DENTONS

Cannabis Market Changes (Medical & Adult Use)

S.B. 3222, 104th Gen. Assemb., H. Amend. 2 (Ill. 2026) | Filed May 31, 2026 | Eff. upon becoming law (Hemp Act: Nov. 12, 2026)

COMPLIANCE TIMELINE

Upon becoming law: Doubled possession limits, expanded canopy, permitted later dispensary hours, decreased security burdens, introduced new MSA limits, raised principal officer threshold (1%→5%), strengthened Consumer Fraud enforcement, extended video retention, added dispensary prohibitions

90 days after eff. date (~Aug/Sept 2026): Medical Cannabis Dispensing Org License available; patient tax exemption; patients buy at any medical-licensed dispensary

July 1, 2026: Medical cultivation privilege tax → 7% gross receipts

Jan. 1, 2027: ≥45 new infuser licenses issued (social equity lottery)

Jan. 1, 2028: Up to 100 additional infuser licenses; transporter fees resume and applications reopen

POSSESSION LIMITS DOUBLED

- Residents 21+: 30→60g flower; 500→1,000mg THC; 5→10g concentrate (§ 10-10(a))
- Non-residents 21+: 15→30g flower; 250→500mg THC; 2.5→5g concentrate (§ 10-10(b))

CRAFT GROWER CANOPY EXPANSION

- Maximum flowering canopy: 5,000 sq ft → 14,000 sq ft (§ 1-10)

DISPENSARY OPERATIONS

- Drive-through and close-proximity pickup now permitted (§ 15-85(d); § 15-100(c)(5.5))
- Hours extended: closing 10 p.m.→2 a.m.; 6 a.m. opening unchanged; local zoning applies (§ 15-70(j))
- In-house security permitted — third-party contractor no longer required (§ 15-85(m))
- Video surveillance retention: 60→90 days minimum (§ 15-100(i)(4))

MEDICAL CANNABIS DISPENSING ORG LICENSE (90 days)

- Adult-use dispensaries may obtain medical license (§ 15-37(a))
- Fee: $5,000 one-time; cannot be separated from adult-use license (§ 15-37(c)(1); § 15-37(d))
- Renewal: $10,000 prorated → Compassionate Use Fund (§ 15-45(d)(1)(b))
- Patients may purchase at ANY dispensary holding this license (§ 57(c) Compassionate Use Act)

MEDICAL PATIENT TAX EXEMPTION (90 days)

- Cannabis Purchaser Excise Tax NOT imposed on qualifying patients, caregivers, OAPP participants (§ 65-10(c))
- Medical cannabis = "prescription medicines" for sales tax (tax code amendments)

MSA CAPS & OWNERSHIP CONCENTRATION

- Certain payments exceeding below threshold = "principal officer" requiring Dept. approval or waiver (§ 15-36(c-2))
  - – 10% monthly gross revenue; 50% annual net profits; $250K/year (§ 15-36(c-2)(1)–(3))
- "Participating in management" = staffing, pricing, purchasing, marketing, design, hiring (§ 15-36(c-2))
- Ownership limits now includes certain MSAs, consulting contracts, or similar (§ 15-36(c))
- Extended to employees, agents, management participants (§ 15-36(c-1))
- Limited waiver available (good cause + no ownership/control transfer) (§ 15-36(c-2))

PRINCIPAL OFFICER THRESHOLD

- Changed from 1%→5% ownership in privately held businesses — reduces minority investor burden (§ 1-10)

INFUSER LICENSES — SOCIAL EQUITY LOTTERY

- ≥45 licenses by Jan. 1, 2027; up to 100 more beginning Jan. 1, 2028 (§ 35-18(a))
- 51% owned by social equity individuals; lottery if >45 applications (§ 35-18(a); § 35-18(c))
- Hemp on-ramp: majority gross receipts from hemp by May 1, 2026 (§ 35-18(b)(3))
- Application fee: $2,500 (§ 35-18(g))

MEDICAL CULTIVATION PRIVILEGE TAX (July 1, 2026)

- Per-ounce basis → 7% gross receipts from first sale (§ 200(a) Compassionate Use Act)

NEW DISPENSARY PROHIBITIONS & OTHER

- Cannot separate adult-use from medical license (§ 15-85(p)(7.5))
- Nonpayment patterns; predatory practices; bid-rigging prohibited (§ 15-145(a)(30)–(31))
- Transporter fee exemption extended through Jan. 1, 2028 (§ 40-5(c)–(d))
- Fines: Cultivation $50K | Dispensary $20K | Craft/Test $15K | Infuser/Trans $10K (§ 45-5(a))
- Hemp/Cannabis Act violations = Consumer Fraud; per-weight tax barred (815 ILCS 505/2MMMM)

DENTONS

Hemp Industry Changes (New Illinois Hemp Act)

