

SUBSTITUTE HOUSE BILL 2136

State of Washington 64th Legislature 2015 Regular Session

By House Finance (originally sponsored by Representative Carlyle)

1 AN ACT Relating to comprehensive marijuana market reforms to
 2 ensure a well-regulated and taxed marijuana market in Washington
 3 state; amending RCW 69.50.334, 69.50.357, 69.50.369, 69.50.535,
 4 69.50.540, 69.50.331, 69.50.445, 69.50.4013, 18.170.020, 69.50.4014,
 5 66.08.050, 69.50.101, 28B.20.502, 43.350.030, and 69.50.530; adding
 6 new sections to chapter 69.50 RCW; adding a new section to chapter
 7 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new
 8 section to chapter 42.56 RCW; creating new sections; providing
 9 contingent effective dates; and declaring an emergency.

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

PART I

Intent and Tax Preference Performance Statement

13 NEW SECTION. **Sec. 101.** (1)(a) The legislature finds the
 14 implementation of Initiative Measure No. 502 has established a
 15 clearly disadvantaged regulated legal market with respect to prices
 16 and the ability to compete with the unregulated medical dispensary
 17 market and the illicit market. The legislature further finds that it
 18 is crucial that the state continues to ensure a safe, highly
 19 regulated system in Washington that protects valuable state revenues
 20 while continuing efforts towards disbanding the unregulated marijuana

1 markets. The legislature further finds that ongoing evaluation on the
2 impact of meaningful marijuana tax reform for the purpose of
3 stabilizing revenues is crucial to the overall effort of protecting
4 the citizens and resources of this state. The legislature further
5 finds that a partnership with local jurisdictions in this effort is
6 imperative to the success of the legislature's policy objective. The
7 legislature further finds that sharing revenues to promote a
8 successful partnership in achieving the legislature's intent should
9 be transparent and hold local jurisdictions accountable for their use
10 of state shared revenues. Therefore, the legislature intends to
11 reform the current tax structure for the regulated legal marijuana
12 system to create price parity with the large medical and illicit
13 markets with the specific objective of increasing the market share of
14 the legal and highly regulated marijuana market. The legislature
15 further intends to share marijuana tax revenues with local
16 jurisdictions for public safety purposes and to facilitate the
17 ongoing process of ensuring a safe regulated marijuana market in all
18 communities across the state.

19 (b) The legislature further finds marijuana use for qualifying
20 patients is a valid and necessary option health care professionals
21 may recommend for their patients. The legislature further finds that
22 while recognizing the difference between recreational and medical use
23 of marijuana, it is also imperative to distinguish that the
24 authorization for medical use of marijuana is different from a valid
25 prescription provided by a doctor to a patient. The legislature
26 further finds the authorization for medical use of marijuana is
27 unlike over-the-counter medications that require no oversight by a
28 health care professional. The legislature further finds that due to
29 the unique characterization of authorizations for the medical use of
30 marijuana, the policy of providing a tax preference benefit for
31 patients using an authorization should in no way be construed as
32 precedence for changes in the treatment of prescription medications
33 or over-the-counter medications. Therefore, the legislature intends
34 to provide qualifying patients a retail sale and use tax exemption on
35 purchases of marijuana for medical use when authorized by a health
36 care professional.

37 (2)(a) This subsection is the tax preference performance
38 statement for the retail sale and use tax exemption for marijuana
39 purchased by qualifying patients provided in sections 207(1) and
40 208(1) of this act. The performance statement is only intended to be

1 used for subsequent evaluation of the tax preference. It is not
2 intended to create a private right of action by any party or be used
3 to determine eligibility for preferential tax treatment.

4 (b) The legislature categorizes the tax preference as one
5 intended to accomplish the general purposes indicated in RCW
6 82.32.808(2)(e).

7 (c) It is the legislature's specific public policy objective to
8 provide qualifying patients a retail sale and use tax exemption on
9 purchases of marijuana for medical use when authorized by a health
10 care professional.

