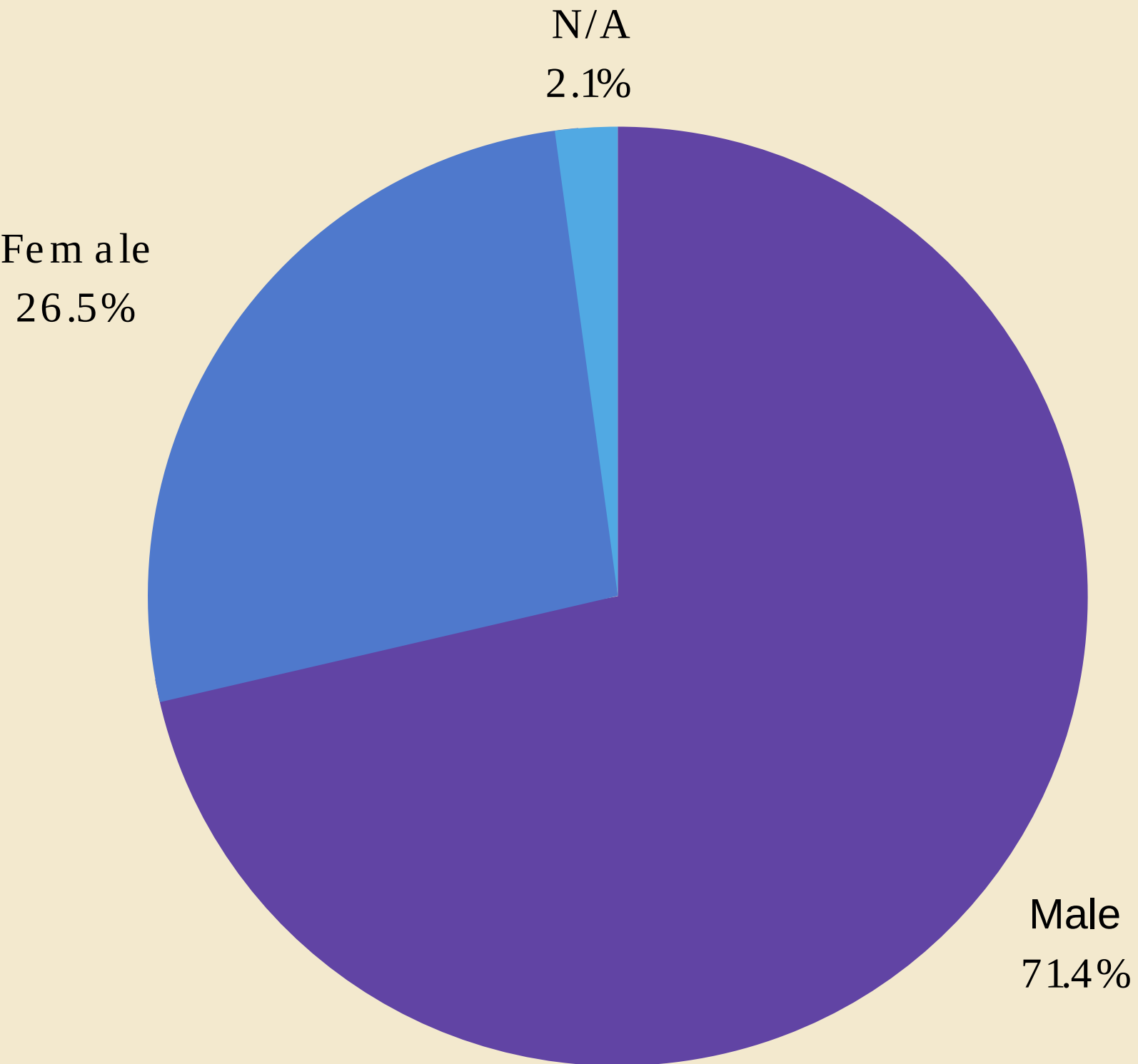
Michigan Medical Marijuana User Snapshot

Racial Identification

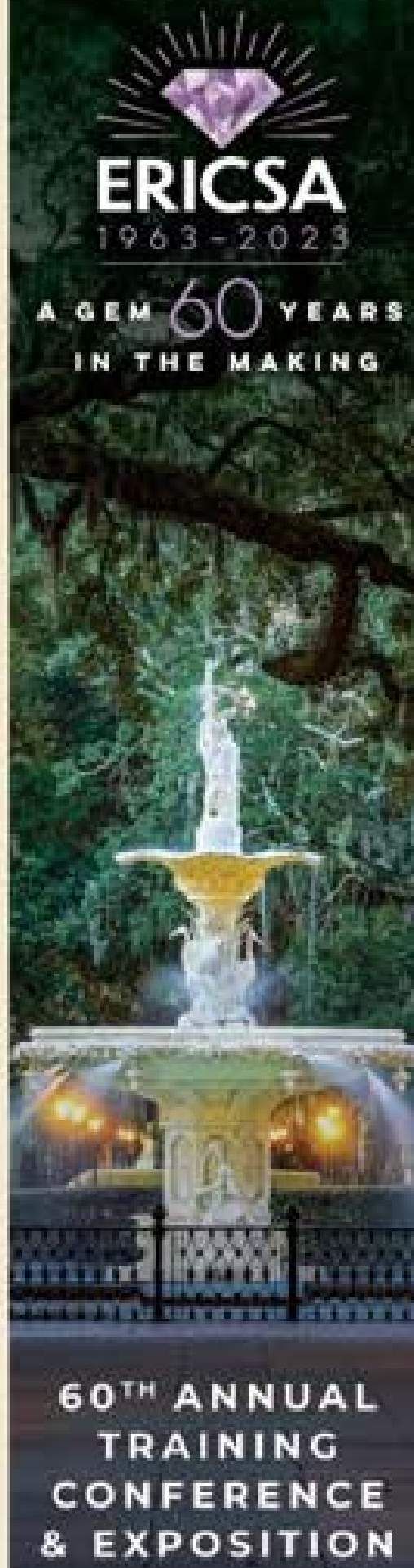
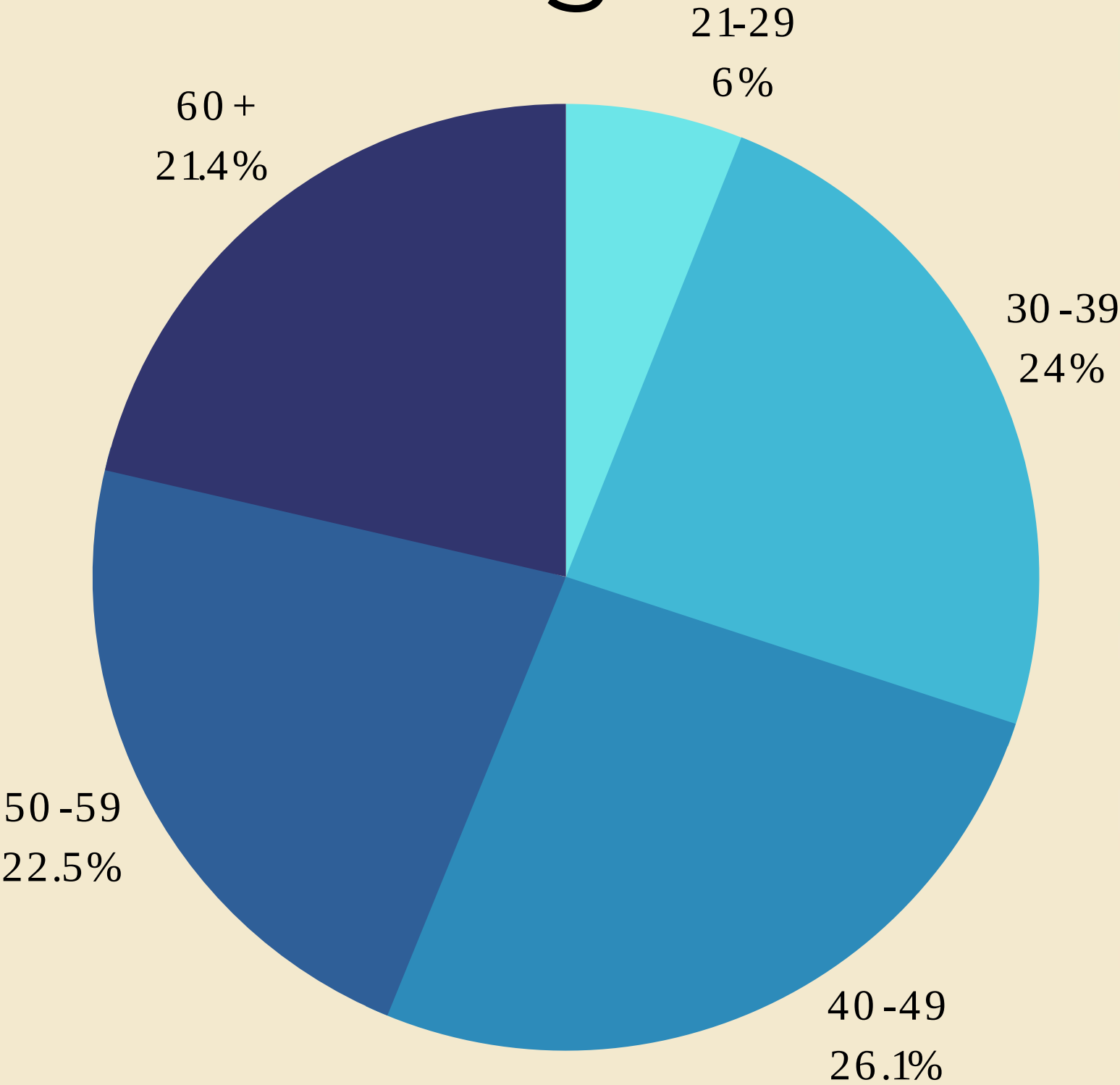


