



Washington State Liquor and Cannabis Board

Topic: Petition for Adoption, Amendment, or Repeal of a State Administrative Rule – WAC 314-55-090 (2) - Medical Cannabis Patient Excise Tax Exemption

Date: March 4, 2026

Presented by: Kevin Walder, Policy & Rules Manager

Background

On January 12, 2026, the Washington State Liquor and Cannabis Board (Board) received a petition for rulemaking from John Kingsbury requesting that the Board initiate rulemaking to, “establish a requirement that retail stores verify patient recognition cards and retain a record of this verification in order to grant and claim medical cannabis excise tax exemptions for registered patients who qualify for and request these exemptions.”

[Substitute House Bill 1453 – 2023-24](#) was passed during the 2024 Legislative session, signed into law by the Governor, made effective June 6, 2024, and set to expire June 30, 2029.

This bill amended [RCW 69.50.535](#) to create a cannabis excise tax exemption for qualified medical cannabis patients when purchasing DOH-compliant cannabis products from a cannabis retailer with a medical cannabis endorsement.

The bill also requires the Joint Legislative Audit and Review Committee (JLARC) to review this “tax preference” to determine if it meets the intended goals and submit a report of its findings to the Legislature by December 1, 2028.

[WAC 314-55-090 Medical cannabis patient excise tax exemption](#), was filed on September 11, 2024 and became effective October 12, 2024.

This rule clarifies statutory eligibility requirements for the medical cannabis patient exemption and further outlines related licensee verification procedures and recordkeeping requirements.

Issue

Whether the Board should accept the petition to initiate rulemaking to amend WAC 314-55-090 to require licensees to verify medical cannabis patient eligibility before a licensee can process a medical cannabis excise tax exemption.

Sources of Law

Legislation

[Substitute House Bill 1453 – 2023-24](#) Medical Cannabis Patients – Excise Tax Exemption

Statutes

[RCW 69.50.342](#) and [RCW 69.50.345](#) identify the Board’s rulemaking authority over cannabis.

[RCW 69.50.535](#) – Section (2) establishes the medical cannabis patient exemption and related requirements for retail licensees. The Notes (at the bottom of the page) include required JLARC review and report criteria.

[RCW 69.51A.230](#) – details requirements for the medical cannabis authorization database and recognition cards administered by the Department of Health (DOH).

This statute allows DOH to contract with an entity to create, administer, and maintain a secure and confidential medical cannabis authorization database that allows:

- A qualifying patient or designated provider to request and receive information on any person or entity that has queried their name [(1)(c)]
- The LCB to verify excise tax exemptions under [RCW 69.50.535](#) [(1)(g)]

Regulations

[WAC 314-55-090](#) is the Medical cannabis patient excise tax exemption.

Analysis

The petition asserts that rulemaking is necessary to create a new requirement that licensees must verify medical cannabis patient eligibility in the DOH medical cannabis authorization database in order to process excise tax exemptions, and further outlines several reasons why the failure of licensees to check a patient’s status creates hazards that include jeopardizing the viability of the statutory exemption, which will undergo review in 2028 and is currently set to expire in 2029.

This assertion is based on the personal experience of the petitioner, who requested DOH records of inquiries into his medical cannabis patient status over the past year and reports that only two of six licensees that provided him with excise tax exemptions had

actually verified his medical cannabis patient status and exemption eligibility in the DOH medical cannabis authorization database.

Some additional points of concern raised by the petitioner were:

- Patient confidence in the integrity and security of the state's medical cannabis program and tax exemption
- The accuracy of records created by retail licensees when they query a patient's name in the DOH database (or fail to do so)
- The misuse of medical patient credentials by unscrupulous retailers or rogue retail staff
- The detection of invalid patient recognition cards

While the LCB appreciates these concerns being brought to our attention and shares a vested interest in ensuring the integrity of the statutory excise tax exemption, we do not feel that rulemaking is warranted for the following reasons:

- 1) WAC 314-55-090 (1)(b) states that the exemption can only be applied when, “[t]he sale is made to a qualifying patient or designated provider who has a valid recognition card... and is in the database.”

This already constitutes a requirement for licensees to verify a patient's eligibility in the DOH database, making any additional requirement redundant and unnecessary.

Licensees cannot ascertain whether a recognition card is valid or in the database without actually checking the database and would therefore not be in compliance with the existing rule if they fail to do so.

Further, even if the rule were to more explicitly detail the steps licensees must take to access a patient's record in the DOH database (which would be problematic in its own right) the LCB would not have any additional enforcement capacity to proactively monitor or review each tax-exempt transaction in real time, and therefore it is unlikely that this would have a significant impact on licensee behavior.

- 2) WAC 314-55-090 (2) requires licensees to maintain a record that includes the unique patient identifier from the recognition card for each transaction in which the excise tax is exempted.

Additionally, WAC 314-55-090 (3) stipulates that if licensees cannot provide documentation verifying that all required criteria are met for an exemption, they are presumed to have applied it incorrectly and are therefore responsible for remitting the excise tax to the LCB.

Licensees are both randomly audited and audited based on Enforcement referrals. Auditors review licensee records, including those in section (2) regarding the medical cannabis excise tax exemption, and because of the data sharing agreement between DOH, LCB, and the Department of Revenue (DOR), all cannabis excise tax exemptions can be cross-referenced and verified by LCB. In cases when an exemption cannot be supported by documentation that includes the patient's unique patient identifier, the licensee becomes liable and must pay the tax.

- 3) Because the LCB has no authority or control over the DOH medical cannabis authorization database, there is no feasible way for the LCB to proactively confirm patient verification prior to each tax-exempt sale. Any real-time, electronic verification between DOH, licensees, and the LCB would likely require a prohibitively costly IT solution and would still require a review and cross-referencing of records by LCB staff to confirm that a transaction is eligible.
- 4) As acknowledged by the petitioner, patients can access their own DOH medical cannabis authorization records and are encouraged to be vigilant and report any instances in which they find discrepancies.
- 5) The experience of a single patient is not necessarily representative of all patients' experience.