11 (d) To measure the effectiveness of the exemption provided in
12 this act in achieving the specific public policy objective described
13 in (c) of this subsection, the department of revenue must provide the
14 necessary data and assistance to the state liquor and cannabis board
15 for the report required in RCW 69.50.535.

16 PART II

17 Marijuana Excise Tax, Exemptions, and Distribution of Revenues 18 Contracting for Illegal Marijuana Eradication

19 **Sec. 201.** RCW 69.50.334 and 2013 c 3 s 7 are each amended to
20 read as follows:

21 (1) The action, order, or decision of the state liquor
22 ~~((control))~~ and cannabis board as to any denial of an application for
23 the reissuance of a license to produce, process, or sell marijuana,
24 or as to any revocation, suspension, or modification of any license
25 to produce, process, or sell marijuana, ~~((shall))~~ or as to the
26 administrative review of a notice of unpaid trust fund taxes under
27 section 202 of this act, must be an adjudicative proceeding and
28 subject to the applicable provisions of chapter 34.05 RCW.

29 ~~((+1))~~ (2) An opportunity for a hearing may be provided to an
30 applicant for the reissuance of a license prior to the disposition of
31 the application, and if no opportunity for a prior hearing is
32 provided then an opportunity for a hearing to reconsider the
33 application must be provided the applicant.

34 ~~((+2))~~ (3) An opportunity for a hearing must be provided to a
35 licensee prior to a revocation or modification of any license and,
36 except as provided in subsection ~~((+4))~~ (6) of this section, prior
37 to the suspension of any license.

1 ~~((3))~~ (4) An opportunity for a hearing must be provided to any
2 person issued a notice of unpaid trust fund taxes under section 202
3 of this act.

4 (5) No hearing ~~((shall))~~ may be required under this section until
5 demanded by the applicant ~~((or))~~, licensee, or person issued a notice
6 of unpaid trust fund taxes under section 202 of this act.

7 ~~((4))~~ (6) The state liquor ~~((control))~~ and cannabis board may
8 summarily suspend a license for a period of up to one hundred eighty
9 days without a prior hearing if it finds that public health, safety,
10 or welfare imperatively require emergency action, and it incorporates
11 a finding to that effect in its order. Proceedings for revocation or
12 other action must be promptly instituted and determined. An
13 administrative law judge may extend the summary suspension period for
14 up to one calendar year from the first day of the initial summary
15 suspension in the event the proceedings for revocation or other
16 action cannot be completed during the initial one hundred eighty-day
17 period due to actions by the licensee. The state liquor ~~((control))~~
18 and cannabis board's enforcement division shall complete a
19 preliminary staff investigation of the violation before requesting an
20 emergency suspension by the state liquor ~~((control))~~ and cannabis
21 board.

22 NEW SECTION. Sec. 202. A new section is added to chapter 69.50
23 RCW under the subchapter heading "article V" to read as follows:

24 (1) Whenever the board determines that a limited liability
25 business entity has collected trust fund taxes and has failed to
26 remit those taxes to the board and that business entity has been
27 terminated, dissolved, or abandoned, or is insolvent, the board may
28 pursue collection of the entity's unpaid trust fund taxes, including
29 penalties on those taxes, against any or all of the responsible
30 individuals. For purposes of this subsection, "insolvent" means the
31 condition that results when the sum of the entity's debts exceeds the
32 fair market value of its assets. The board may presume that an entity
33 is insolvent if the entity refuses to disclose to the board the
34 nature of its assets and liabilities.

35 (2)(a) For a responsible individual who is the current or a
36 former chief executive or chief financial officer, liability under
37 this section applies regardless of fault or whether the individual
38 was or should have been aware of the unpaid trust fund tax liability
39 of the limited liability business entity.

1 (b) For any other responsible individual, liability under this
2 section applies only if he or she willfully failed to pay or to cause
3 to be paid to the board the trust fund taxes due from the limited
4 liability business entity.