Michigan Recreational Marijuana User Snapshot

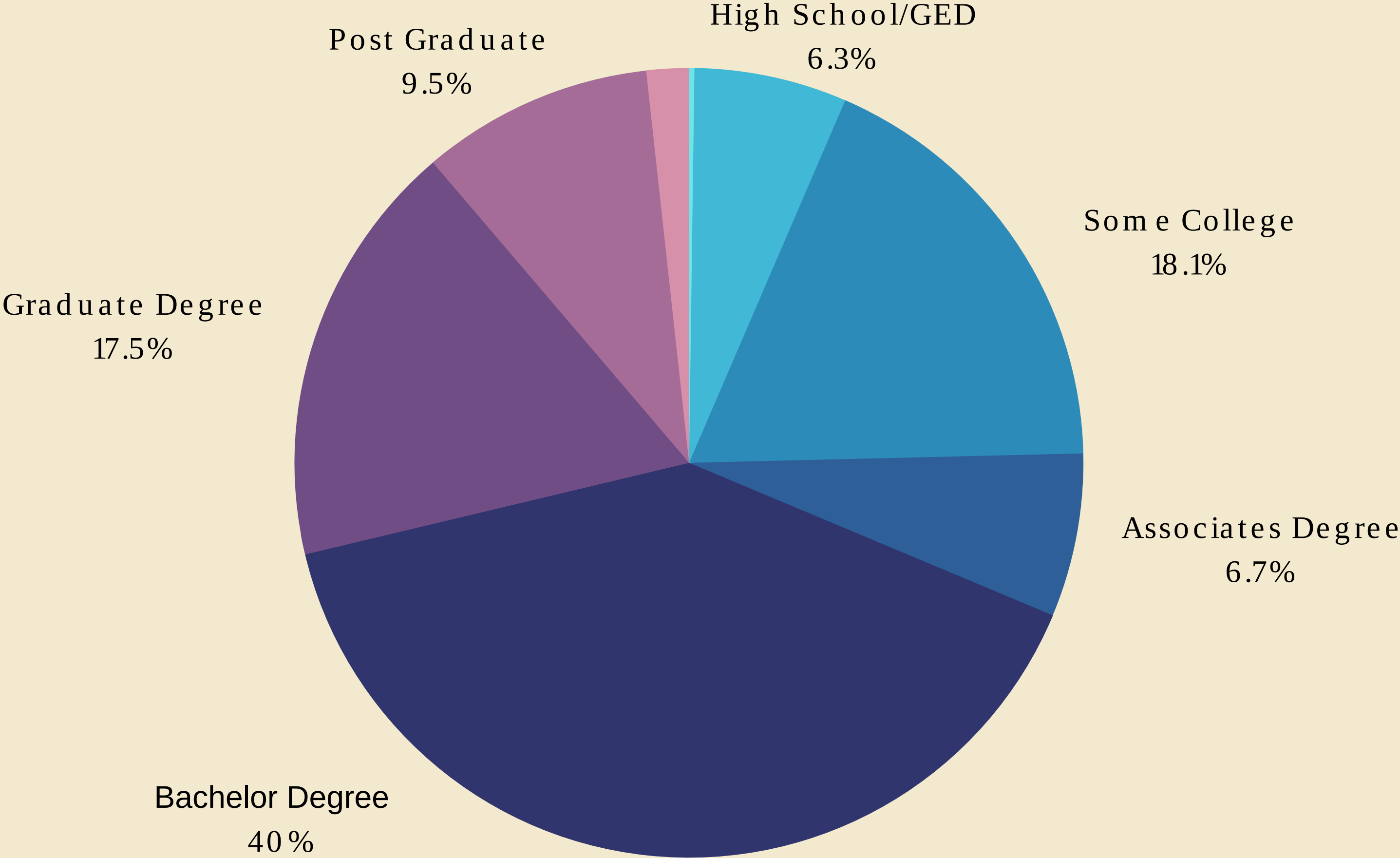
Gender



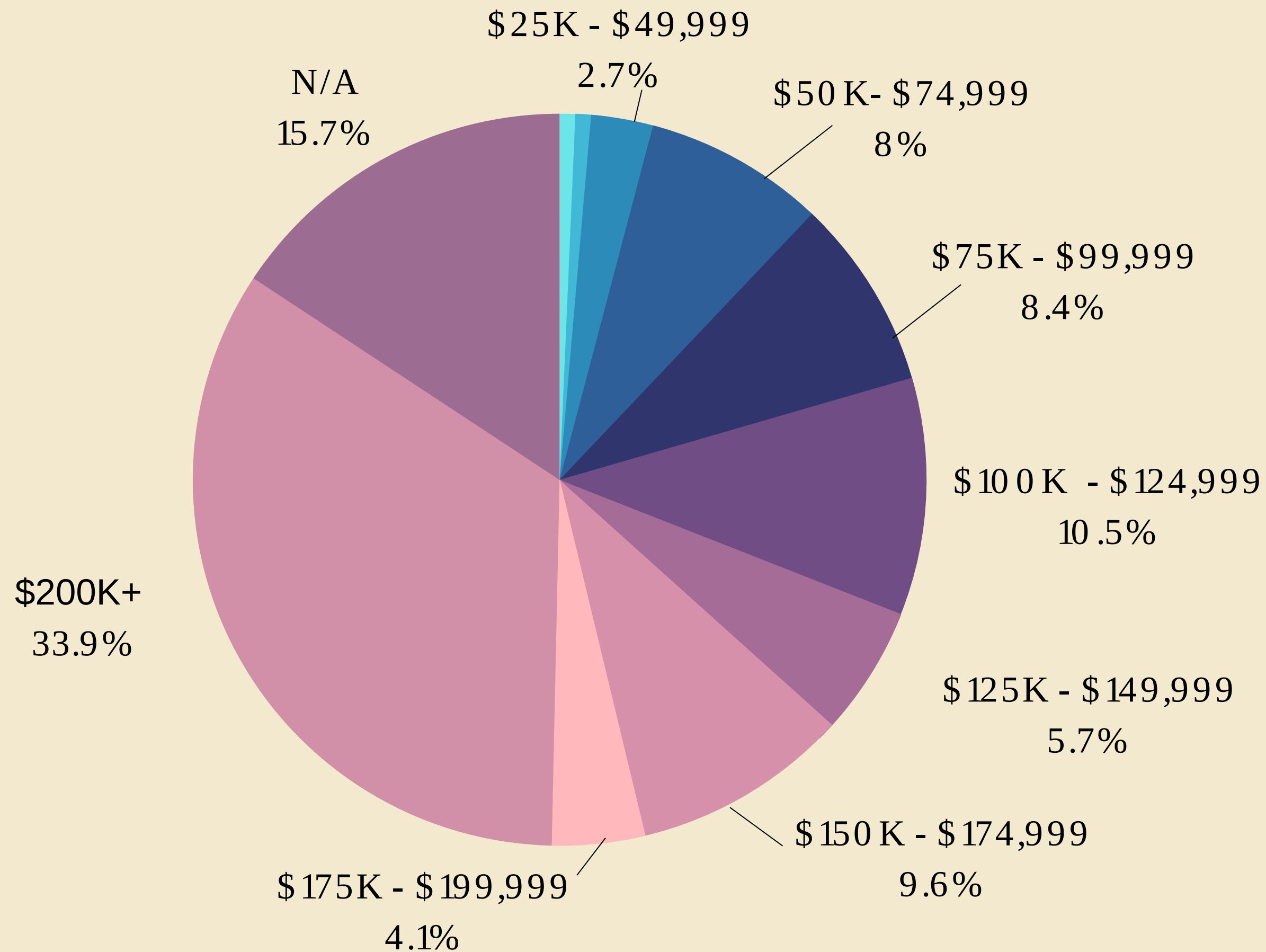
Age



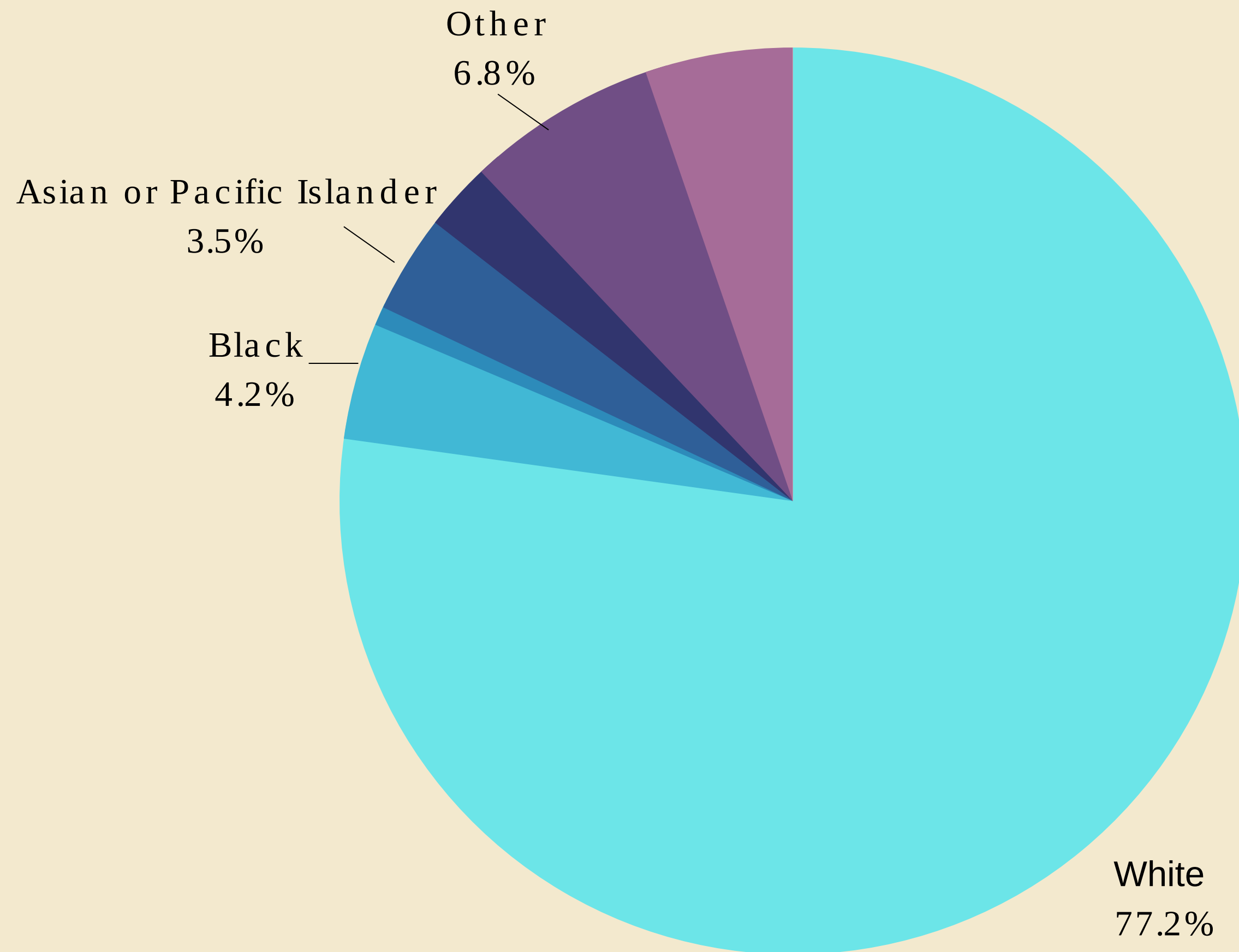
Michigan Recreational Cannabis User Education



Michigan Recreational Cannabis User Household Income



Michigan Recreational Cannabis User Racial Identification



A yellow circle containing a bar chart with four bars of increasing height (green, orange, purple, blue) and a red arrow pointing upwards and to the right.