Mr. Kingsbury is an outspoken and well-known patient advocate, and it is conceivable that staff in retail stores that he frequents may be more lax in verifying his recognition card than they would be for other, less familiar patients. Nonetheless, licensees are still taking a risk any time they fail to verify a recognition card because a patient's status can change at any time.

Further, the LCB has received very little feedback from patients expressing concerns regarding the misapplication of the medical cannabis excise tax exemption, and when investigated, Enforcement staff have not found this to be a widespread or significant problem among all retailers.

Recommendation

The Director's Office recommends the Board deny the petition to initiate rulemaking to amend existing rules to add a new patient verification requirement before a licensee can process a medical cannabis excise tax exemption.

//
//
//

//
//
//
//
//
//
//
//
//
//
//
//
//

Board Action

After considering the recommendation of Director’s Office staff, the Board accepts/denies the petition for rulemaking submitted by John Kingsbury on March 4, 2026.

_____ Accept _____ Deny _____
Jim Vollendroff, Board Chair Date

_____ Accept _____ Deny _____
Ollie Garrett, Board Member Date

_____ Accept _____ Deny _____
Pete Holmes, Board Member Date

- Attachments:
1) Petition Form
2) Rulemaking Petition Attachment
3) Sources of Law



PETITION FOR ADOPTION, AMENDMENT, OR REPEAL OF A STATE ADMINISTRATIVE RULE

In accordance with [RCW 34.05.330](#), the Office of Financial Management (OFM) created this form for individuals or groups who wish to petition a state agency or institution of higher education to adopt, amend, or repeal an administrative rule. You may use this form to submit your request. You also may contact agencies using other formats, such as a letter or email.

The agency or institution will give full consideration to your petition and will respond to you within 60 days of receiving your petition. For more information on the rule petition process, see Chapter 82-05 of the Washington Administrative Code (WAC) at <http://apps.leg.wa.gov/wac/default.aspx?cite=82-05>.

CONTACT INFORMATION *(please type or print)*

Petitioner's Name _____

Name of Organization _____

Mailing Address _____

City _____ State _____ Zip Code _____

Telephone _____ Email _____

COMPLETING AND SENDING PETITION FORM

- Check all of the boxes that apply.
- Provide relevant examples.
- Include suggested language for a rule, if possible.
- Attach additional pages, if needed.
- Send your petition to the agency with authority to adopt or administer the rule. Here is a list of agencies and their rules coordinators: <http://www.leg.wa.gov/CodeReviser/Documents/RClist.htm>.

INFORMATION ON RULE PETITION

Agency responsible for adopting or administering the rule: _____

1. NEW RULE - I am requesting the agency to adopt a new rule.

The subject (or purpose) of this rule is: _____

The rule is needed because: _____

The new rule would affect the following people or groups: _____

2. AMEND RULE - I am requesting the agency to change an existing rule.

List rule number (WAC), if known: _____

I am requesting the following change: _____

This change is needed because: _____

The effect of this rule change will be: _____

The rule is not clearly or simply stated: _____

3. REPEAL RULE - I am requesting the agency to eliminate an existing rule.

List rule number (WAC), if known: _____

(Check one or more boxes)

It does not do what it was intended to do.

It is no longer needed because: _____

It imposes unreasonable costs: _____

The agency has no authority to make this rule: _____

It is applied differently to public and private parties: _____

It conflicts with another federal, state, or local law or rule. List conflicting law or rule, if known: _____

It duplicates another federal, state or local law or rule. List duplicate law or rule, if known: _____

Other (please explain): _____

January 10, 2026

RE: rulemaking petition,

WAC 314-55-090 (2) Medical cannabis patient excise tax exemption

LCB Rules,

I am requesting rulemaking to establish a requirement that retail stores verify patient recognition cards and retain a record of this verification in order to grant and claim medical cannabis excise tax exemptions for registered patients who qualify for and request these exemptions.

I am surprised to be making this request. Until recently, I had assumed that stores would automatically verify patient statuses, if only to protect themselves from potential liability for improperly applied excise tax exemptions. Apparently, that assumption was mistaken. I recently requested a record from the Department of Health (DOH) detailing inquiries into my patient status, starting in May 2025. The report revealed that, out of the six stores that provided me with medical cannabis excise tax exemptions, only two actually checked my patient status during any transaction, according to the DOH.

I was so surprised by the results of the record that I attempted to verify whether patient database reporting was working properly. I was unable to find any fault on DOH's side, leading me to believe that the four stores never had checked my patient status.

In my view, the practice of failing to verify cards creates a number of hazards.

- The medium to long-term viability of the medical cannabis excise tax exemption depends upon its integrity and proper application. If the exemption is found to be abused or misapplied, particularly during its 2028 review, the exemption could be discontinued. Patients would most strongly bear the impact of the discontinuation of this hard-won benefit.
- Patients should have confidence that our credentials are being used appropriately, and we should have a right to review transactions made with our credentials. This can only happen if reporting is uniform, assured and accessible to us.
- Patients reviewing their own records can serve as another layer of security and reporting to assure that patient credentials and excise tax exemptions are being used and applied properly.
- I have heard anecdotes of rogue store staff using patient credentials to justify excise tax exemptions to persons other than the patient whose credentials are being used. Routine credential checks would create a way of detecting those abnormal purchases.

- Patient status checks can serve as another data point for LCB auditors in the unlikely case that a retail store is being audited for proper application of excise tax exemptions. Besides creating uniform records, proper credential checks demonstrate good store training and routine patterns of due diligence on the part of the retail store.
- Preventing tax money from being exempted inappropriately in the first place is far easier than detecting errors or fraud later and trying to recover the tax revenues from stores.
- Patient recognition cards vary in quality and clarity . They are not sophisticated documents. It is possible that someone could purchase a card over the internet without an in-person exam, and without knowing what the proper process is, or know they that they are holding an invalid card. The opportunity to detect invalid patient recognition card is by the retail store at the point of sale, before the store becomes liable for the invalid exemption.
- A valid recognition card may become in invalid for any number of reasons. It may expire. A designated provider may have been removed. A healthcare provider may change the status. Routine patient credential checks are a way to alert both the patient, designated provider, and the store about this, before the store assumes liability for unpaid taxes.