5 (3)(a) Except as provided in this subsection (3)(a), a
6 responsible individual who is the current or a former chief executive
7 or chief financial officer is liable under this section only for
8 trust fund tax liability accrued during the period that he or she was
9 the chief executive or chief financial officer. However, if the
10 responsible individual had the responsibility or duty to remit
11 payment of the limited liability business entity's trust fund taxes
12 to the board during any period of time that the person was not the
13 chief executive or chief financial officer, that individual is also
14 liable for trust fund tax liability that became due during the period
15 that he or she had the duty to remit payment of the limited liability
16 business entity's taxes to the board but was not the chief executive
17 or chief financial officer.

18 (b) All other responsible individuals are liable under this
19 section only for trust fund tax liability that became due during the
20 period he or she had the responsibility or duty to remit payment of
21 the limited liability business entity's taxes to the board.

22 (4) Persons described in subsection (3)(b) of this section are
23 exempt from liability under this section in situations where
24 nonpayment of the limited liability business entity's trust fund
25 taxes was due to reasons beyond their control as determined by the
26 board by rule.

27 (5) Any person having been issued a notice of unpaid trust fund
28 taxes under this section is entitled to an administrative hearing
29 under RCW 69.50.334 and any such rules the board may adopt.

30 (6) This section does not relieve the limited liability business
31 entity of its trust fund tax liability or otherwise impair other tax
32 collection remedies afforded by law.

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

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

36 (b) "Chief executive" means: The president of a corporation or
37 for other entities or organizations other than corporations or if the
38 corporation does not have a president as one of its officers, the
39 highest ranking executive manager or administrator in charge of the
40 management of the company or organization.

1 (c) "Chief financial officer" means: The treasurer of a
2 corporation or for entities or organizations other than corporations
3 or if a corporation does not have a treasurer as one of its officers,
4 the highest senior manager who is responsible for overseeing the
5 financial activities of the entire company or organization.

6 (d) "Limited liability business entity" means a type of business
7 entity that generally shields its owners from personal liability for
8 the debts, obligations, and liabilities of the entity, or a business
9 entity that is managed or owned in whole or in part by an entity that
10 generally shields its owners from personal liability for the debts,
11 obligations, and liabilities of the entity. Limited liability
12 business entities include corporations, limited liability companies,
13 limited liability partnerships, trusts, general partnerships and
14 joint ventures in which one or more of the partners or parties are
15 also limited liability business entities, and limited partnerships in
16 which one or more of the general partners are also limited liability
17 business entities.

18 (e) "Manager" has the same meaning as in RCW 25.15.005.

19 (f) "Member" has the same meaning as in RCW 25.15.005, except
20 that the term only includes members of member-managed limited
21 liability companies.

22 (g) "Officer" means any officer or assistant officer of a
23 corporation, including the president, vice president, secretary, and
24 treasurer.

25 (h)(i) "Responsible individual" includes any current or former
26 officer, manager, member, partner, or trustee of a limited liability
27 business entity with unpaid trust fund tax liability.

28 (ii) "Responsible individual" also includes any current or former
29 employee or other individual, but only if the individual had the
30 responsibility or duty to remit payment of the limited liability
31 business entity's unpaid trust fund tax liability.

32 (iii) Whenever any taxpayer has one or more limited liability
33 business entities as a member, manager, or partner, "responsible
34 individual" also includes any current and former officers, members,
35 or managers of the limited liability business entity or entities or
36 of any other limited liability business entity involved directly in
37 the management of the taxpayer. For purposes of this subsection
38 (7)(h)(iii), "taxpayer" means a limited liability business entity
39 with unpaid trust fund taxes.

1 (i) "Trust fund taxes" means taxes collected from buyers and
2 deemed held in trust under RCW 69.50.535.

3 (j) "Willfully failed to pay or to cause to be paid" means that
4 the failure was the result of an intentional, conscious, and
5 voluntary course of action.