By the Numbers

- Average cost per flower: July 2021 = \$218; May 2022 = \$131, January 2023: \$80
- Predicted increase number of CRB closures
- Number of licenses in MI jumped by 65% in one year

Location, Location, Location

Shops continuously relocate, close, etc. due to new zoning laws & failure to apply/renew license

A yellow circle containing a red square with a white 'X' inside.

Cannabis Regulatory Authority (MI)

- Moratorium on licenses
- Removal of excess grower license
- Create new rule limiting individual business holdings



Michigan Marijuana Facilities



- Adult Use Excess Marijuana
- Adult Use Marijuana Retailer
- Adult Use Marijuana Class A Microbusiness
- Adult Use Marijuana Class A Grower
- Adult Use Marijuana Class B Grower
- Adult Use Marijuana Class C Grower
- Adult Use Marijuana Designated Consumption Est.
- Adult Use Marijuana Microbusiness
- Adult Use Marijuana Processor
- Adult Use Marijuana Safety Compliance
- Adult Use Marijuana Secure Transporter
- Adult Use Marijuana Provisioning Center
- Medical Marijuana Class A Grower
- Medical Marijuana Class B Grower
- Medical Marijuana Class C Grower
- Medical Marijuana Processor
- Medical Marijuana Safety Com p. Facility
- Medical Marijuana Secure Transporter

Cannabis-Related Market Licenses



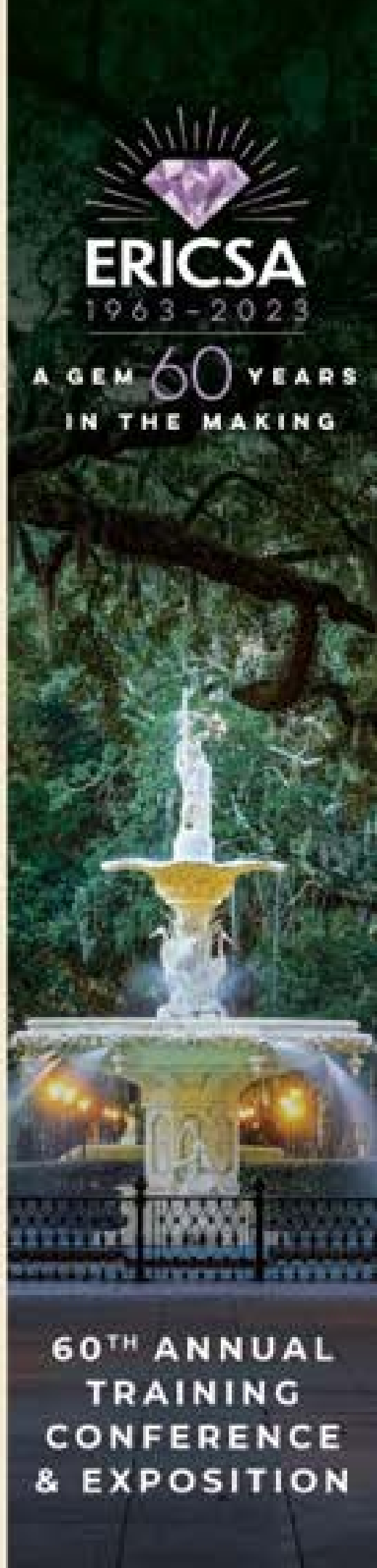
Employer

LARA - Owner's License

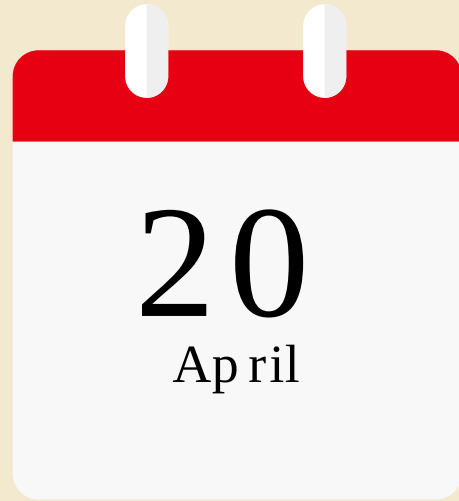
<https://aca-prod.accela.com/MiMM/Default.aspx>

Employee

No special licensing!



Cannabis Related Holidays



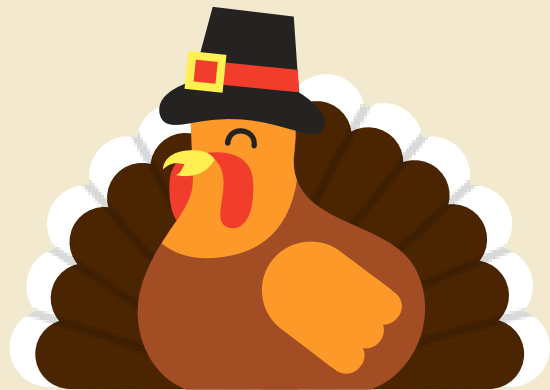
April 20
(4/20)



July 10
(Dab Day)



Friday before
Labor Day



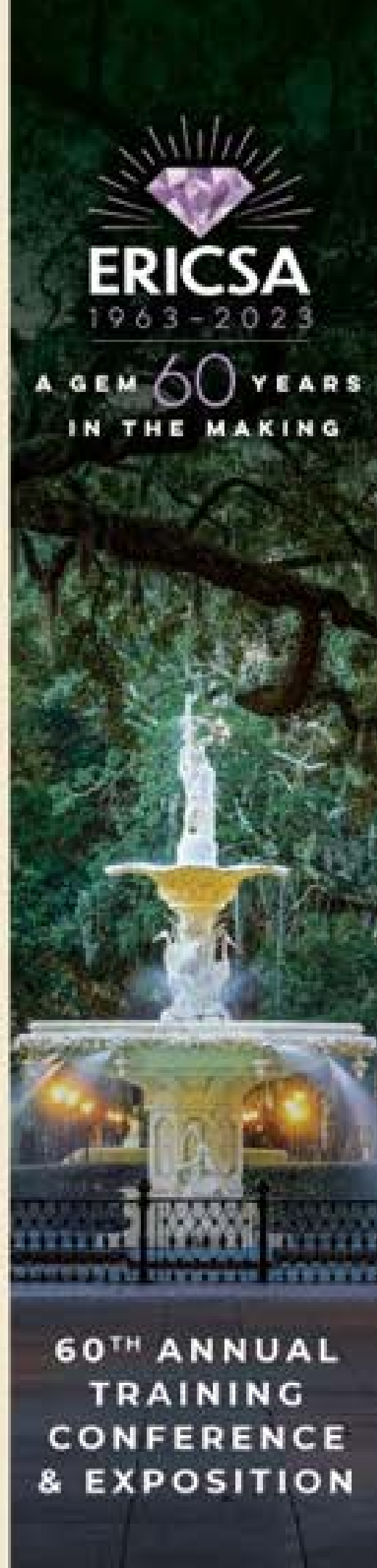
Green Wednesday
(day before
Thanksgiving)



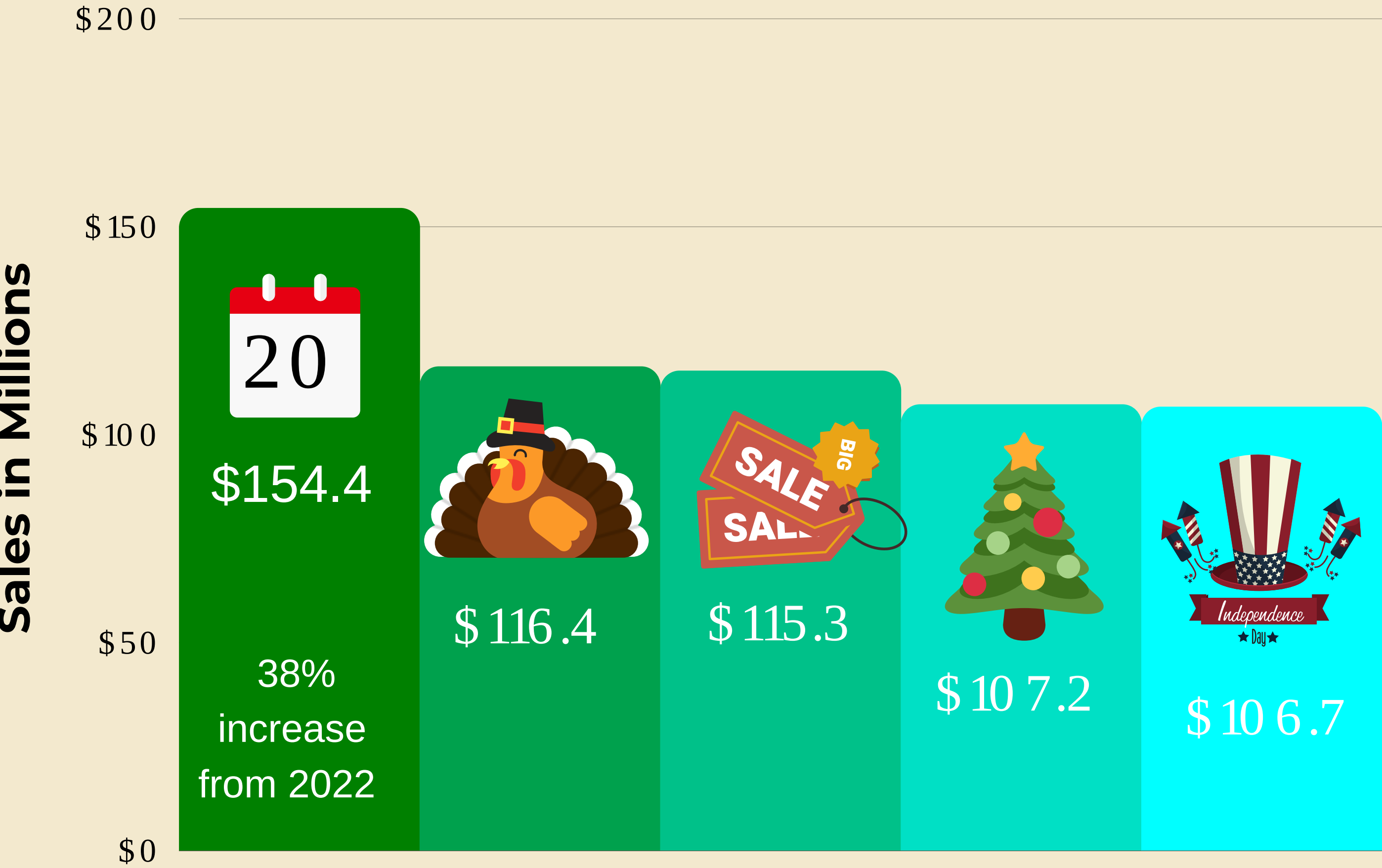
Black Friday
(day after
Thanksgiving)



