



Illinois Department of Revenue

Legal Services Office
101 W. Jefferson St. MC 5-500
Springfield, IL 62794

SECOND NOTICE OF PROPOSED RULEMAKING

- 1) Agency: Illinois Department of Revenue
- 2) Title and Ill. Adm. Code Citation of Proposed Rulemaking: Cannabis Cultivation Privilege Tax, 86 Ill. Adm. Code 422
- 3) Date, Issue, and page number of the Illinois Register in which the First Notice was published: December 8, 2023, Issue 49, 47 Ill. Reg. 17966
- 4) Text and Location of any Changes Made to the Proposed Rulemaking During the First Notice Period: No changes were made during the first notice period.
- 5) Final Regulatory Flexibility Analysis:
 - A. Summary of the issues raised by affected small businesses during the First Notice Period: No issues were raised by small businesses.
 - B. Description of actions taken on any alternatives to the proposed rule suggested by small businesses during the First Notice Period, including reasons for rejecting alternatives not utilized: No alternatives to the proposed rulemaking were proposed during the first notice period.
- 6) Analysis of the Economic and Budgetary Effects of the Proposed Rulemaking: An analysis of the economic effects of the proposed rulemaking is attached.
- 7) Response to Recommendations Made by the Administrative Code Division for Changes in the Rule to Make It Comply with the Codification Scheme: All changes requested by the Administrative Code Division have been made.
- 8) Evaluation of the comments received by the agency from interested persons during the first notice period (but not including any questions raised by the Joint Committee in a preliminary review) including:
 - A. Date of any public hearing held during the first notice period. Name of the person or group requesting a hearing: No public hearing was requested.
 - B. The names and addresses of all individuals or groups making comments or requesting the opportunity to make comments: No individuals or groups requested an opportunity to make comments.

- C. A list of all specific criticisms and suggestions raised in the comments:
No criticisms or suggestions were received.
 - D. The agency's evaluation of each of the specific criticisms and suggestions:
No criticisms or suggestions were received.
 - E. A statement that the agency has considered all comments received during the First Notice Period: No comments were received during the first notice period.
- 9) An analysis of the expected effects of the proposed rulemaking, including:
- A. Impact on the public: This rulemaking amends Sections 422.110 and 422.120 of Part 422, Cannabis Cultivation Privilege Tax. The rulemaking amends Section 422.110 to address the tax treatment of cannabis and cannabis concentrate transferred from cannabis cultivators to cannabis infusers to be processed into cannabis-infused products on behalf of cannabis cultivators. This rulemaking amends Section 422.120 to provide for additional record keeping requirements for infuser organizations that process cannabis and cannabis-infused products on behalf of cannabis cultivators.
 - B. Changes in the agency's programs or structure resulting from implementation of the rulemaking: None.
 - C. Impact of proposed rule on small businesses. Methods used by Agency to comply with 5 ILCS 100/5-30, including reasons for rejecting any methods not utilized: The amendments address certain types of transactions between licensed cannabis cultivators and licensed cannabis infusers. Cannabis cultivators and cannabis infusers entering into agreements for cannabis infusers to process cannabis and cannabis concentrate into cannabis-infused products on behalf of cannabis cultivators will have additional record keeping requirements. This rulemaking clarifies existing policy and procedure, and no additional skills are required to comply. The Department is currently handling these sales as required by the statute and administrative rule, and therefore, the methods described in 5 ILCS 100/30 are not legal or feasible in meeting the requirements of the Cannabis Regulation and Tax Act. The Department published the proposed rulemaking in the Illinois Register and on the Department's website.
- 10) A justification and rationale for the proposed rulemaking, including:

- A. Any changes in statutory language requiring the proposed rulemaking:
None
 - B. Any changes in agency policy, procedures, or structure requiring the proposed rulemaking: None, but this rulemaking is clarifying current policy and procedures.
 - C. Relationship to any relevant federal rules, regulations, or funding requirements: None
 - D. Court orders or rulings which are related to the rulemaking: None
 - E. A complete explanation of any other reasons for the proposed rulemaking:
No other reasons exist.
- 11) Does this rulemaking include an incorporation by reference pursuant to Section 5-75 of the Illinois Administrative Procedure Act? No.

Agency Personnel Who Will Respond to Joint Committee Questions Regarding the Proposed Rulemaking:

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