6 **Sec. 203.** RCW 69.50.357 and 2014 c 192 s 4 are each amended to
7 read as follows:

8 (1) Retail outlets (~~((shall sell no))~~) may not sell products or
9 services other than marijuana concentrates, useable marijuana,
10 marijuana-infused products, or paraphernalia intended for the storage
11 or use of marijuana concentrates, useable marijuana, or marijuana-
12 infused products.

13 (2) Licensed marijuana retailers (~~((shall))~~) may not employ persons
14 under twenty-one years of age or allow persons under twenty-one years
15 of age to enter or remain on the premises of a retail outlet.

16 (3) Licensed marijuana retailers (~~((shall))~~) may not display any
17 signage (~~((in a window, on a door, or on the outside of the premises
18 of a retail outlet that is visible to the general public from a
19 public right of way, other than a single sign no larger than one
20 thousand six hundred square inches identifying the retail outlet by
21 the licensee's business or trade name.~~

22 ~~(4) Licensed marijuana retailers shall not display useable
23 marijuana or marijuana-infused products in a manner that is visible
24 to the general public from a public right of way.~~

25 ~~(5))~~ outside of the licensed premises, other than two signs
26 identifying the retail outlet by the licensee's business or trade
27 name. Each sign must be no larger than one thousand six hundred
28 square inches and be posted not less than one thousand feet from any
29 elementary school, secondary school, or playground.

30 (4) No licensed marijuana retailer or employee of a retail outlet
31 (~~((shall))~~) may open or consume, or allow to be opened or consumed, any
32 marijuana concentrates, useable marijuana, or marijuana-infused
33 product on the outlet premises.

34 ~~((+6))~~ (5) The state liquor (~~((control))~~) and cannabis board
35 (~~((shall))~~) must fine a licensee one thousand dollars for each
36 violation of any subsection of this section. Fines collected under
37 this section must be deposited into the dedicated marijuana (~~((fund))~~)
38 account created under RCW 69.50.530.

1 **Sec. 204.** RCW 69.50.369 and 2013 c 3 s 18 are each amended to
2 read as follows:

3 (1) No licensed marijuana producer, processor, researcher, or
4 retailer (~~((shall))~~) may place or maintain, or cause to be placed or
5 maintained, an advertisement of marijuana, useable marijuana,
6 marijuana concentrates, or a marijuana-infused product in any form or
7 through any medium whatsoever:

8 (a) Within one thousand feet of the perimeter of a school
9 grounds, playground, recreation center or facility, child care
10 center, public park, or library, or any game arcade admission to
11 which is not restricted to persons aged twenty-one years or older;

12 (b) On or in a public transit vehicle or public transit shelter;
13 or

14 (c) On or in a publicly owned or operated property.

15 (2) Merchandising within a retail outlet is not advertising for
16 the purposes of this section.

17 (3) This section does not apply to a noncommercial message.

18 (4) The state liquor (~~((control))~~) and cannabis board (~~((shall))~~)
19 must fine a licensee one thousand dollars for each violation of
20 subsection (1) of this section. Fines collected under this subsection
21 must be deposited into the dedicated marijuana (~~((fund))~~) account
22 created under RCW 69.50.530.

23 **Sec. 205.** RCW 69.50.535 and 2014 c 192 s 7 are each amended to
24 read as follows:

25 (1) (~~((There is levied and collected a marijuana excise tax equal~~
26 ~~to twenty five percent of the selling price on each wholesale sale in~~
27 ~~this state of marijuana by a licensed marijuana producer to a~~
28 ~~licensed marijuana processor or another licensed marijuana producer.~~
29 ~~This tax is the obligation of the licensed marijuana producer.~~

30 (2) ~~There is levied and collected a marijuana excise tax equal to~~
31 ~~twenty five percent of the selling price on each wholesale sale in~~
32 ~~this state of marijuana concentrates, useable marijuana, and~~
33 ~~marijuana-infused products by a licensed marijuana processor to a~~
34 ~~licensed marijuana retailer. This tax is the obligation of the~~
35 ~~licensed marijuana processor.~~

36 (3)) (a) There is levied and collected a marijuana excise tax
37 equal to (~~((twenty five))~~) thirty percent of the selling price on each
38 retail sale in this state of marijuana concentrates, useable
39 marijuana, and marijuana-infused products. This tax is ((the

1 ~~obligation of the licensed marijuana retailer, is))~~ separate and in
2 addition to general state and local sales and use taxes that apply to
3 retail sales of tangible personal property, and is not part of the
4 total retail price to which general state and local sales and use
5 taxes apply. The tax must be separately itemized from the state and
6 local retail sales tax on the sales receipt provided to the buyer.