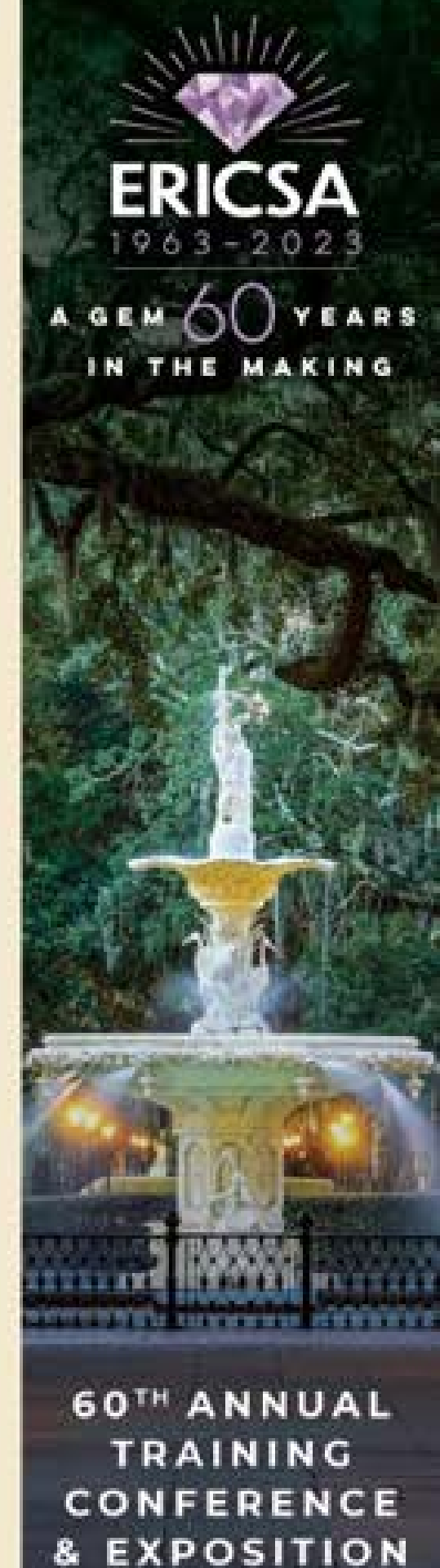
December 23
(day before
Christmas Eve)



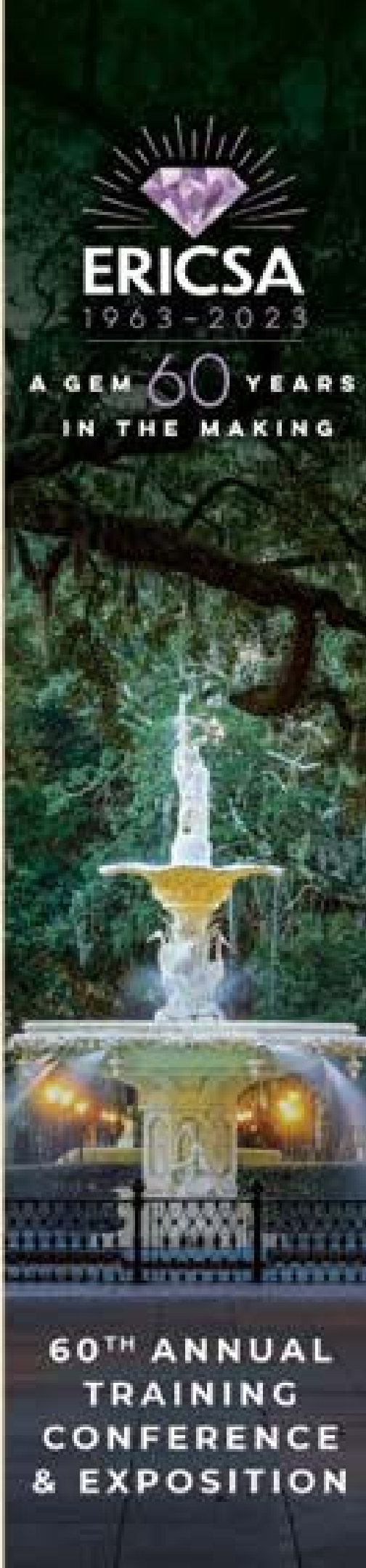
Top National Cannabis Sale Days & Totals (2022)



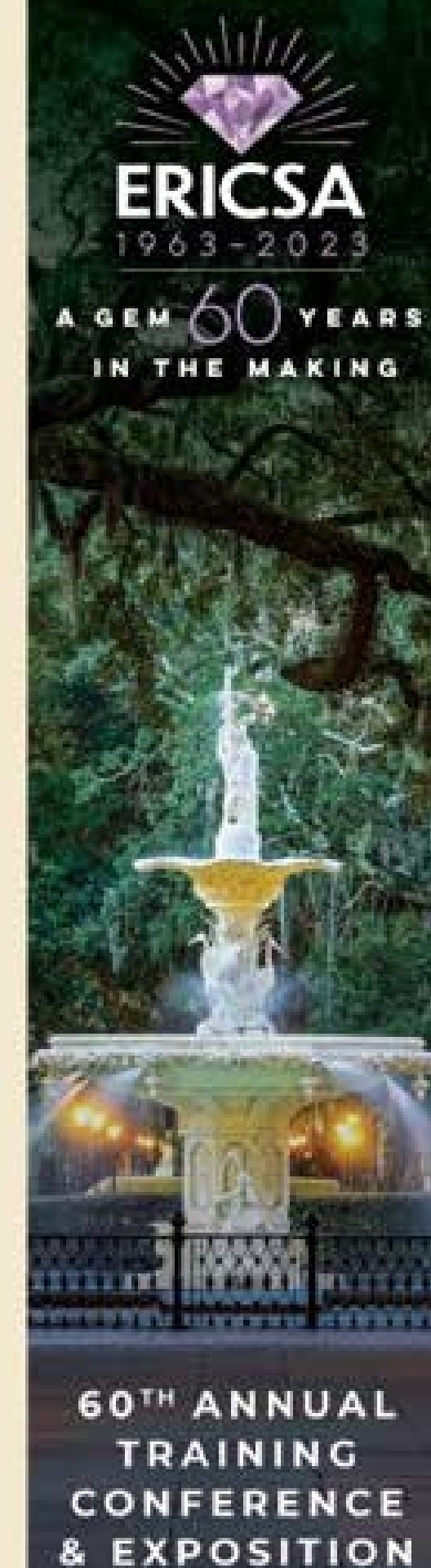
Croptober



Gig Economy & Illegal Market



Employer Issues



Employer Issues

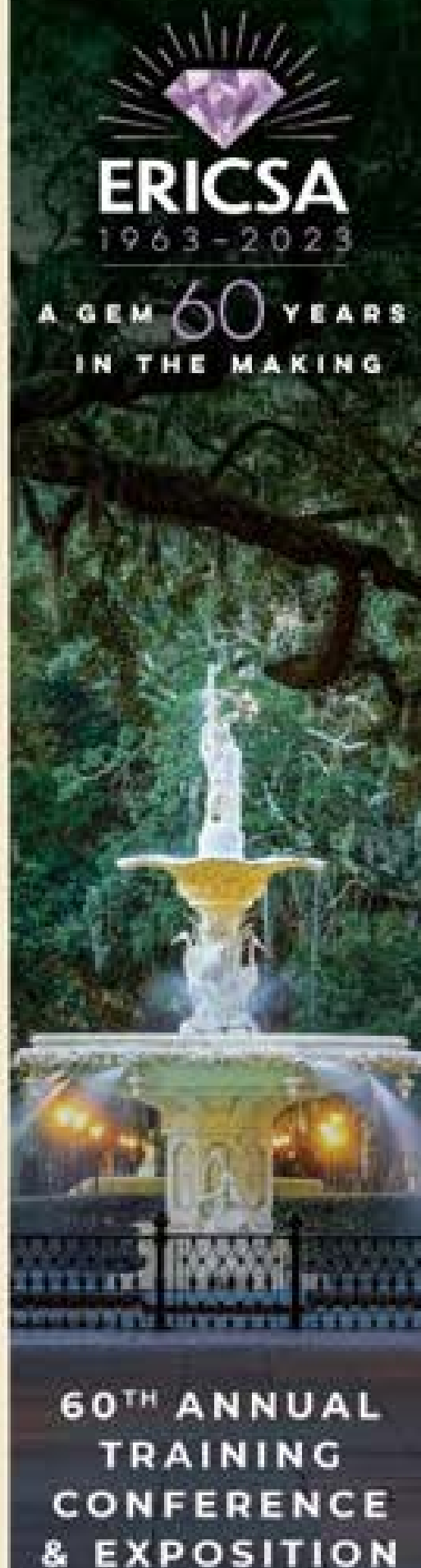


IRS Regulations

- Recognizes business is growing
- Income from any source is taxable, even if tax liability is paid up front
- "Illegal businesses have no exemption from their employment tax obligations."