Having recognized the importance of verifying the validity of patient recognition cards, I am requesting that the LCB adopt a requirement for stores to verify these cards before processing medical cannabis excise tax exemptions. Such a requirement would increase the integrity of the system, normalize good store practices, deter abuses, increase patient confidence that their information is being used correctly, allow patients to audit the use of their information, create critical data points for LCB to audit and confirm store compliance, detect and deter the improper issuance of patient recognition cards, and prevent stores from unknowingly putting themselves at risk of liability for improper excise tax exemptions. Both patients and taxpayers deserve a transparent, well-run program.

Establishing in rule a requirement that stores check patient eligibility in order to process excise tax exemptions seems like a common sense requirement. Thank you for considering my petition.

John Kingsbury - patient.

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1453

Chapter 79, Laws of 2024

68th Legislature
2024 Regular Session

MEDICAL CANNABIS PATIENTS—EXCISE TAX EXEMPTION

EFFECTIVE DATE: June 6, 2024

Passed by the House March 6, 2024
Yeas 82 Nays 14

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate March 1, 2024
Yeas 36 Nays 13

DENNY HECK

President of the Senate

Approved March 14, 2024 11:10 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1453** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 14, 2024

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1453

AS AMENDED BY THE SENATE

Passed Legislature - 2024 Regular Session

State of Washington **68th Legislature** **2023 Regular Session**

By House Finance (originally sponsored by Representatives Wylie, Chapman, and Kloba)

READ FIRST TIME 02/23/23.

1 AN ACT Relating to providing a tax exemption for medical cannabis
2 patients; amending RCW 69.50.535; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 69.50.535 and 2022 c 16 s 101 are each amended to
5 read as follows:

6 (1)(a) There is levied and collected a cannabis excise tax equal
7 to thirty-seven percent of the selling price on each retail sale in
8 this state of cannabis concentrates, useable cannabis, and cannabis-
9 infused products. This tax is separate and in addition to general
10 state and local sales and use taxes that apply to retail sales of
11 tangible personal property, and is not part of the total retail price
12 to which general state and local sales and use taxes apply. The tax
13 must be separately itemized from the state and local retail sales tax
14 on the sales receipt provided to the buyer.

15 (b) The tax levied in this section must be reflected in the price
16 list or quoted shelf price in the licensed cannabis retail store and
17 in any advertising that includes prices for all useable cannabis,
18 cannabis concentrates, or cannabis-infused products.

19 (2)(a) Until June 30, 2029, the tax levied by subsection (1) of
20 this section does not apply to sales by a cannabis retailer with a
21 medical cannabis endorsement to qualifying patients or designated

1 providers who have been issued a recognition card, of cannabis
2 concentrates, useable cannabis, or cannabis-infused products,
3 identified by the department as a compliant cannabis product in
4 chapter 246-70 WAC and tested to the standards in WAC 246-70-040.

5 (b) Each seller making exempt sales under this subsection (2)
6 must maintain information establishing eligibility for the exemption
7 in the form and manner required by the board.

8 (c) The board must provide a separate tax reporting line on the
9 excise tax form for exemption amounts claimed under this subsection
10 (2).

11 (3) All revenues collected from the cannabis excise tax imposed
12 under this section must be deposited each day in the dedicated
13 cannabis account.

14 ~~((3))~~ (4) The tax imposed in this section must be paid by the
15 buyer to the seller. Each seller must collect from the buyer the full
16 amount of the tax payable on each taxable sale. The tax collected as
17 required by this section is deemed to be held in trust by the seller
18 until paid to the board. If any seller fails to collect the tax
19 imposed in this section or, having collected the tax, fails to pay it
20 as prescribed by the board, whether such failure is the result of the
21 seller's own acts or the result of acts or conditions beyond the
22 seller's control, the seller is, nevertheless, personally liable to
23 the state for the amount of the tax.

24 ~~((4))~~ (5) The definitions in this subsection apply throughout
25 this section unless the context clearly requires otherwise.

26 ~~(a) ("Board" means the state liquor and cannabis board.~~

27 ~~(b))~~ "Retail sale" has the same meaning as in RCW 82.08.010.

28 ~~((e))~~ (b) "Selling price" has the same meaning as in RCW
29 82.08.010, except that when product is sold under circumstances where
30 the total amount of consideration paid for the product is not
31 indicative of its true value, "selling price" means the true value of
32 the product sold.

33 ~~((d))~~ (c) "Product" means cannabis, cannabis concentrates,
34 useable cannabis, and cannabis-infused products.

35 ~~((e))~~ (d) "True value" means market value based on sales at
36 comparable locations in this state of the same or similar product of
37 like quality and character sold under comparable conditions of sale
38 to comparable purchasers. However, in the absence of such sales of
39 the same or similar product, true value means the value of the

1 product sold as determined by all of the seller's direct and indirect
2 costs attributable to the product.

3 ~~((+5))~~ (6)(a) The board must regularly review the tax level
4 established under this section and make recommendations, in
5 consultation with the department of revenue, to the legislature as
6 appropriate regarding adjustments that would further the goal of
7 discouraging use while undercutting illegal market prices.