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

11 ~~((+4))~~ (2) All revenues collected from the marijuana excise
12 ~~((taxes))~~ tax imposed under ~~((subsections (1) through (3) of))~~ this
13 section ~~((shall))~~ must be deposited each day in ~~((a depository~~
14 ~~approved by the state treasurer and transferred to the state~~
15 ~~treasurer to be credited to))~~ the dedicated marijuana ~~((fund))~~
16 account.

17 ~~((+5))~~ (3) The ~~((state liquor control board shall))~~ tax imposed
18 in this section must be paid by the buyer to the seller. Each seller
19 must collect from the buyer the full amount of the tax payable on
20 each taxable sale. The tax collected as required by this section is
21 deemed to be held in trust by the seller until paid to the board. If
22 any seller fails to collect the tax imposed in this section or,
23 having collected the tax, fails to pay it as prescribed by the board,
24 whether such failure is the result of the seller's own acts or the
25 result of acts or conditions beyond the seller's control, the seller
26 is, nevertheless, personally liable to the state for the amount of
27 the tax.

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

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

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

32 (c) "Selling price" has the same meaning as in RCW 82.08.010,
33 except that when product is sold under circumstances where the total
34 amount of consideration paid for the product is not indicative of its
35 true value, "selling price" means the true value of the product sold
36 as determined or agreed to by the board.

37 (d) "Product" means marijuana, marijuana concentrates, useable
38 marijuana, and marijuana-infused products.

39 (e) "True value" means market value based on sales at comparable
40 locations in this state of the same or similar product of like

1 quality and character sold under comparable conditions of sale to
2 comparable purchasers. However, in the absence of such sales of the
3 same or similar product, true value means the value of the product
4 sold as determined by all of the seller's direct and indirect costs
5 attributable to the product.

6 (f) "Wholesale sale" means any sale that is not a retail sale.

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

12 (b) The state liquor and cannabis board must report, in
13 compliance with RCW 43.01.036, to the appropriate committees of the
14 legislature every two years. The report at a minimum must include the
15 following:

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

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

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

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

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

26 (vi) Gross marijuana sales and tax collections in Oregon; and

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

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

32 **Sec. 206.** RCW 69.50.540 and 2013 c 3 s 28 are each amended to
33 read as follows:

34 (1) All marijuana excise taxes collected from sales of
35 ((marijuana,)) useable marijuana, marijuana concentrates, and
36 marijuana-infused products under RCW 69.50.535, and the license fees,
37 penalties, and forfeitures derived under this chapter ((3, Laws of
38 2013)) from marijuana producer, marijuana processor, marijuana
39 researcher, and marijuana retailer licenses ((shall every three

1 ~~months be disbursed by the state liquor control board)), must be~~
2 ~~disbursed at the end of each quarter during the fiscal year, subject~~
3 ~~to appropriated amounts. Funds in the account must be disbursed~~ as
4 follows:

5 ~~((+1))~~ (a) One hundred twenty-five thousand dollars to the
6 department of social and health services to design and administer the
7 Washington state healthy youth survey, analyze the collected data,
8 and produce reports, in collaboration with the office of the
9 superintendent of public instruction, department of health,
10 department of commerce, family policy council, and state liquor
11 ~~((control))~~ and cannabis board. The survey ~~((shall))~~ must be
12 conducted at least every two years and include questions regarding,
13 but not necessarily limited to, academic achievement, age at time of
14 substance use initiation, antisocial behavior of friends, attitudes
15 toward antisocial behavior, attitudes toward substance use, laws and
16 community norms regarding antisocial behavior, family conflict,
17 family management, parental attitudes toward substance use, peer
18 rewarding of antisocial behavior, perceived risk of substance use,
19 and rebelliousness. Funds disbursed under this subsection may be used
20 to expand administration of the healthy youth survey to student
21 populations attending institutions of higher education in Washington;

