

What are the business license requirements for a cannabis business

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Most businesses are subject to various licensing, permit, and registration requirements. These are put in place for public safety, tax, or other reasons.

Because the cannabis industry is heavily regulated, licensing for cannabis businesses is particularly complicated. [Compliance](#) requirements not only vary from state to state, they can change depending on your business category (cultivation vs. retail, for example) and which city or county you're planning to operate in.

In order to operate legally, it is essential that you meet all necessary [business license](#), permit, registration, and other requirements. Here are some licensing basics you should know about before you plan to start up a cannabis business.

Basic legal requirements

No matter what type of business you're interested in, there are basic legal requirements you will need to follow. Although these may vary depending on your location and industry, here are some common requirements.

- **Business formation:** Incorporating your business or [forming an LLC](#) with the state is important because it protects your personal assets from any potential debts and liabilities that arise from your business.
- **Tax ID number:** This is your federal tax identification number, also called an [employer identification number \(EIN\)](#). The IRS uses this number to identify your business for anything related to taxes.
- **General Business License:** This license, renewed annually, allows you to legally operate in your city or county. (Note: This license does not give you the authorization to operate a cannabis business.)
- **DBA Filing:** Your [DBA \(Doing Business As\)](#) allows you to conduct business using a name that's different than the name included in your incorporation papers.
- **Sales Tax Permit:** This is for retailers of physical or digital products or services, both online and offline. If you have to collect state and local sales taxes, you need this permit.
- **Permits:** Different businesses need varying permits. For example, you'll need one with the health department if your business requires food preparation. Businesses may also need permits for signage, zoning and land use.

Note: A home-based or online business often requires the same level of compliance as a traditional bricks-and-mortar commercial establishment.

Business license requirements for cannabis

As with general licensing requirements, business license requirements for cannabis vary greatly from state to state and between municipalities. For example, while some states hold an open application period and give out many licenses, others states are more restrictive and can limit the number of licenses issued to single digits.

There are also restrictions related to residency and background (those with previous convictions may not be eligible), which can apply to owners, contractors and employees.

Which department is responsible for licensing?

In some states you may need to file your organizational paperwork with the Secretary of State's office, but in many cases you will need to work with local licensing agencies.

In Nevada, the [Department of Taxation](#) is responsible for licensing and regulating retail marijuana businesses and the state's medical marijuana program.

In California, potential business owners can apply to one of three agencies:

[Bureau of Cannabis Control](#): This is one of the main agencies for regulating commercial cannabis licenses for medical and adult-use cannabis in California. Their licensing is specific to certain businesses, including retailers, distributors, testing labs, micro-businesses, and temporary cannabis events.

[CalCannabis Cultivation Licensing](#): CalCannabis operates as a division of the California Department of Food and Agriculture (CDFA), and is responsible for licensing businesses that are cultivating medicinal and adult-use (recreational) cannabis. They also manage the track-and-trace system used by the state to record the movement of cannabis product through the distribution chain.

[Manufactured Cannabis Safety Branch](#): This division of the California Department of Public Health (CDPH) regulates those in the cannabis manufacturing business. This includes anyone making and selling cannabis-infused edibles for both medical and nonmedical use.

How licensing differs based on business category

As a cannabis business, you'll be regulated based on a variety of factors. One of them is category of business—whether you're cultivating, selling, manufacturing or investing. Here are a few examples of how licensing differs based on business category.

- **Cultivation:** Growing cannabis is usually heavily regulated. An operation like this will require a significant initial investment and a vigorous site plan review, and practical and proven horticultural knowledge.
- **Retail:** As a retailer, some states may require that you're able to provide adequate product and building security in place. They may also limit the amount of product that

can be sold to one individual and restrictions on your pricing. For example, [Nevada](#) requires cannabis business owners to have at least \$250,000 in liquid assets that are “unencumbered and can be converted within 30 days after a request to liquidate such assets.” When applying for more than one retail license, those available funds need to be available for each establishment.

- **Edibles:** When manufacturing edibles, some states require that you cook and maintain your product in a commercial kitchen. You may need to produce the cannabis butters and oils that are used in your product on site as well.
- **Investors:** Those who want to invest in cannabis businesses may need to follow specific regulatory and statutory provisions as well. In Colorado, there are detailed requirements for anyone interested in legally investing in a marijuana business within the state.

Licensing for employees

There are also licensing requirements for employees working for a cannabis business. Some states require that any employee be licensed to work for a cannabis-related business, in addition to meeting standard state requirements concerning employees for any type of business.

Nevada requires all employees or volunteers of a cannabis business to apply for and receive a registered agent card. According to Nevada.gov, this agent card requires a background check and is issued by the state.

Colorado has two types of licenses that stem from the MED Occupational License. This allows holders to work for MED licensed Medical and Retail Marijuana facilities or for vendors that provide services to MED Medical and Retail Marijuana business licensees. The two categories of this license, as explained by Colorado.gov, include -

Key employee: This is necessary for any employee who’s making operational or management decisions that directly impact the business. This might be the master grower, the person who’s determining what or how much of a particular strain to produce.

Support employee: This is required for any employee that works within the business but isn’t involved in making operational decisions. For example, a “budtender.” As such, the majority of occupational license holders are in this category.

Pay close attention to local regulations

While running a cannabis business may be legal at the state level, you may encounter roadblocks at the local level.

For example, California’s Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) gives local jurisdictions the right to control what activities are permitted in their jurisdiction. Some cities require a local license for approval, while others may [prohibit your business](#) activities altogether.

This is the case in the city of [Mill Valley](#). Votes were 74 percent in favor of Proposition 64 (the 2016 voter initiative to legalize cannabis in California), yet the city is adhering to local regulations that strictly prohibit any commercial cannabis activities, including cultivation and selling.

Know your cannabis licensing regulations

It can be challenging to start a business in this highly regulated industry. It requires a lot of planning, knowledge and preparation to understand and follow all the legal requirements expected of you. Do your due diligence before taking your first step toward owning a cannabis business. Get acquainted with the rules, regulations, and requirements at the state, city, and even possibly, the county level.

After your business is established, you can expect ongoing legal obligations, such as licensing renewals and changes to existing rules and regulations.