Banking as CRB

- No legal protection for banks (federally insured) to work with CRB's
- Some smaller banks extending services
- Most CRB conducted in cash
- Third party vendors deposit cash



Payments for Goods

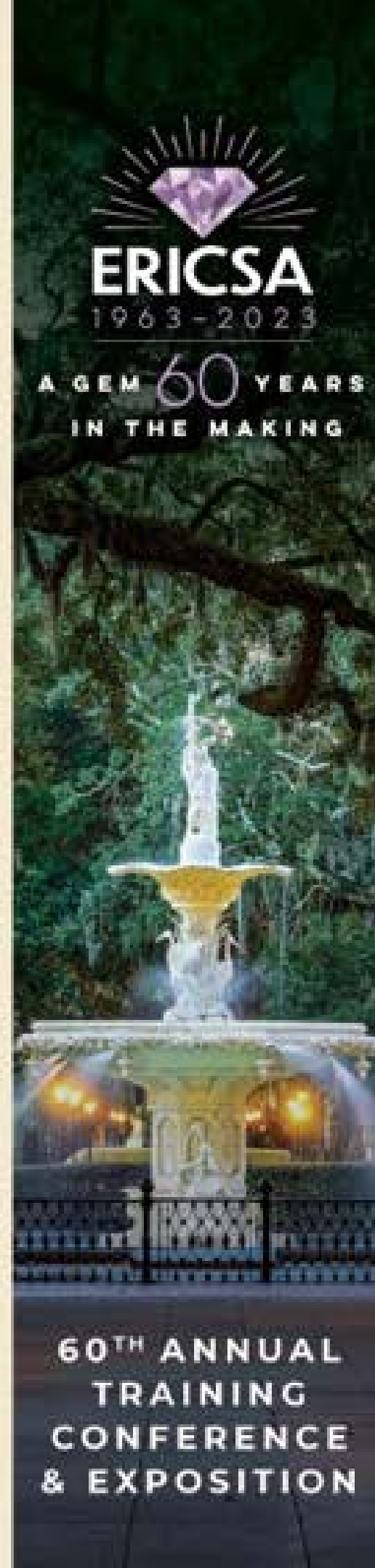


Credit Cards & P2P

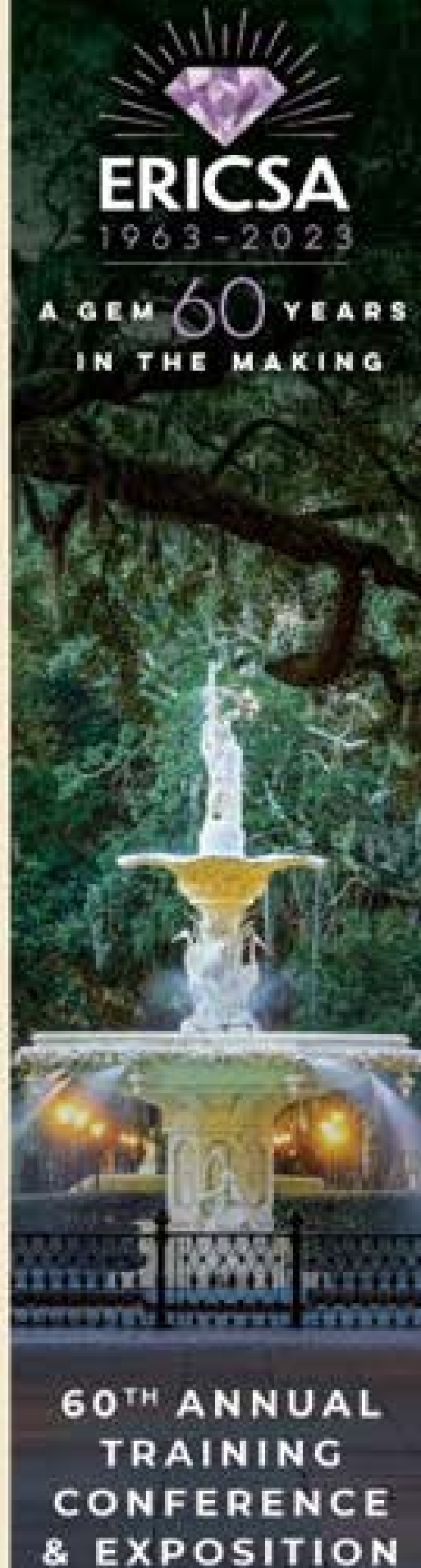
- Major credit card companies (Visa, MasterCard, etc.) do not allow cannabis related transactions
- Most Person to Person (P2P) payment apps (PayPal, Venmo, etc.) will not allow cannabis related transactions

Cashless ATMs

- "Point of banking"
- Disguises purchases as cash withdrawals
- Visa's Statement



Employee Issues



Employee Status

W2 Employee



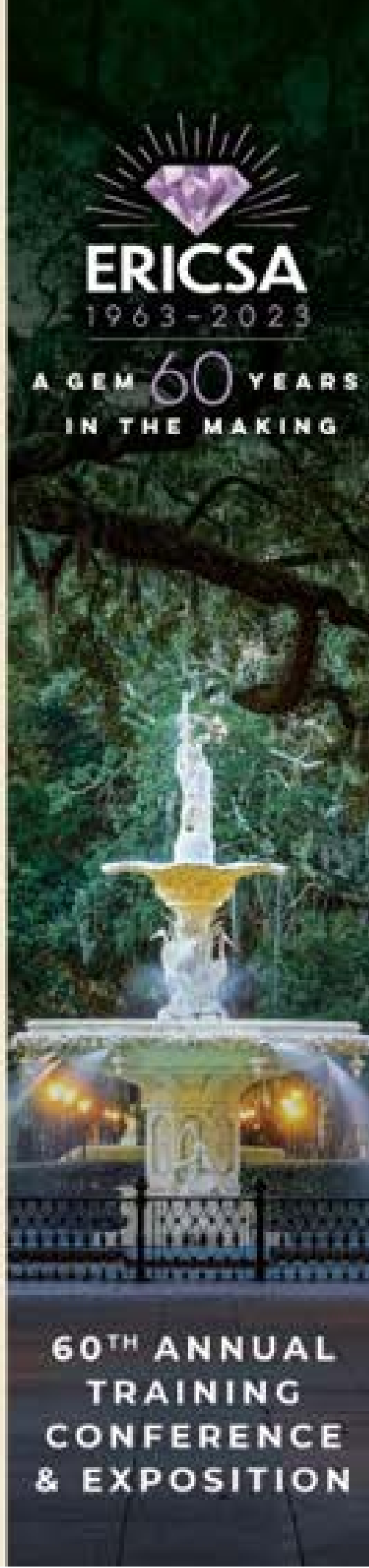
1099 Independent Contractor



Cash / In-Kind



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Employee Income Considerations



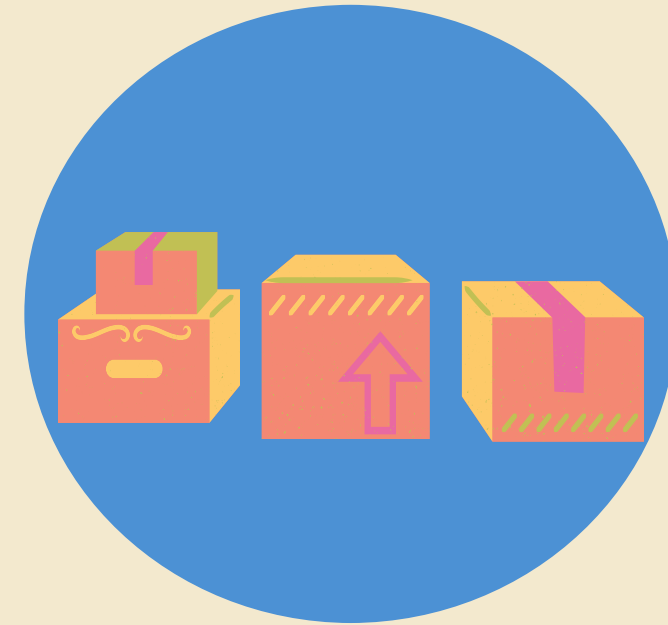
Tips



Bonuses



Commission



In Kind

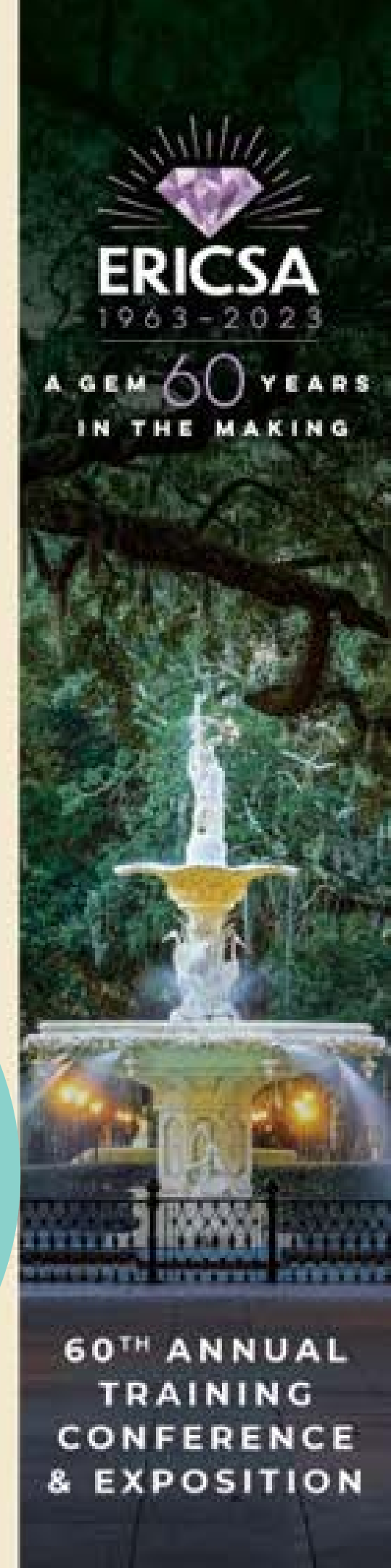


Large Employee Base

- 2019 estimate from LARA = 69,000 new CRB jobs
- MI is the 2nd largest medical marijuana market
- in the US

