

## Federal Cannabis Regulation - What's Coming and How to Prepare

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Federal cannabis reform is no longer a matter of if, but when. With two thirds of U.S. voters supporting an end to federal prohibition, and state legalization at a record pace, this session of Congress has multiple resolutions pending that would make this a reality. As experts in the field of federal cannabis regulation, here's how we at Verde Compliance Partners see federal cannabis reform unfolding.

There are three proposals in the U.S. House of Representatives, as well as a discussion draft of a proposed U.S. Senate resolution making the rounds, each of which would end federal prohibition and create a system of federal cannabis regulation and taxation:

- Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act - H.R.3105 (Rep. Joyce R-OH 14, introduced 5/11/2021)
- Marijuana Opportunity Reinvestment and Expungement Act of 2021 - MORE Act of 2021 H.R.3617 (Rep. Nadler D-NY 14, introduced 5/28/2021)
- States Reform Act - SRA H.R. 5977 (Rep. Mace R-SC 1 introduced 11/15/2021)
- Cannabis Administration and Opportunity Act - CAO (discussion draft resolution released around 8/1/2021 by Sen. Maj Leader Schumer D-NY, Sen. Booker D-NJ, Sen. Wyden D-OR)

With strong support among voters as well as legislators from both sides of the aisle, federal cannabis regulation could be enacted as early as in 2022.

### Who's in charge?

Although these proposals vary widely with regard to social equity provisions, all four create a similar framework for the regulation of cannabis sales. Each bill grants substantial cannabis regulatory authority to the U.S. Department of the Treasury through its agency, the Alcohol and Tobacco Tax and Trade Bureau (TTB). Under three of the proposals, TTB would have primary regulatory authority, and enforcement would be handled by the U.S. Department of Justice Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). In fact, the agencies would be renamed to include "Cannabis."

Though the proposals differ regarding the breadth of authority given to the various agencies, all four proposals would give the Treasury Department, through the TTB, authority to develop a federal cannabis regulatory system, which would include the licensing and regulation of cannabis businesses.

### Preparing for federal regulation

As proposed, each bill would require most—and in at least one proposal, all—state legal cannabis businesses to obtain a federal permit to operate, and to comply with new federal regulations. With 15,000 - 20,000 businesses needing to obtain a federal permit and comply with a system of federal regulation, it's never too soon to prepare your business for this new opportunity.

It's clear that when federal cannabis reform is enacted, the TTB and ATF will be handling regulation. In various forms, they have been regulating adult use (alcohol and tobacco) products for over 100 years. They know how to do it, and do it well. They're not going to reinvent the wheel. More than likely, they will apply the same principles and practices that they currently use to regulate the alcohol and tobacco industries to regulating the cannabis industry.

Here are a couple of recommendations that Verde Compliance Partners is sharing with our clients to enable them to start preparing their cannabis businesses today for federal regulation:

- Familiarize yourself with the specific licensing and regulatory requirements in the proposed legislation.
- Review current Treasury, TTB, and ATF policies and procedures regarding regulation of alcohol and tobacco.
  - U.S Treasury Department: <https://home.treasury.gov/>
  - TTB: <https://www.ttb.gov/>
  - ATF: <https://www.atf.gov/>

Changes in federal regulation are coming. You need to be preparing your business for permitting and compliance today.

***How confident are you that your business is ready for federal regulation? Let one of the Verde Compliance Partner experts answer your questions. Connect with us at [www.verdecompliance.com](http://www.verdecompliance.com).***

### **About Verde Compliance Partners**

Verde Compliance Partners is a national consulting firm focused on guiding clients through federal cannabis permitting, taxation, and regulatory compliance. Our firm prepares and navigates cannabis businesses through the regulatory, legal, and administrative requirements necessary to comply with current and future federal regulations. With decades of experience in high level positions at the U.S. Treasury Department Alcohol & Tobacco Tax and Trade Bureau (TTB), and its predecessor, the Bureau of Alcohol, Tobacco, and Firearms (ATF), the Verde team is uniquely qualified to prepare cannabis industry stakeholders for the implementation of federal regulation.

### **Jim McCoy - Director of Operations**

Jim spent 32 years with the Bureau of Alcohol, Tobacco, and Firearms (ATF) and Alcohol and Tobacco Tax & Trade Bureau (TTB) where he served in various positions. For the past ten years he has assisted numerous alcohol and tobacco industry members with federal permit, product, tax, and operational compliance issues. He is sought after by cannabis processors, CBD processors, and alcohol and tobacco producers for guidance with regulatory matters.

### **LOY A. HAYNES (Tony), Federal Compliance Manager**

Tony chaired the ATF Task Force to centralize the licensing and taxation functions of the ATF/TTB, U.S. Treasury, in Cincinnati, OH. He retired from government service in 2000, overseeing this function as the Director of the National Revenue Center. At the operational level, he held many high level regional and field positions to include Chief of Field Operations, in New York City, responsible for compliance, audit, and trade practices for the Northeast Region and the Caribbean.

### **Harry Bernstein - Executive Director**

As general counsel of a beer and wine wholesale distributor for nearly two decades, Harry handled all legal matters including, contracts, franchise agreements, labor negotiations, as well as state and federal licensing and compliance. For the past 21 years, as an attorney, he has assisted individuals with health care matters and special needs planning, including representing clients at federal administrative hearings at the Social Security Administration.

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