North Carolina Advisory Council on Cannabis

Public Safety Subcommittee

Co-Chairs:

Anca Grozav, Chief Deputy Budget Director, NC Office of State Budget and Management
Joy Strickland, Senior Deputy Attorney General, Criminal Bureau of the North Carolina Department of Justice

Meeting Minutes

November 13, 2026, 1:00-3:30pm
Virtual via Teams

Attendees

Council Members Present – Anca Grozav, Pat Oglesby; Joy Strickland; Arthur Apolinario; Kris Gardner; Dr. Larry Greenblatt; David Alexander; Rep. Zack Hawkins

Council Members Absent – Lillie Rhodes

Staff Members Present – Kaycee Deen; Anne Doyle; Kindl Shinn-Detar; Paige Worsham

Agenda

I. Welcome, Roll Call, and Ethics Statement
II. Member Discussion of Draft Recommendations
III. Other Business and Next Steps

Member Discussion of Draft Recommendations

Legal Recommendation 1: Automated Expungement

- **Rationale:** The Chair said that giving automatic relief for prior misdemeanor or simple-possession convictions would be consistent with legalizing that conduct.
- **Discussion:**
    - A legislator on the subcommittee voiced agreement.
    - A member asked for confirmation that expungement would apply only to conduct that would be lawful under the new framework, and not to other charges tied to the same incident.
    - The Chair confirmed this was the intent. Prior convictions for conduct that becomes legal under the regulated market would be reviewed and expunged.
    - "Automated" means individuals would not have to petition a court. A process would be set up so the Administrative Office of the Courts can update its records and the SBI can expunge the records automatically.
- **Outcome:** Members supported the recommendation, and no changes were requested.
- However, this might not be feasible currently, so that may affect the recommendation.

Legal Recommendation 2: Consumer Protection Enforcement

- **Background:**
  - Speakers from states with regulated markets described their Attorneys General as closely involved in the legal issues around those markets.
  - The subcommittee earlier heard from the state Attorney General's Consumer Protection Division and from a speaker from another state's Attorney General's office. That state's laws are written differently, so bill drafting would be needed.
  - The recommendation is meant to stay broad so the subcommittee does not get ahead of the General Assembly. Members can point legislators to other states' laws as models.
- **Discussion:**
  - A member asked whether violations would lead to a fine or to stronger legal action.
  - The Chair said this would be up to the General Assembly, but she expects a civil penalty. She noted that the other state applies civil penalties per item sold illegally or per day.
  - The member compared this to how vape enforcement in retail shops has worked: a warning first, then penalties per item, with larger fines for repeat violations.
  - The Chair agreed the recommendation could suggest an escalating penalty structure, starting with a written warning or cease-and-desist and moving to penalties for each day the products are not removed.
  - The Chair noted that the other state can also civilly penalize landlords who allow unlicensed sales on their property. This encourages property owners to check that tenants are properly licensed.
  - A member said they would not support including landlord penalties, and the subcommittee agreed not to go into that level of detail.
- **Outcome:** Members agreed in principle to recommend changing consumer protection laws so that civil penalties can be applied for violations such as improper advertising.

Training and Education

- A recommendation from a different subcommittee will also be presented to the full council: funding and resources for training everyone who will be responsible for regulating these products, or who otherwise needs to understand them.
- Audiences named included law enforcement, prosecutors, defense attorneys, judges, and others in the criminal justice system, as well as teachers and social services staff.
- This training would also cover the expungement and consumer protection changes if they are adopted.

Tax and Revenue Recommendation 1: Tax Structure

Framing

- The subcommittee heard from many states about their tax structures but had not agreed on a single model. Some states have changed models since launch, and some of those changes appeared to be intentional.

- More research is needed and recommends that, if the General Assembly regulates the market, it complete the final research needed to pick the best structure for the state.