8 (b) The board must report, in compliance with RCW 43.01.036, to
9 the appropriate committees of the legislature every two years. The
10 report at a minimum must include the following:

11 (i) The specific recommendations required under (a) of this
12 subsection;

13 (ii) A comparison of gross sales and tax collections prior to and
14 after any cannabis tax change;

15 (iii) The increase or decrease in the volume of legal cannabis
16 sold prior to and after any cannabis tax change;

17 (iv) Increases or decreases in the number of licensed cannabis
18 producers, processors, and retailers;

19 (v) The number of illegal and noncompliant cannabis outlets the
20 board requires to be closed;

21 (vi) Gross cannabis sales and tax collections in Oregon; and

22 (vii) The total amount of reported sales and use taxes exempted
23 for qualifying patients. The department of revenue must provide the
24 data of exempt amounts to the board.

25 (c) The board is not required to report to the legislature as
26 required in (b) of this subsection after January 1, 2025.

27 ~~((+6))~~ (7) The legislature does not intend and does not
28 authorize any person or entity to engage in activities or to conspire
29 to engage in activities that would constitute per se violations of
30 state and federal antitrust laws including, but not limited to,
31 agreements among retailers as to the selling price of any goods sold.

32 NEW SECTION. **Sec. 2.** (1) This section is the tax preference
33 performance statement for the tax preference contained in section 1,
34 chapter . . . , Laws of 2024 (section 1 of this act). This performance
35 statement is only intended to be used for subsequent evaluation of
36 the tax preference. It is not intended to create a private right of
37 action by any party or to be used to determine eligibility for
38 preferential tax treatment.

1 (2) The legislature categorizes this tax preference as one
2 intended to provide tax relief for certain businesses or individuals,
3 as indicated in RCW 82.32.808(2)(e).

4 (3) It is the legislature's specific public policy objective to
5 ensure medical cannabis products are accessible and affordable for
6 qualifying patients and designated providers.

7 (4) The joint legislative audit and review committee must include
8 in its review of this tax preference an evaluation of:

9 (a) Any change in the number of qualifying patients or designated
10 providers;

11 (b) Any change in the amount, types, or sales of tax-exempt
12 products, as identified in section 1 of this act; and

13 (c) Any other information the joint legislative audit and review
14 committee deems necessary to evaluate the tax preference in section 1
15 of this act.

16 (5) In order to obtain the data necessary to perform the review
17 in subsection (4) of this section, the joint legislative audit and
18 review committee may access any data collected by the department of
19 health or the liquor and cannabis board or any other data collected
20 by the state.

21 (6) The joint legislative audit and review committee must submit
22 a report of its findings to the legislature by December 1, 2028.

Passed by the House March 6, 2024.
Passed by the Senate March 1, 2024.
Approved by the Governor March 14, 2024.
Filed in Office of Secretary of State March 14, 2024.

--- END ---

RCW 69.50.342 State liquor and cannabis board—Rules. (1) For the purpose of carrying into effect the provisions of chapter 3, Laws of 2013 according to their true intent or of supplying any deficiency therein, the board may adopt rules not inconsistent with the spirit of chapter 3, Laws of 2013 as are deemed necessary or advisable. Without limiting the generality of the preceding sentence, the board is empowered to adopt rules regarding the following:

(a) The equipment and management of retail outlets and premises where cannabis is produced or processed, and inspection of the retail outlets and premises where cannabis is produced or processed;

(b) The books and records to be created and maintained by licensees, the reports to be made thereon to the board, and inspection of the books and records;

(c) Methods of producing, processing, and packaging cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products; conditions of sanitation; safe handling requirements; approved pesticides and pesticide testing requirements; and standards of ingredients, quality, and identity of cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products produced, processed, packaged, or sold by licensees;

(d) Security requirements for retail outlets and premises where cannabis is produced or processed, and safety protocols for licensees and their employees;

(e) Screening, hiring, training, and supervising employees of licensees;

(f) Retail outlet locations and hours of operation;

(g) Labeling requirements and restrictions on advertisement of cannabis, useable cannabis, cannabis concentrates, cannabis health and beauty aids, and cannabis-infused products for sale in retail outlets;

(h) Forms to be used for purposes of this chapter and chapter 69.51A RCW or the rules adopted to implement and enforce these chapters, the terms and conditions to be contained in licenses issued under this chapter and chapter 69.51A RCW, and the qualifications for receiving a license issued under this chapter and chapter 69.51A RCW, including a criminal history record information check. The board may submit any criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation;

(i) Application, reinstatement, and renewal fees for licenses issued under this chapter and chapter 69.51A RCW, and fees for anything done or permitted to be done under the rules adopted to implement and enforce this chapter and chapter 69.51A RCW;

(j) The manner of giving and serving notices required by this chapter and chapter 69.51A RCW or rules adopted to implement or enforce these chapters;

(k) Times and periods when, and the manner, methods, and means by which, licensees transport and deliver cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products within the state;

(l) Identification, seizure, confiscation, destruction, or donation to law enforcement for training purposes of all cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products

produced, processed, sold, or offered for sale within this state which do not conform in all respects to the standards prescribed by this chapter or chapter 69.51A RCW or the rules adopted to implement and enforce these chapters;

(m) The prohibition of any type of device used in conjunction with a cannabis vapor product and the prohibition of the use of any type of additive, solvent, ingredient, or compound in the production and processing of cannabis products, including cannabis vapor products, when the board determines, following consultation with the department of health or any other authority the board deems appropriate, that the device, additive, solvent, ingredient, or compound may pose a risk to public health or youth access; and

(n) Requirements for processors to submit under oath to the department of health a complete list of all constituent substances and the amount and sources thereof in each cannabis vapor product, including all additives, thickening agents, preservatives, compounds, and any other substance used in the production and processing of each cannabis vapor product.

(2) Rules adopted on retail outlets holding medical cannabis endorsements must be adopted in coordination and consultation with the department.