"Typical" CRB Employee

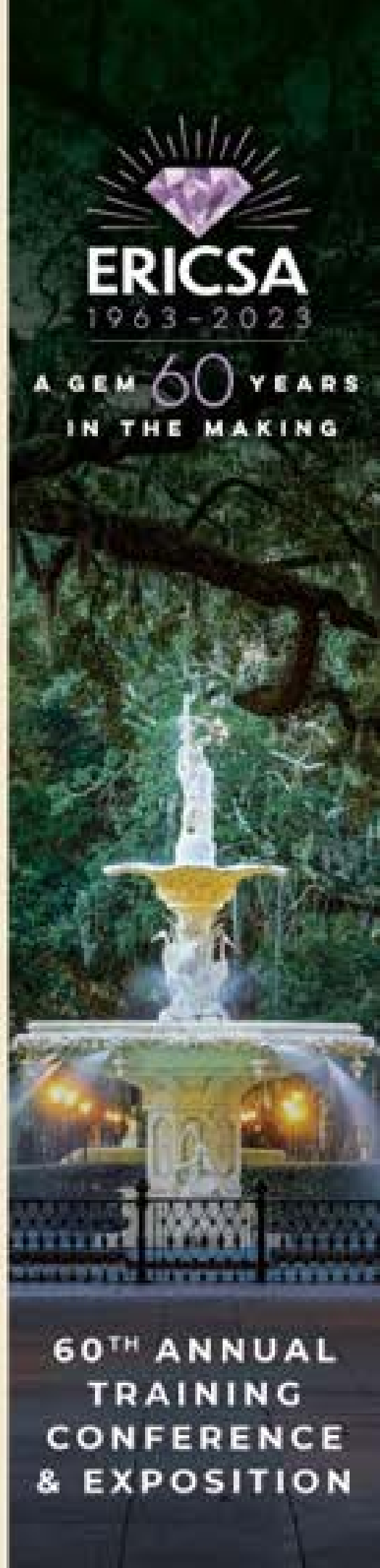
- Average salary = \$51,627/year
- Gig employees, independent contractor, in-kind, cash-based statuses
- Employment of the "hard to employ"



Licensing of Employees

- **Owners are licensed, not employees**
 - **Employees are issued ID #s at each new CRB**
 - **Transporters = Chauffeur's License**
- **Distinction between recreational and medical use**
 - **Medical : LARA**
 - **Recreational : CRA (under LARA)**

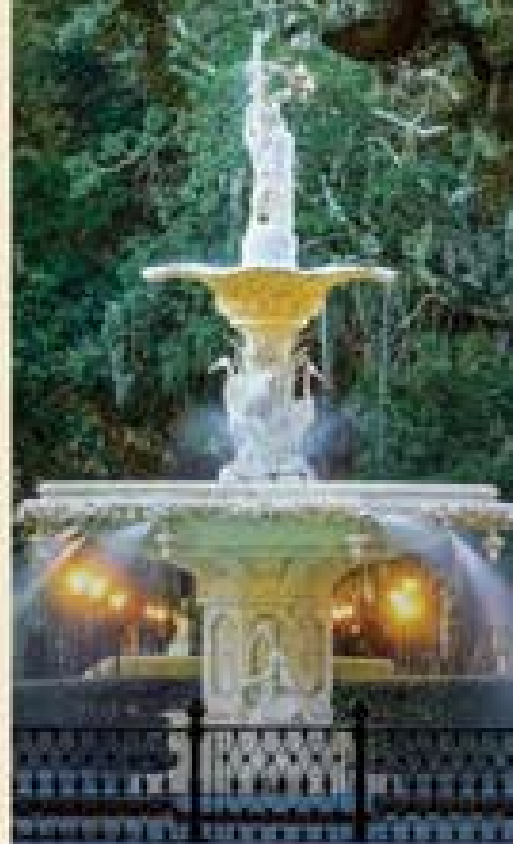
<https://www.michigan.gov/cra/verify-a-license-1>



Employer Enforcement




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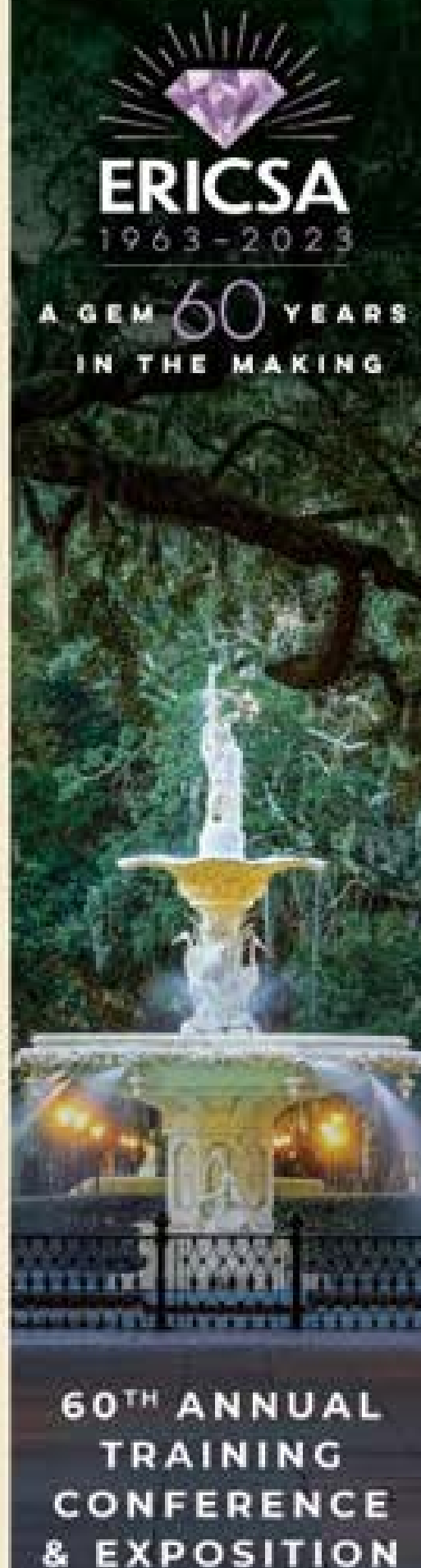
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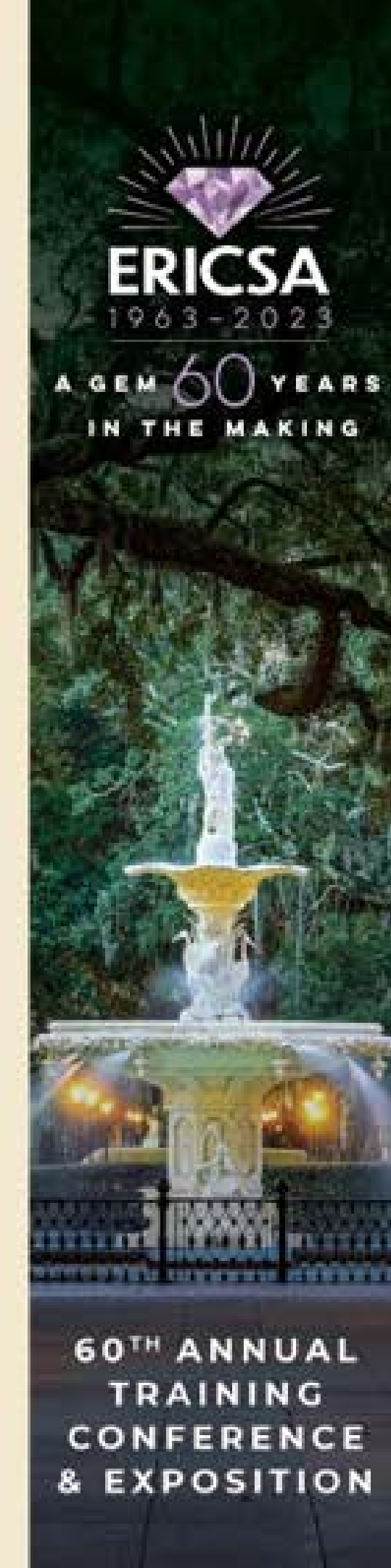
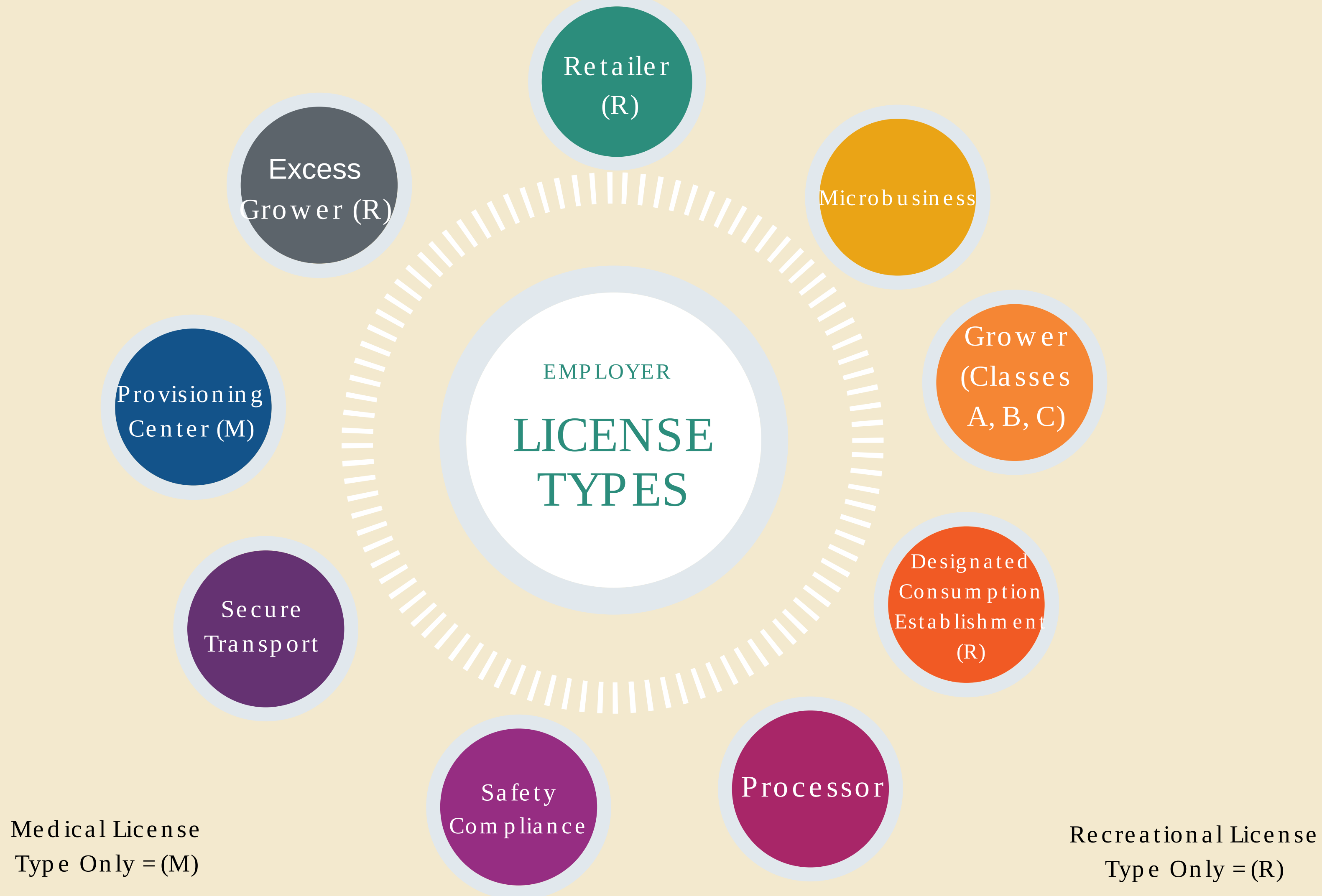
Traditional Enforcement Remedies

