



- Bill Title:** Relating to comprehensive marijuana market reforms to ensure a well-regulated and taxed marijuana market in Washington State.
- Bill Number:** 2E2SHB 2136
- Effective Date:** 7/1/2015 – Except:
- Section 503, Part V, which becomes effective 10/1/2015;
  - Sections 203 and 1001, which become effective 7/1/2016; and
  - Sections 302, 503, 901, 1204, and 1601 and Part XV which become effective 7/24/15.
- Amends:** RCW 69.50.334, 69.50.357, 69.50.369, 69.50.535, 69.50.540, 69.50.331, 69.50.445, 69.50.4013, 18.170.020, 69.50.4014, 66.08.050, 69.50.101, 69.51A.---, 69.50.530, 69.50.204, 69.50.430, 69.50.---, 28B.20.502, 43.350.030, 42.56.---, and 69.50.342;
- New Sections:** 69.50, 82.08, 82.12, 42.56; repealing RCW 10 69.50.425;

### **Summary**

This bill makes many changes to both the underlying law as established by I-502, as well as laws pertaining to the Medical Marijuana provisions in the law. The major provisions of the bill include:

### **Taxation**

- Eliminates the marijuana excise taxes of 25 percent imposed at the producer and processor tiers and modifies the excise tax imposed at the retail level, imposing it on the buyer rather than the seller. This retail sales tax is changed to 37 percent of the final retail price of the marijuana product(s). A sales and use tax exemption is allowed for patients with a qualifying authorization card issued by the Department of Health.
- Prohibits bundled transactions and conditional sales that offer special deals for the purchase of non-marijuana products.

### **Local Revenue Sharing**

A portion of the marijuana excise tax revenues will be shared with cities and counties that allow state-licensed marijuana businesses within their jurisdictions, not to exceed \$15 million per fiscal year for 2017-19, and \$20 million per fiscal year thereafter.

- Thirty percent of the local distribution is disbursed to counties, cities and towns allocated as a portion of state marijuana revenue based on the amount of marijuana excise tax revenues attributable to any licensed retail store within the county, city or town.

- The remaining 70 percent is disbursed based on population. Counties receive 60 percent of this allocation; and cities and towns will share the remaining 40 percent.
- Funding of at least \$12 million is provided in the budget for distribution to local governments for marijuana enforcement under a distribution formula based on retail sales within local jurisdictions. The \$12 million must be appropriated, at least \$6 million in each fiscal year of the upcoming biennium.

### **Signage**

Signage requirements are modified to allow two signs identifying marijuana businesses. The prohibition on products within the store being visible from a public right-of-way is eliminated.

### **Buffer Distances**

Local governments are permitted to pass an ordinance to allow for a reduction in the 1000-foot buffer requirements to 100 feet around all entities except elementary and secondary schools and public playgrounds.

### **Residency**

The residency requirement for the sole proprietor applying for a marijuana producer, processor, or retail license is changed to six months prior to submitting the application, extending the original three-month requirement.

### **Local Zoning Authority**

The law defends the authority of local jurisdictions to prohibit marijuana production and processing in residential or rural zones with minimum lots of five acres in size.

### **Marijuana Consumption in Public**

The prohibition on consumption of marijuana in public is modified to more closely resemble the law governing alcohol. However, there is no exemption for state parks and brewery or winery grounds, as is allowed for alcohol.

### **Creation of a Transport and Delivery License**

The Washington State Liquor and Cannabis Board (WSLCB) will create and may issue a new license type for common carriers that will be allowed to transport marijuana products between licensed producers, processors, and retailers, and set all rules governing their operations. Unless otherwise authorized by the WSLCB, the common carrier is prohibited from carrying or using a firearm.

### **Donations to the WSLCB**

The WSLCB is allowed to accept donations or grants to help fund public awareness and educational programs regarding the health risks associated with marijuana for both youth and adults.

### **Cannabis-based Beauty Aids**

A new class of "Cannabis health and Beauty aid" is created, defined as a product which:

- Is intended for use only as a topical application to enhance appearance;
- Contains a tetrahydrocannabinol (THC) concentration of no more than 0.3 percent;
- Does not cross the blood-brain barrier; and
- Is not intended for ingestion by humans or animals.

Cannabis-based beauty can be sold by licensed marijuana retailers.

### **Notification of Prospective Licensees**

All prospective licensees must display a sign on the outside of the premises or property to be licensed stating the intent of the applicant to operate a state-licensed marijuana business. Local jurisdictions may impose additional notice requirements for facilities located within 1000 feet of certain entities.

### **Marijuana Product Redefinitions**

The definition of "marijuana-infused products" is revised to reduce the maximum allowable THC concentration in such products from 60 percent to 10 percent.

The term "marijuana concentrates" is redefined to include all such concentrates having a THC concentration greater than 10 percent.

### **Further Restrictions on Marijuana Cooperatives**

Cooperatives are required to meet the same buffer requirements for licensed marijuana businesses, including in jurisdictions with reduced area prohibitions.

### **Dedicated Marijuana Account**

The Dedicated Marijuana Account is created in the State Treasury. All funds in the account are required to be appropriated before monies in the account are shared or allocated.

### **Ban on Synthetic Cannabinoids**

- Synthetic cannabinoids are added to Schedule I of the Controlled Substance Act and subject to the same felony charges and fines as other Schedule I substances. Synthetic cannabinoids are defined as a chemically synthesized compound or its chemical analog that is chemically synthesized and has been demonstrated to have binding activity at a cannabinoid receptor in the brain.
- A person who manufactures, sells, or distributes synthetic cannabinoids, cathinones, or methcathinones must pay a fine between \$10,000 and \$500,000, in addition to other criminal and civil penalties. The minimum fine for selling to a minor under 18 years old is increased to \$25,000.

### **Ban on Vending Machines and Drive-throughs**

Licensed marijuana retailers are prohibited from operating vending machines or drive-through for sales of marijuana products.

### **Ban on Marijuana Clubs**

It is unlawful to operate a business for the sole purpose of keeping or consuming marijuana, subject to a class C felony charge.

### **Revisions to Marijuana Research License**

- Half of the research license issuance fee is to be directed to the Life Science Discovery Fund.
- The University of Washington and Washington State University are permitted to contract with tribal entities to conduct marijuana research.

### **Mandatory Minimum Sentence Repealed**

Repeals a mandatory 24-hour sentence and \$250 fine for misdemeanor convictions where it is the offender's first violation of the CSA. It also repeals additional penalties for subsequent misdemeanor convictions and alternative community restitution sentence.

### **How to apply for a Transport and Delivery License**

The WSLCB has begun developing the license for a common carrier to allow delivery services between state-licensed marijuana businesses. Once the application process is defined, the application will be posted on the WSLCB website at: [lcb.wa.gov](http://lcb.wa.gov).

Once the WSLCB receives an application, a Marijuana Licensing Specialist will be assigned to the application and begin processing it. The Marijuana Licensing Specialist will send the applicant an approval letter after the applicant meets all WSLCB requirements for licensure and all background checks and inspections are completed.

### **Contact Information**

For specific questions, please contact Customer Service at 360-664-1600 or [lcb.wa.gov](http://lcb.wa.gov).