S.B. 3222, 104th Gen. Assemb., H. Amend. 2 (Ill. 2026) | Filed May 31, 2026 | Eff. upon becoming law (Hemp Act: Nov. 12, 2026)

COMPLIANCE TIMELINE

May 1, 2026 (LOOKBACK): Must have operated hemp business with majority gross receipts from hemp to qualify for infuser on-ramp (§ 35-18(b)(3))

Nov. 12, 2026: Entire Illinois Hemp Act takes effect; Industrial Hemp Act (505 ILCS 89) repealed; all products must comply with new THC limits, licensing, testing, labeling

Jan. 1, 2027: ≥45 infuser licenses issued (hemp-to-cannabis transition pathway)

KEY DEFINITIONS

- "Hemp": Cannabis sativa L. ≤0.3% total THC (incl. THCa) dry weight; excludes synthetics (§ 5)
- "Final consumer hemp cannabinoid product": consumable/topical; ≤0.4 mg THC/container; no synthetics (§ 5)
- "Intermediate hemp-derived cannabinoid product": not final form; ≤0.3% THC; no synthetics (§ 5)
- "Industrial hemp": fiber, grain, microgreens, research, seed only — no cannabinoid products (§ 5)

THE 0.4 mg THC CAP

- Products exceeding 0.4 mg total THC/container CANNOT be sold outside licensed dispensaries — ~95% of current hemp products exceed this threshold (§ 5; § 10(a))

PROHIBITED CANNABINOIDS

- Delta-8-THC, Delta-10-THC, THC-O-Acetate, HHC, HHC-O-Acetate, THCP-O, THCJD, and others (§ 15(a)(3))
- All THC-class cannabinoids identified by FDA under 7 U.S.C. 1639o (§ 15(a)(3)(T))
- Dept. may add/remove by rule; must publish updates on website (§ 15(b); § 15(c))

LICENSING (eff. Nov. 12, 2026)

- **Hemp Cultivation License** — required; GPS coords; fines up to $10K; existing licensees grandfathered (§ 20)
- **Industrial Hemp Processor Registration** — 2 yrs, $200; no cannabinoid products (§ 25)
- **Hemp Product Manufacturer License** — 2 yrs, $5,000; USDA-sourced hemp only; pre-inspection; food safety; extraction needs Dept. approval + engineer inspection (§ 30)

LABELING REQUIREMENTS

- Product name, net weight/volume, ingredients (descending order) (§ 35(c)(1)–(3))
- Cannabinoid content (>0.4 mg): mg/serving & mg/container; # servings (§ 35(c)(4)–(5))
- Batch/lot #; manufacturer name/address/contact; expiration; QR to COA (§ 35(c)(6)–(9))

PRODUCT STANDARDS

- No alcohol, tobacco, nicotine; no smoking/vaping products (§ 35(a)(2)–(4))
- GRAS ingredients only; prepackaged — no point-of-sale additions (§ 35(a)(5)–(6))
- Lab testing per 8 Ill. Admin. Code 1300.700; COA via QR code (§ 35(b))

PACKAGING

- Sealed, child-resistant per CPSC/Poison Prevention Packaging Act; individually wrapped (§ 35(d))

LABEL/PACKAGING PROHIBITIONS

- No false/misleading info; no excessive consumption promotion; no minor-appealing images (§ 35(e)(1)–(3))
- No children's trade dress imitation; no state seals; no misstated/omitted cannabinoid content or ingredients; no health claims (§ 35(e)(4)–(7))

ENFORCEMENT & PENALTIES

- Retailer fines: $500 / $750 / $1,000 escalating within 24 months (§ 45)
- Cultivator/manufacturer fines up to $10,000 (§ 20(h); § 30(l))
- Multi-agency inspections (Ag, DFPR, DPH, ISP, Revenue, local); refusal = violation (§ 40(b))
- Stop-sale orders, embargoes, recalls; AG Consumer Fraud enforcement (§ 50(i); § 50(j))

HOME RULE & FEDERAL LAW

- Home rule: cannot be less restrictive than state; can be more restrictive (§ 70)
- If conflict with 7 U.S.C. § 1639p as of Nov. 13, 2026, federal controls (§ 65(a))

HEMP-TO-CANNABIS TRANSITION

- Operated IL hemp business w/ majority receipts from hemp by May 1, 2026 (§ 35-18(b)(3))
- ≥45 infuser licenses by Jan. 1, 2027; up to 100 more by Jan. 1, 2028; $2,500 fee (§ 35-18(a); § 35-18(g))

AGE RESTRICTIONS & REPEAL

- No sale to under 21 unless ≤0.4 mg THC/container, no synthetics (505 ILCS 89/20(a))
- ID verification required for purchasers appearing under 30 (505 ILCS 89/20(b))
- 505 ILCS 89 repealed Nov. 12, 2026; new IL Hemp Regulatory Fund; balance transferred (§ 180; § 55)

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