Income Withholding

Show Cause

**License Suspensions
(Drivers and Chauffeur)**







Third Party Companies

- Payroll processors for marijuana based companies
- Employment confirmation may be referred to those companies

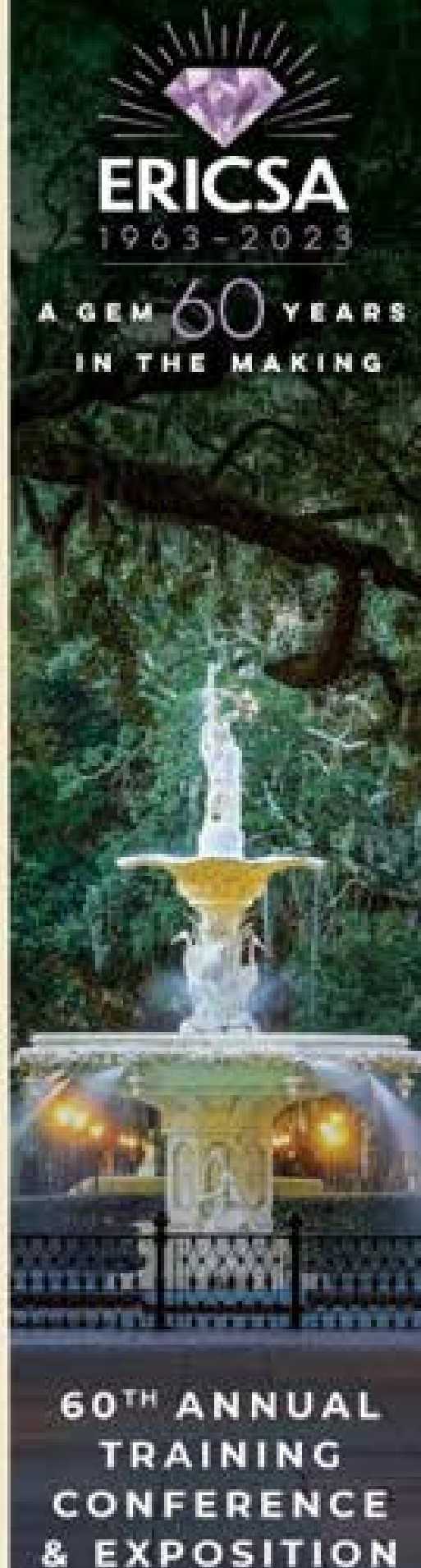
Property

- Must have Property Tax ID to apply
- Liens as an enforcement tool
- Goods & equipment



Employer Business Structures

- May not be the name of the actual organization
 - Name changes
- LLC considerations



Employee Employment Status

W2



IWN

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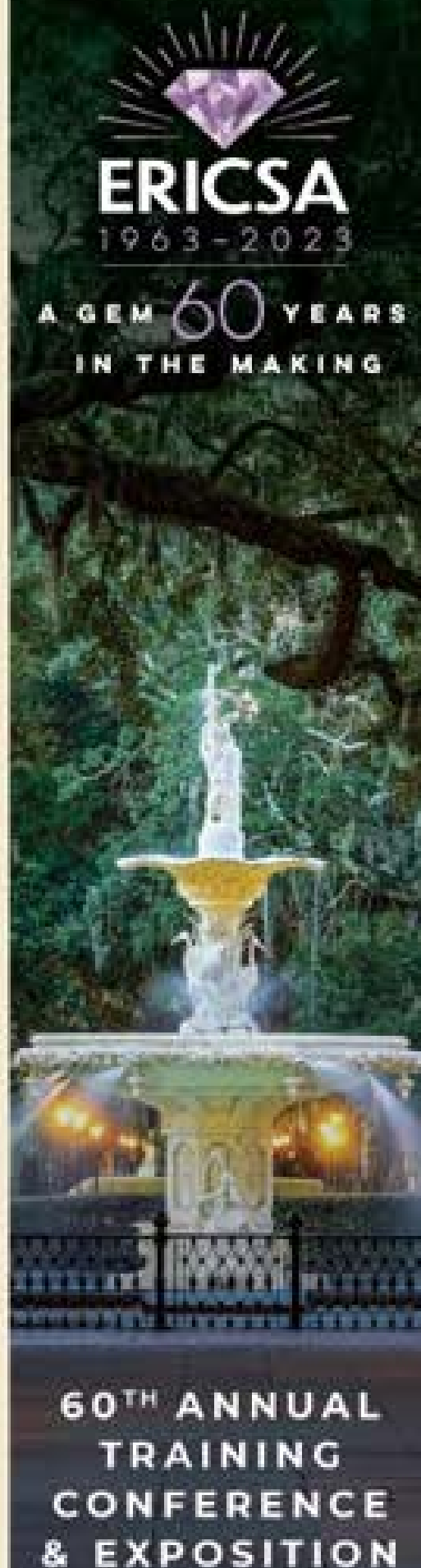


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Cash/
In-Kin d

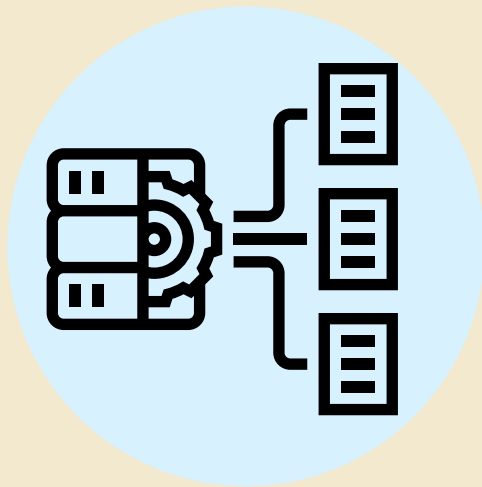


Bank
statements,
taxes, etc.



Discovery

How Do We Know if the Parent is Working in the CRB?