(3) The board must adopt rules to perfect and expand existing programs for compliance education for licensed cannabis businesses and their employees. The rules must include a voluntary compliance program created in consultation with licensed cannabis businesses and their employees. The voluntary compliance program must include recommendations on abating violations of this chapter and rules adopted under this chapter. [2022 c 16 s 63; 2020 c 133 s 3; 2019 c 394 s 4; 2015 2nd sp.s. c 4 s 1601; 2015 c 70 s 7; 2013 c 3 s 9 (Initiative Measure No. 502, approved November 6, 2012).]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—2025 c 58; 2020 c 133: "The legislature finds that recent reports of lung illnesses associated with vapor products demand serious attention by the state in the interest of protecting public health and preventing youth access. While state law grants the liquor and cannabis board broad authority to regulate vapor products containing cannabis, the legislature finds that risks to public health and youth access can be mitigated by clarifying that the board is granted specific authority to prohibit the use of any additive, solvent, ingredient, or compound in cannabis vapor product production and processing and to prohibit any device used in conjunction with a cannabis vapor product." [2025 c 58 s 4008; 2020 c 133 s 1.]

Effective date—2020 c 133: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately [March 25, 2020]." [2020 c 133 s 5.]

Findings—2019 c 394: See note following RCW 69.50.563.

Findings—Intent—Effective dates—2015 2nd sp.s. c 4: See notes following RCW 69.50.334.

Short title—Findings—Intent—References to Washington state liquor control board—Draft legislation—2015 c 70: See notes following RCW 66.08.012.

Intent—2013 c 3 (Initiative Measure No. 502): See note following RCW 69.50.101.

RCW 69.50.345 State liquor and cannabis board—Rules—Procedures and criteria. The board, subject to the provisions of this chapter, must adopt rules that establish the procedures and criteria necessary to implement the following:

(1) Licensing of cannabis producers, cannabis processors, and cannabis retailers, including prescribing forms and establishing application, reinstatement, and renewal fees.

(a) Application forms for cannabis producers must request the applicant to state whether the applicant intends to produce cannabis for sale by cannabis retailers holding medical cannabis endorsements and the amount of or percentage of canopy the applicant intends to commit to growing plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for cannabis concentrates, useable cannabis, or cannabis-infused products sold to qualifying patients.

(b) The board must reconsider and increase limits on the amount of square feet permitted to be in production on July 24, 2015, and increase the percentage of production space for those cannabis producers who intend to grow plants for cannabis retailers holding medical cannabis endorsements if the cannabis producer designates the increased production space to plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for cannabis concentrates, useable cannabis, or cannabis-infused products to be sold to qualifying patients. If current cannabis producers do not use all the increased production space, the board may reopen the license period for new cannabis producer [producer's] license applicants but only to those cannabis producers who agree to grow plants for cannabis retailers holding medical cannabis endorsements. Priority in licensing must be given to cannabis producer [producer's] license applicants who have an application pending on July 24, 2015, but who are not yet licensed and then to new cannabis producer [producer's] license applicants. After January 1, 2017, any reconsideration of the limits on the amount of square feet permitted to be in production to meet the medical needs of qualifying patients must consider information contained in the medical cannabis authorization database established in RCW 69.51A.230;

(2) (a) Except as provided in RCW 69.50.335, determining, in consultation with the office of financial management, the maximum number of retail outlets that may be licensed in each county, taking into consideration:

(i) Population distribution;

(ii) Security and safety issues;

(iii) The provision of adequate access to licensed sources of cannabis concentrates, useable cannabis, and cannabis-infused products to discourage purchases from the illegal market; and

(iv) The number of retail outlets holding medical cannabis endorsements necessary to meet the medical needs of qualifying patients. The board must reconsider and increase the maximum number of retail outlets it established before July 24, 2015, and allow for a new license application period and a greater number of retail outlets to be permitted in order to accommodate the medical needs of qualifying patients and designated providers. After January 1, 2017, any reconsideration of the maximum number of retail outlets needed to meet the medical needs of qualifying patients must consider information contained in the medical cannabis authorization database established in RCW 69.51A.230.

(b) (i) In making the determination under (a) of this subsection, the board must consider written input from an incorporated city or town, or county legislative authority when evaluating concerns related to outlet density.

(ii) An incorporated city or town, or county legislative authority, may enact an ordinance prescribing outlet density limitations. An ordinance may not affect licenses issued before the effective date of the ordinance prescribing outlet density limitations.

(iii) The board may adopt rules to identify how local jurisdiction input will be evaluated;

(3) Determining the maximum quantity of cannabis a cannabis producer may have on the premises of a licensed location at any time without violating Washington state law;

(4) Determining the maximum quantities of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products a cannabis processor may have on the premises of a licensed location at any time without violating Washington state law;

(5) Determining the maximum quantities of cannabis concentrates, useable cannabis, and cannabis-infused products a cannabis retailer may have on the premises of a retail outlet at any time without violating Washington state law;

(6) In making the determinations required by this section, the board shall take into consideration:

(a) Security and safety issues;

(b) The provision of adequate access to licensed sources of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products to discourage purchases from the illegal market; and

(c) Economies of scale, and their impact on licensees' ability to both comply with regulatory requirements and undercut illegal market prices;

(7) Determining the nature, form, and capacity of all containers to be used by licensees to contain cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products, and their labeling requirements;

(8) In consultation with the department of agriculture and the department, establishing classes of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products according to grade, condition, cannabinoid profile, THC concentration, CBD concentration, or other qualitative measurements deemed appropriate by the board;

(9) Establishing reasonable time, place, and manner restrictions and requirements regarding advertising of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products that are not inconsistent with the provisions of this chapter, taking into consideration:

(a) Federal laws relating to cannabis that are applicable within Washington state;

(b) Minimizing exposure of people under 21 years of age to the advertising;

(c) The inclusion of medically and scientifically accurate information about the health and safety risks posed by cannabis use in the advertising; and

(d) Ensuring that retail outlets with medical cannabis endorsements may advertise themselves as medical retail outlets;

(10) Specifying and regulating the time and periods when, and the manner, methods, and means by which, licensees shall transport and

deliver cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products within the state;

(11) In consultation with the department and the department of agriculture, prescribing methods of producing, processing, and packaging cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products; conditions of sanitation; and standards of ingredients, quality, and identity of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products produced, processed, packaged, or sold by licensees;

(12) Specifying procedures for identifying, seizing, confiscating, destroying, and donating to law enforcement for training purposes all cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products produced, processed, packaged, labeled, or offered for sale in this state that do not conform in all respects to the standards prescribed by this chapter or the rules of the board. [2023 c 220 s 5; (2023 c 220 s 4 expired July 1, 2024); 2022 c 16 s 65; (2022 c 16 s 64 expired July 1, 2024). Prior: 2019 c 393 s 2; 2019 c 277 s 6; 2018 c 43 s 2; 2015 c 70 s 8; 2013 c 3 s 10 (Initiative Measure No. 502, approved November 6, 2012).]