Tax Collection

- A member with retail experience asked how a potency tax would be collected and who would pay it. Sales tax already has an existing collection system, but a potency tax could work like an excise tax paid by wholesalers.
- A tax policy expert said it could be collected either way:
    - **At retail:** Each product would need its own tax code (for example, a barcode or QR code) so the register applies the right rate. This would work like the codes that separate food items from non-food items for sales tax.
    - **Upstream (preferred):** Collect it before the retail level, as with cigarettes, alcohol, and gasoline. There would likely be fewer suppliers than retailers, so there would be fewer taxpayers to manage.
- The member said a potency tax collected at retail would be hard to audit, because auditors would have to review each retailer's price coding. Collecting it at the wholesale level as an excise tax would take it out of the retailer's hands and make collection more reliable. Sales tax, by contrast, is audited easily against gross sales.
- Another tax policy expert noted that seed-to-sale tracking and point-of-sale data would give the state much of the infrastructure needed for auditing.

Arguments for a Price-Based Tax

- One tax policy expert leans toward a price-based tax because it is simpler to administer and easier to set up.
- Measured potency can vary by product, and labs may not report a precise number. If a lab reports a range, it is unclear what value the tax should be based on.
- Basic tax policy favors administration that is simple and easy to explain, and hybrid or potency-based systems give up some of that simplicity.
- A price-based system can still tax more potent products at higher rates by using tiers. One state has three rates: one for flower, one for infused products and concentrates, and one for other products.
- The expert is concerned about the start-up cost of a potency tax. It would likely need more lab infrastructure and auditors, and more state spending on setup carries an opportunity cost, since those funds could otherwise go to schools or other health programs.

Arguments for a Potency-Based (THC) Tax

- Argument that the state will regulate the molecule, so it should tax the molecule. He acknowledged that this may be harder to administer, especially at retail, but said that is a reasonable trade-off for public health.
- Consumers will already be given a THC number on the label. If labels are not accurate enough, testing should be improved. He compared this to how the state monitors gasoline octane and

penalizes inaccurate labeling.

- A price-based tax could allow tax avoidance through discounts (for example, shareholder, employee, or quantity discounts), bundling (such as "free" cannabis with a pipe purchase), or owners selling high-quality product cheaply to themselves and associates.
- A member with a public health and regulatory background agreed that a potency-based tax is a subtle way to encourage moderate consumption. The member said it is not the subcommittee's role to set rates.
- That member and the retail member noted that alcohol is already taxed by category: beer, unfortified wine, and fortified wine are taxed at increasing rates, and spirits carry higher effective price points.

Hybrid Model

- The retail member asked whether a hybrid could work: an excise tax on THC content collected upstream, plus a sales tax on the product at retail, as is done with cigarettes.
- A tax policy expert confirmed this is possible and is how alcohol is taxed, but repeated that each added layer makes the system harder to administer.

Analyst Perspective

- Price-based (ad valorem) taxes face a long-term problem: prices fall over time, which lowers revenue. A THC tax resists this and produces steadier revenue.
- The benefits of a THC tax are well understood (it taxes the molecule, supports public safety, and gives steadier revenue) but its costs have not been clearly laid out. Open questions include:
    - How strictly the state would need to audit labeled potency, and what that would cost
    - How many staff would need to be hired
    - What the legal consequences would be of auditing too little or auditing incorrectly
- A THC tax would be a fair recommendation if its costs are known and are not overly burdensome. However, other states have started with this model and moved away from it. Without solid cost research, the General Assembly is unlikely to adopt it.

Response on Costs and Other States' Experience

- Example that another state switched from a THC tax to a price-based tax because of industry pressure rather than tax administrators' preferences, and the switch did not reduce state jobs or costs.
- Unknown how start-up and administrative costs compare between the two structures. The group has just begun reaching out to the Department of Revenue (DOR) for input.
- Noted that a THC tax gives sellers a reason to understate THC. In other states, the more common problem has been sellers inflating THC through "lab shopping" to attract consumers. A THC tax would push against that, though it could go too far. Accurate THC measurement matters for both consumers and taxation.