New Hire
Database



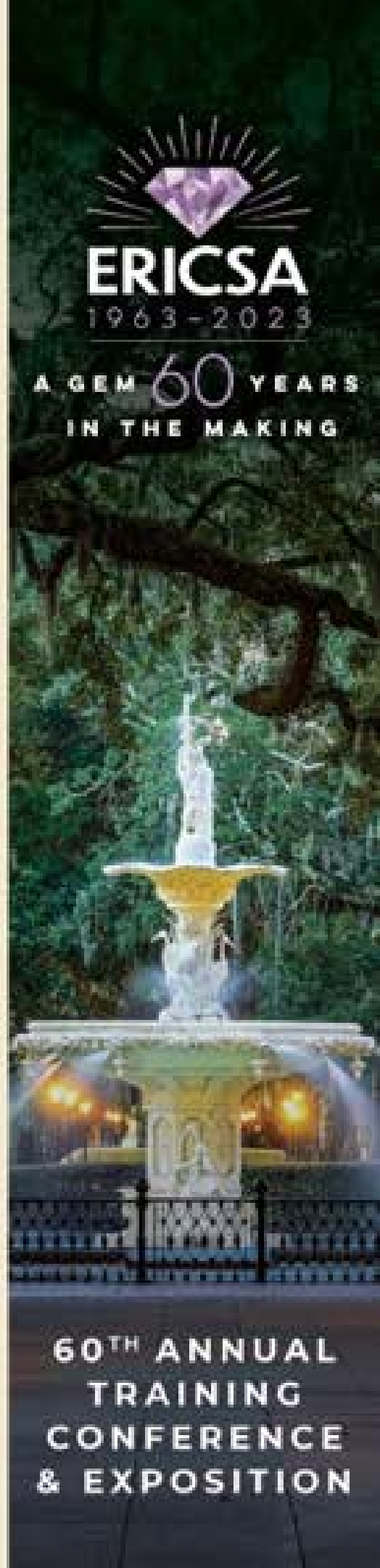
Quarterly
Wage



Federal
Portal



Social
Media



Employee Income Considerations



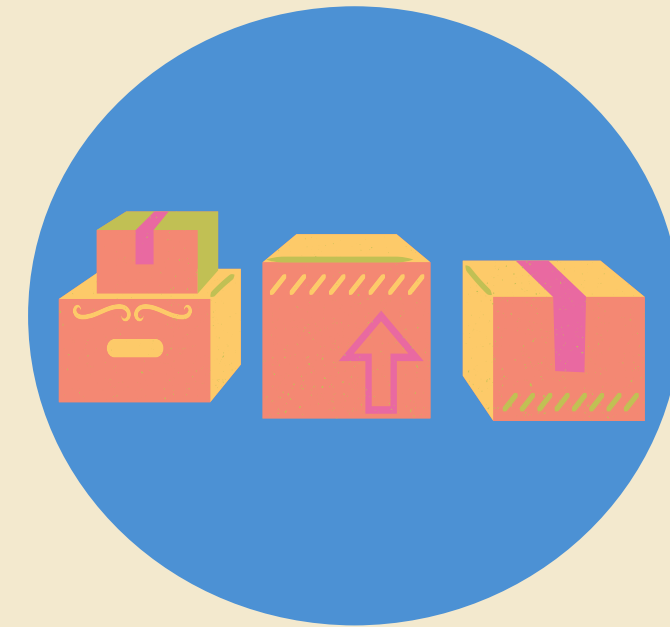
Tips



Bonuses

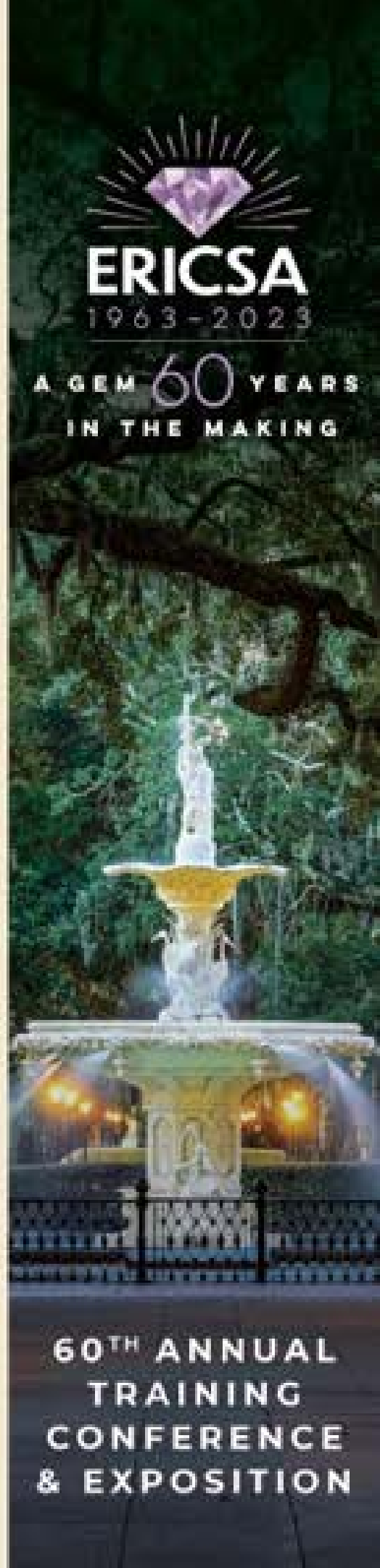


Commission



In Kind

Be ready for sales spikes, tips, & bonuses



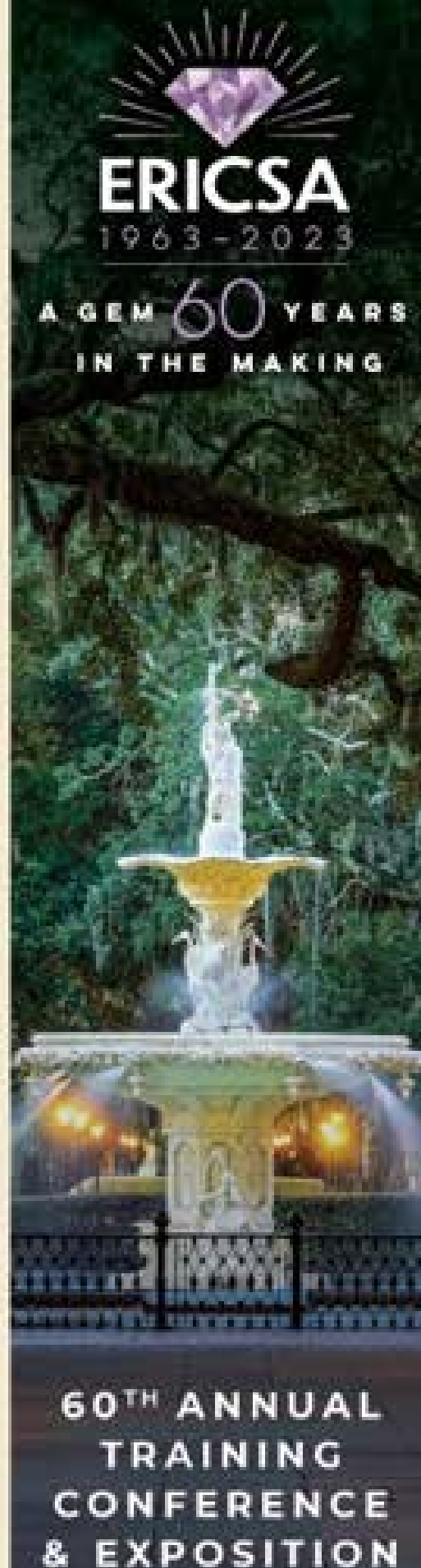
Job - Related Expenses

Gas / auto expenses

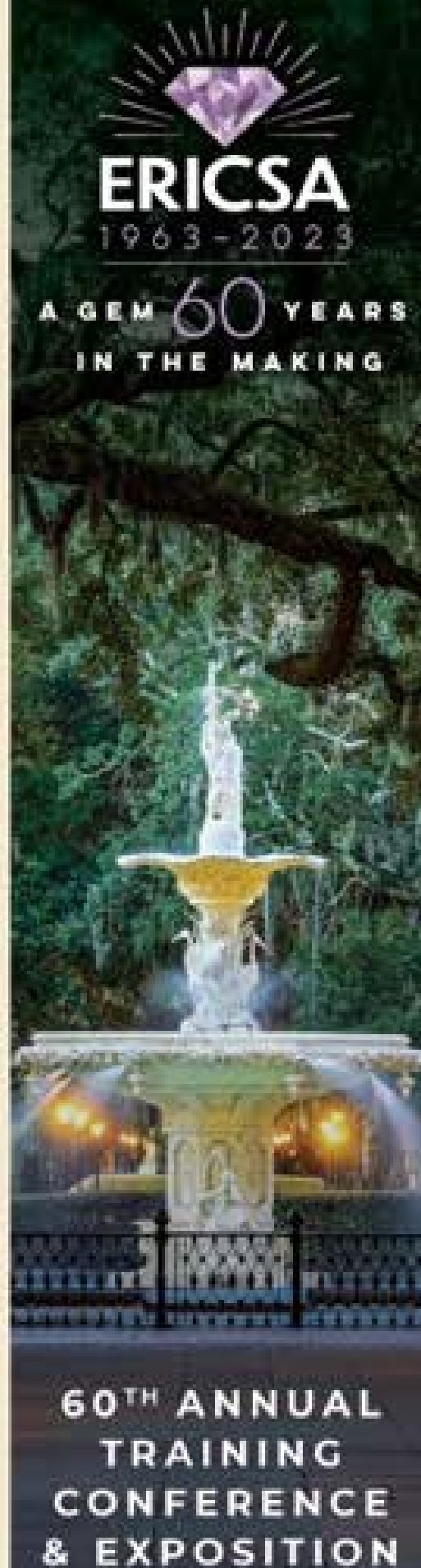
Supplies

Travel

Other



Lessons Learned From Other States



Other State Best Practices

Colorado

- License denial program developed with Marijuana Enforcement Division
- July 2022- independent contractors must be reported to State Directory of New Hires

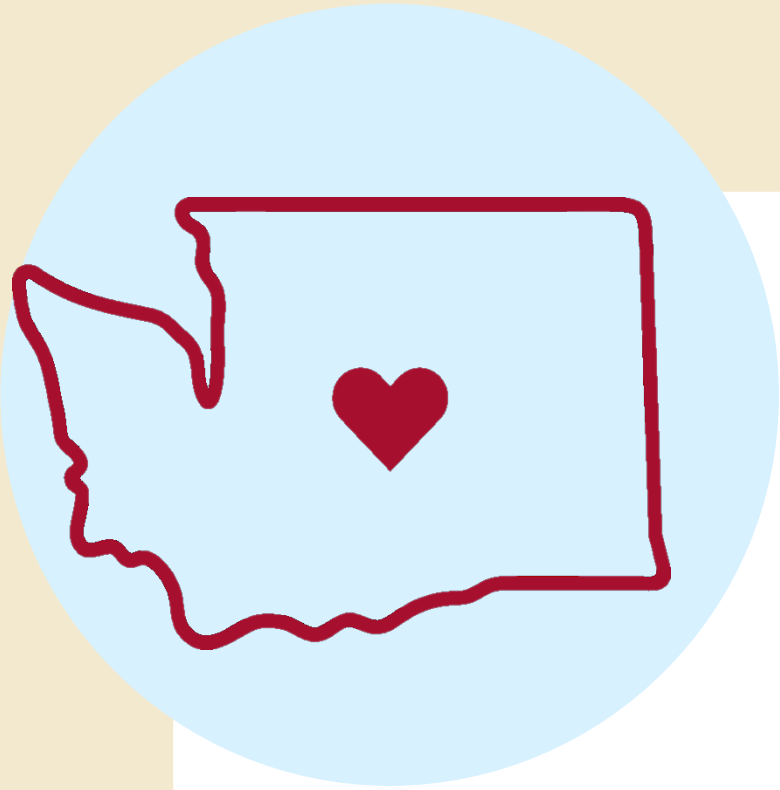


Oregon

- Language used in courts, program
- Allow for cash payments at kiosks
- Safety deposit box garnishment



Other State Best Practices



Washington

- Finding issue with businesses changing structures once approved- cannot suspend a business with multiple owners due to one not paying support
- Concerns with implementing a license suspension



Wrap Up & Questions



The End