Effective date—2023 c 220 s 5: "Section 5 of this act takes effect July 1, 2024." [2023 c 220 s 9.]

Expiration date—2023 c 220 s 4: "Section 4 of this act expires July 1, 2024." [2023 c 220 s 8.]

Effective date—2022 c 16 ss 65 and 68: "Sections 65 and 68 of this act take effect July 1, 2024." [2022 c 16 s 174.]

Expiration date—2022 c 16 ss 64 and 67: "Sections 64 and 67 of this act expire July 1, 2024." [2022 c 16 s 173.]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Effective date—2019 c 393: "This act takes effect January 1, 2020." [2019 c 393 s 6.]

Intent—2019 c 393: See note following RCW 69.50.346.

Effective date—2019 c 277 ss 2 and 6: See note following RCW 69.50.348.

Short title—Findings—Intent—References to Washington state liquor control board—Draft legislation—2015 c 70: See notes following RCW 66.08.012.

Intent—2013 c 3 (Initiative Measure No. 502): See note following RCW 69.50.101.

RCW 69.50.535 Cannabis excise tax—Medical exemption—State liquor and cannabis board to review tax level—Reports—State and federal antitrust laws.

(1) (a) There is levied and collected a cannabis excise tax equal to thirty-seven percent of the selling price on each retail sale in this state of cannabis concentrates, useable cannabis, and cannabis-infused products. This tax is separate and in addition to general state and local sales and use taxes that apply to retail sales of tangible personal property, and is not part of the total retail price to which general state and local sales and use taxes apply. The tax must be separately itemized from the state and local retail sales tax on the sales receipt provided to the buyer.

(b) The tax levied in this section must be reflected in the price list or quoted shelf price in the licensed cannabis retail store and in any advertising that includes prices for all useable cannabis, cannabis concentrates, or cannabis-infused products.

(2) (a) Until June 30, 2029, the tax levied by subsection (1) of this section does not apply to sales by a cannabis retailer with a medical cannabis endorsement to qualifying patients or designated providers who have been issued a recognition card, of cannabis concentrates, useable cannabis, or cannabis-infused products, identified by the department as a compliant cannabis product in chapter 246-70 WAC and tested to the standards in WAC 246-70-040.

(b) Each seller making exempt sales under this subsection (2) must maintain information establishing eligibility for the exemption in the form and manner required by the board.

(c) The board must provide a separate tax reporting line on the excise tax form for exemption amounts claimed under this subsection (2).

(3) All revenues collected from the cannabis excise tax imposed under this section must be deposited each day in the dedicated cannabis account.

(4) The tax imposed in this section must be paid by the buyer to the seller. Each seller must collect from the buyer the full amount of the tax payable on each taxable sale. The tax collected as required by this section is deemed to be held in trust by the seller until paid to the board. If any seller fails to collect the tax imposed in this section or, having collected the tax, fails to pay it as prescribed by the board, whether such failure is the result of the seller's own acts or the result of acts or conditions beyond the seller's control, the seller is, nevertheless, personally liable to the state for the amount of the tax.

(5) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Retail sale" has the same meaning as in RCW 82.08.010.

(b) "Selling price" has the same meaning as in RCW 82.08.010, except that when product is sold under circumstances where the total amount of consideration paid for the product is not indicative of its true value, "selling price" means the true value of the product sold.

(c) "Product" means cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products.

(d) "True value" means market value based on sales at comparable locations in this state of the same or similar product of like quality and character sold under comparable conditions of sale to comparable purchasers. However, in the absence of such sales of the same or similar product, true value means the value of the product sold as

determined by all of the seller's direct and indirect costs attributable to the product.

(6) (a) The board must regularly review the tax level established under this section and make recommendations, in consultation with the department of revenue, to the legislature as appropriate regarding adjustments that would further the goal of discouraging use while undercutting illegal market prices.

(b) The board must report, in compliance with RCW 43.01.036, to the appropriate committees of the legislature every two years. The report at a minimum must include the following:

(i) The specific recommendations required under (a) of this subsection;

(ii) A comparison of gross sales and tax collections prior to and after any cannabis tax change;

(iii) The increase or decrease in the volume of legal cannabis sold prior to and after any cannabis tax change;

(iv) Increases or decreases in the number of licensed cannabis producers, processors, and retailers;

(v) The number of illegal and noncompliant cannabis outlets the board requires to be closed;

(vi) Gross cannabis sales and tax collections in Oregon; and

(vii) The total amount of reported sales and use taxes exempted for qualifying patients. The department of revenue must provide the data of exempt amounts to the board.

(c) The board is not required to report to the legislature as required in (b) of this subsection after January 1, 2025.

(7) The legislature does not intend and does not authorize any person or entity to engage in activities or to conspire to engage in activities that would constitute per se violations of state and federal antitrust laws including, but not limited to, agreements among retailers as to the selling price of any goods sold. [2024 c 79 s 1; 2022 c 16 s 101; 2015 2nd sp.s. c 4 s 205; 2014 c 192 s 7; 2013 c 3 s 27 (Initiative Measure No. 502, approved November 6, 2012).]

Tax preference performance statement—2024 c 79 s 1: "(1) This section is the tax preference performance statement for the tax preference contained in section 1, chapter 79, Laws of 2024. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as one intended to provide tax relief for certain businesses or individuals, as indicated in RCW 82.32.808(2)(e).