Weight-Based Taxation Removed

- Members reached general consensus to remove weight-based taxation from the draft recommendation, which was left over from earlier drafts. The recommendation will refer to a tax structure based on price or potency. Staff confirmed they will make the update.

Presenting Options to the Full Council

- A member asked whether both options could be laid out with pros and cons so legislators can consider either one or a hybrid.
- One member offered to draft the pros and cons of a price-based tax, possibly with the economic analyst, and suggested the other expert draft the potency-based pros and cons.
- Agreement that pros and cons of both options would be very helpful, and asked that this work move forward.
- Believe it is appropriate, not irresponsible, to present two options with pros and cons to the full council.
- Staff added that the subcommittee has spent about a year and a half on research, speakers, and discussion that legislators did not attend. The recommendations are a chance to summarize that work and educate legislators on the trade-offs.

Tax and Revenue Recommendation 2: Sufficient Revenue For Regulation

- Whatever tax structure is adopted must generate enough revenue, potentially through a defined portion of tax revenue, to operate and oversee the regulated system and to address related public health and public safety effects. Needs include regulatory staff and lab personnel, among others.
- **Discussion:**
    - Subcommittee member pointed out that tax revenue arrives late, while the most money is needed at the start to build the system. Fees or appropriations will be needed for start-up costs.
    - Another subcommittee looked at licensing, including possible limits on the number of licenses and licensing fees. Licensing and permitting would provide early revenue, and the tax structure would provide ongoing funding.
    - Once tax revenue is flowing, it will need to support regulatory and tax infrastructure and enforcement, and possibly local revenue sharing, health programs, research and tracking, and improvements to lab testing.
    - Tax structure must balance raising enough revenue to sustain efficient infrastructure against setting rates so high that consumers turn to the illicit market. Rates may need to be flexible and reviewed regularly.

Additional Items Raised for the Council

- **Local governments:** A tax policy expert noted that the draft recommendations do not cover local revenue sharing or whether local governments can choose to allow retail sales in their

jurisdictions. This was flagged as a likely topic for the full council because it affects how revenue is distributed.

- **Treatment of cannabis businesses:** The same expert suggested there may be smaller recommendations, such as taxing cannabis businesses similarly to other businesses, and offered to draft language for members to review.
- **Medical cannabis taxation:**
    - A member raised whether medical products should be taxed and suggested that all products may need to be taxed so people do not get medical cards to avoid the tax.
    - A tax policy expert said states vary widely: some tax medical cannabis fully, some exempt it, and some tax it at a lower rate. Prescription medications are generally not taxed, while over-the-counter products are.
    - It was noted that 13 states exempt medical cannabis obtained with a prescription.
    - Whether the state will have a medical cannabis program is a decision for the full council, not this subcommittee.
    - The economic analyst noted that if medical and adult-use products are treated differently, the rules for qualifying matter. Some states have very lax medical card requirements, which makes it easier to get the exemption.
    - The Chair asked staff to consider adding a sentence or two noting that the tax structure could potentially exclude products provided by prescription.
- **Federal compliance:** Staff noted that a federal compliance category had been set aside early on, but no recommendations came out of the subcommittee's meetings for it. The Chair agreed there is likely nothing to recommend in that category, though it can be discussed at the full council meeting if members wish.

Action items

- Update the tax structure recommendation to remove weight-based taxation and refer to price or potency
- Consider adding language that the tax structure could potentially exclude products provided by prescription
- Draft pros and cons of a price-based tax and potency-based tax
- Continue seeking input from the Department of Revenue on the administrative costs of a potency-based versus a price-based tax
- Discuss local revenue sharing and local opt-in or opt-out for retail, medical cannabis taxation, and federal compliance as needed in the next Council Meeting

Adjournment

Meeting concluded at 2:00pm.
Next Council Meeting: November 17, 2026 from 1:30-5:00pm.