

Jake Honig Act Amendment Brings Economic Relief to Medical Marijuana Purchasers in NJ

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A look at the sales tax phase-out that was an integral part of the 2019 amendments to the act.

By **Lisa Gora and Michael F. Schaff** | August 14, 2020

As New Jersey was part of the epicenter of the COVID-19 outbreak in the United States, New Jersey employees have been hit particularly hard during 2020. Layoffs and furloughs of employees across industry sectors continue to be widespread affecting every county. In response, the State has rolled out financial relief packages to help mitigate the economic impact on business owners and employees arising from this unprecedented public health crisis. In fact, during the last 18 weeks, the New Jersey Department of Labor & Workforce Development (NJDL) distributed \$11.6 billion in unemployment benefits to workers, including \$825 million distributed during the week ending July 10, 2020. Additionally, since the Federal Pandemic Unemployment Compensation program began the week of April 4, 2020, the NJDL has “issued more than \$7 billion in federal Pandemic Unemployment Compensation payments to 1.1 million claimants,” as indicated in a press release from the NJDL dated July 16, 2020 (https://www.nj.gov/labor/lwdhome/press/2020/20200723_paymentsupdate.shtml).

Despite the NJDL reporting a 33% decline in the number of new unemployment benefit applications submitted between July 10 and July 18, financially strapped New Jersey employees seek additional financial relief and expense reductions, whether big or small, to help them withstand financial shortfalls caused by the pandemic. Fortunately, 2019 amendments to the Jake Honig Compassionate Use Medical Cannabis Act (“the Act”) (N.J.S.A. 24:6I-1, et. seq., effective Oct. 1, 2010, amended by L. 2019, c. 153 §1, eff. July 2, 2019), helps New Jerseyans who are registered with the New Jersey Medicinal Marijuana Program (“Registered Patients”) when purchasing cannabis from a New Jersey medical cannabis dispensary through sales tax savings.

Effective July 1, 2020, the New Jersey sales tax imposed on Registered Patients purchasing medical marijuana from a medical cannabis dispensary has been reduced by 2.62%, from 6.625% to 4% (N.J.S.A. 24:6I-10; retail sales of medical cannabis are subject to tax pursuant to the “Sales and Use Tax Act,” P.L.1966, c.30 (C.54:32B-1 et seq.)). This reduction is the first phase of a three-year plan by New Jersey to eliminate New Jersey sales tax on medicinal cannabis purchases by July 1, 2022.

In the second phase, the New Jersey sales tax will be reduced on July 1, 2021 by an additional 2% and eliminated a year later on July 1, 2022.

For the over 77,000 Registered Patients, the savings could add up. For example, once the sales tax is eliminated on July 1, 2022, a Registered Patient (who may otherwise be unemployed) who

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typically purchases two ounces of LA Kush Cake #11 (which product retails at \$472 per ounce) would realize savings of \$62.54 per month, or over \$750 annually (\$472 per ounce multiplied by two ounces per month for 12 months). Effective July 1, 2020, that same Registered Patient will now save \$21.24 monthly in sales tax, for a total of \$254.88 over 12 months. Effective next July 1, the savings will increase by an additional \$18.88 a month, bringing the total savings for the next 12 months to \$481.44.

This sales tax phase-out was an integral part of the 2019 amendments made to the Act, which amendment also included the increase in the number of ounces a Registered Patient could purchase from two to three. The Act also permits municipalities to levy a “transfer tax” of up to 2% of the purchase price of the medical cannabis dispensed by a medical cannabis dispensary located within the municipality (N.J.S.A. 24:6I-10(i)). However, as of the date of this publication, no municipality has imposed such a tax.

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