(3) It is the legislature's specific public policy objective to ensure medical cannabis products are accessible and affordable for qualifying patients and designated providers.

(4) The joint legislative audit and review committee must include in its review of this tax preference an evaluation of:

(a) Any change in the number of qualifying patients or designated providers;

(b) Any change in the amount, types, or sales of tax-exempt products, as identified in section 1 of this act; and

(c) Any other information the joint legislative audit and review committee deems necessary to evaluate the tax preference in section 1 of this act.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may access any data collected by the department of health or the liquor and cannabis board or any other data collected by the state.

(6) The joint legislative audit and review committee must submit a report of its findings to the legislature by December 1, 2028."
[2024 c 79 s 2.]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—Intent—Effective dates—2015 2nd sp.s. c 4: See notes following RCW 69.50.334.

Intent—2013 c 3 (Initiative Measure No. 502): See note following RCW 69.50.101.

RCW 69.51A.230 Medical cannabis authorization database—

Recognition cards. (1) The department must contract with an entity to create, administer, and maintain a secure and confidential medical cannabis authorization database that allows:

(a) A cannabis retailer with a medical cannabis endorsement to add a qualifying patient or designated provider and include the amount of cannabis concentrates, useable cannabis, cannabis-infused products, or plants for which the qualifying patient is authorized under RCW 69.51A.210;

(b) Persons authorized to prescribe or dispense controlled substances to access health care information on their patients for the purpose of providing medical or pharmaceutical care for their patients;

(c) A qualifying patient or designated provider to request and receive his or her own health care information or information on any person or entity that has queried their name or information;

(d) Appropriate local, state, tribal, and federal law enforcement or prosecutorial officials who are engaged in a bona fide specific investigation of suspected cannabis-related activity that may be illegal under Washington state law to confirm the validity of the recognition card of a qualifying patient or designated provider;

(e) A cannabis retailer holding a medical cannabis endorsement to confirm the validity of the recognition card of a qualifying patient or designated provider;

(f) The department of revenue to verify tax exemptions under chapters 82.08 and 82.12 RCW;

(g) The liquor and cannabis board to verify excise tax exemptions under RCW 69.50.535;

(h) The department and the health care professional's disciplining authorities to monitor authorizations and ensure compliance with this chapter and chapter 18.130 RCW by their licensees; and

(i) Authorizations to expire six months or one year after entry into the medical cannabis authorization database, depending on whether the authorization is for a minor or an adult.

(2) A qualifying patient and his or her designated provider, if any, may be placed in the medical cannabis authorization database at a cannabis retailer with a medical cannabis endorsement. After a qualifying patient or designated provider is placed in the medical cannabis authorization database, he or she must be provided with a recognition card that contains identifiers required in subsection (3) of this section.

(3) The recognition card requirements must be developed by the department in rule and include:

(a) A randomly generated and unique identifying number;

(b) For designated providers, the unique identifying number of the qualifying patient whom the provider is assisting;

(c) A photograph of the qualifying patient's or designated provider's face taken by an employee of the cannabis retailer with a medical cannabis endorsement at the same time that the qualifying patient or designated provider is being placed in the medical cannabis authorization database in accordance with rules adopted by the department;

(d) The amount of cannabis concentrates, useable cannabis, cannabis-infused products, or plants for which the qualifying patient is authorized under RCW 69.51A.210;

(e) The effective date and expiration date of the recognition card;

(f) The name of the health care professional who authorized the qualifying patient or designated provider; and

(g) For the recognition card, additional security features as necessary to ensure its validity.

(4) (a) For qualifying patients who are eighteen years of age or older and their designated providers, recognition cards are valid for one year from the date the health care professional issued the authorization. For qualifying patients who are under the age of eighteen and their designated providers, recognition cards are valid for six months from the date the health care professional issued the authorization. Qualifying patients may not be reentered into the medical cannabis authorization database until they have been reexamined by a health care professional and determined to meet the definition of qualifying patient. After reexamination, a cannabis retailer with a medical cannabis endorsement must reenter the qualifying patient or designated provider into the medical cannabis authorization database and a new recognition card will then be issued in accordance with department rules.

(b) A qualifying patient's registration in the medical cannabis authorization database and his or her recognition card may be renewed by a qualifying patient's designated provider without the physical presence of the qualifying patient at the retailer if the authorization from the health care professional indicates that the qualifying patient qualifies for a compassionate care renewal, as provided in RCW 69.51A.030. A qualifying patient receiving renewals under the compassionate care renewal provisions is exempt from the photograph requirements under subsection (3)(c) of this section.

(5) If a recognition card is lost or stolen, a cannabis retailer with a medical cannabis endorsement, in conjunction with the database administrator, may issue a new card that will be valid for six months to one year if the patient is reexamined by a health care professional and determined to meet the definition of qualifying patient and depending on whether the patient is under the age of eighteen or eighteen years of age or older as provided in subsection (4) of this section. If a reexamination is not performed, the expiration date of the replacement recognition card must be the same as the lost or stolen recognition card.

(6) The database administrator must remove qualifying patients and designated providers from the medical cannabis authorization database upon expiration of the recognition card. Qualifying patients and designated providers may request to remove themselves from the medical cannabis authorization database before expiration of a recognition card and health care professionals may request to remove qualifying patients and designated providers from the medical cannabis authorization database if the patient or provider no longer qualifies for the medical use of cannabis. The database administrator must retain database records for at least five calendar years to permit the state liquor and cannabis board and the department of revenue to verify eligibility for tax exemptions.

(7) During development of the medical cannabis authorization database, the database administrator must consult with the department, stakeholders, and persons with relevant expertise to include, but not be limited to, qualifying patients, designated providers, health care professionals, state and local law enforcement agencies, and the University of Washington computer science and engineering security and

privacy research lab or a certified cybersecurity firm, vendor, or service.

(8) The medical cannabis authorization database must meet the following requirements:

(a) Any personally identifiable information included in the database must be nonreversible, pursuant to definitions and standards set forth by the national institute of standards and technology;

(b) Any personally identifiable information included in the database must not be susceptible to linkage by use of data external to the database;

(c) The database must incorporate current best differential privacy practices, allowing for maximum accuracy of database queries while minimizing the chances of identifying the personally identifiable information included therein; and

(d) The database must be upgradable and updated in a timely fashion to keep current with state of the art privacy and security standards and practices.

(9) (a) Personally identifiable information of qualifying patients and designated providers included in the medical cannabis authorization database is confidential and exempt from public disclosure, inspection, or copying under chapter 42.56 RCW.

(b) Information contained in the medical cannabis authorization database may be released in aggregate form, with all personally identifiable information redacted, for the purpose of statistical analysis and oversight of agency performance and actions.

(c) Information contained in the medical cannabis authorization database shall not be shared with the federal government or its agents unless the particular qualifying patient or designated provider is convicted in state court for violating this chapter or chapter 69.50 RCW.

(10) The department must charge a one dollar fee for each initial and renewal recognition card issued by a cannabis retailer with a medical cannabis endorsement. The cannabis retailer with a medical cannabis endorsement shall collect the fee from the qualifying patient or designated provider at the time that he or she is entered into the database and issued a recognition card. The department shall establish a schedule for cannabis retailers with a medical cannabis endorsement to remit the fees collected. Fees collected under this subsection shall be deposited into the dedicated cannabis account created under RCW 69.50.530.

(11) If the database administrator fails to comply with this section, the department may cancel any contracts with the database administrator and contract with another database administrator to continue administration of the database. A database administrator who fails to comply with this section is subject to a fine of up to five thousand dollars in addition to any penalties established in the contract. Fines collected under this section must be deposited into the dedicated cannabis account created under RCW 69.50.530.

(12) The department may adopt rules to implement this section. [2025 c 399 s 8; 2025 c 59 s 1; 2022 c 16 s 127. Prior: 2019 c 220 s 2; 2019 c 203 s 2; 2015 c 70 s 21.]

Reviser's note: This section was amended by 2025 c 59 s 1 and by 2025 c 399 s 8, each without reference to the other. Both amendments are incorporated in the publication of this section under RCW 1.12.025(2). For rule of construction, see RCW 1.12.025(1).

Effective dates—2025 c 399 ss 1-13, 15, and 17: See note following RCW 72.09.092.

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Effective date—2019 c 220: See note following RCW 43.70.320.

Effective date—2015 c 70 ss 21, 22, 32, and 33: "Sections 21, 22, 32, and 33 of this act are necessary for the immediate preservation of the public health, or safety, or support of the state government and its existing public institutions, and take effect immediately [April 24, 2015]." [2015 c 70 s 51.]

Short title—Findings—Intent—References to Washington state liquor control board—Draft legislation—2015 c 70: See notes following RCW 66.08.012.

WAC 314-55-090 Medical cannabis patient excise tax exemption.

(1) Pursuant to RCW 69.50.535(2), the excise tax levied in RCW 69.50.535(1) does not apply to sales of cannabis that satisfy all the following conditions:

(a) The sale is made by a cannabis retailer holding a valid medical cannabis endorsement issued pursuant to RCW 69.50.375 and compliant with WAC 314-55-080;

(b) The sale is made to a qualifying patient or designated provider who has a valid recognition card issued pursuant to RCW 69.51A.230, and is in the database;

(c) The sale is of cannabis concentrates, useable cannabis, or cannabis-infused products identified by the department as a compliant cannabis product in chapter 246-70 WAC and tested to the standards in chapter 246-70 WAC;

(2) Cannabis licensees must retain the following information for five years, consistent with WAC 314-55-087, for every sale where the excise tax is exempted per RCW 69.50.535(2):

(a) Date of sale;

(b) From the recognition card:

(i) The unique patient identifier; and

(ii) The effective date and expiration date of the recognition card;

(c) Stock keeping unit (SKU) or unique product identifier of cannabis concentrates, useable cannabis, or cannabis-infused products identified by the department as a compliant cannabis product in chapter 246-70 WAC and tested to the standards in chapter 246-70 WAC;

(d) Sales price of cannabis concentrates, useable cannabis, or cannabis-infused products identified by the department as a compliant cannabis product in chapter 246-70 WAC and tested to the standards in chapter 246-70 WAC.

(3) For any sale where the excise tax was not collected, if a cannabis licensee cannot produce the documentation identified in subsection (2) of this section when requested by the LCB, such excise tax shall be presumed to have been incorrectly exempted, and the retailer shall be responsible for remitting to the LCB the amount of excise tax that should have been collected. Penalties may apply to any incorrectly exempted excise tax payments that need to be remitted as described in this subsection, consistent with WAC 314-55-092.

(4) Definitions.

(a) "Database" means the medical cannabis authorization database as defined in RCW 69.51A.010.

(b) "Department" means the Washington state department of health.

(c) "Designated provider" has the same meaning provided in RCW 69.51A.010.

(d) "Qualifying patient" has the same meaning provided in RCW 69.51A.010.

(e) "Recognition card" has the same meaning provided in RCW 69.51A.010.

(f) "Unique patient identifier" refers to the randomly generated and unique identifying number described in RCW 69.51A.230.

(g) "Unique product identifier" refers to the unique identifier provided to the LCB consistent with the traceability requirements in WAC 314-55-083.

(5) Requirements in this section comply with the confidentiality and exemption provisions for personally identifiable information of qualifying patients and designated providers included in the medical cannabis authorization database as described in RCW 69.51A.230.

(6) The excise tax exemption described in this section is effective until June 30, 2029, pursuant to RCW 69.50.535(2).

[Statutory Authority: RCW 69.50.342, 69.50.345, and 69.50.535. WSR 24-19-040, s 314-55-090, filed 9/11/24, effective 10/12/24.]