22 ~~((+2))~~ (b) Fifty thousand dollars to the department of social
23 and health services for the purpose of contracting with the
24 Washington state institute for public policy to conduct the cost-
25 benefit evaluation and produce the reports described in RCW
26 69.50.550. This appropriation ~~((shall))~~ ends after production of the
27 final report required by RCW 69.50.550;

28 ~~((+3))~~ (c) Five thousand dollars to the University of Washington
29 alcohol and drug abuse institute for the creation, maintenance, and
30 timely updating of web-based public education materials providing
31 medically and scientifically accurate information about the health
32 and safety risks posed by marijuana use;

33 ~~((+4))~~ (d) An amount not exceeding one million two hundred fifty
34 thousand dollars to the state liquor ~~((control))~~ and cannabis board
35 as is necessary for administration of this chapter ~~((3, Laws of~~
36 ~~2013));~~

37 ~~((+5))~~ (e) Of the funds remaining after the disbursements
38 identified in ~~((subsections (1) through (4) of this section))~~ (a)
39 through (d) of this subsection:

1 ~~((a))~~ (i) Fifteen percent to the department of social and
2 health services division of behavioral health and recovery for
3 ~~((implementation and maintenance))~~ the development, implementation,
4 maintenance, and evaluation of programs and practices aimed at the
5 prevention or reduction of maladaptive substance use, substance-use
6 disorder, substance abuse or substance dependence, as these terms are
7 defined in the Diagnostic and Statistical Manual of Mental Disorders,
8 among middle school and high school age students, whether as an
9 explicit goal of a given program or practice or as a consistently
10 corresponding effect of its implementation; PROVIDED, That:

11 ~~((i))~~ (A)(I) Of the funds disbursed under ~~((a))~~ (e)(i) of
12 this subsection, at least eighty-five percent must be directed to
13 evidence-based ~~((and cost-beneficial))~~ or research-based programs and
14 practices that produce objectively measurable results and, by
15 September 1, 2020, are cost-beneficial; and

16 ~~((ii))~~ (II) Up to fifteen percent of the funds disbursed under
17 ~~((a))~~ (e)(i) of this subsection may be directed to ~~((research-based~~
18 ~~and))~~ proven and tested practices, emerging best practices, or
19 promising practices.

20 (B) In deciding which programs and practices to fund, the
21 secretary of the department of social and health services ~~((shall))~~
22 must consult, at least annually, with the University of Washington's
23 social development research group and the University of Washington's
24 alcohol and drug abuse institute;

25 ~~((b))~~ (ii) Ten percent to the department of health for the
26 creation, implementation, operation, and management of a marijuana
27 education and public health program that contains the following:

28 ~~((i))~~ (A) A marijuana use public health hotline that provides
29 referrals to substance abuse treatment providers, utilizes evidence-
30 based or research-based public health approaches to minimizing the
31 harms associated with marijuana use, and does not solely advocate an
32 abstinence-only approach;

33 ~~((ii))~~ (B) A grants program for local health departments or
34 other local community agencies that supports development and
35 implementation of coordinated intervention strategies for the
36 prevention and reduction of marijuana use by youth; and

37 ~~((iii))~~ (C) Media-based education campaigns across television,
38 internet, radio, print, and out-of-home advertising, separately
39 targeting youth and adults, that provide medically and scientifically

1 accurate information about the health and safety risks posed by
2 marijuana use;

3 ~~((c))~~ (iii) Six-tenths of one percent to the University of
4 Washington and four-tenths of one percent to Washington State
5 University for research on the short and long-term effects of
6 marijuana use, to include but not be limited to formal and informal
7 methods for estimating and measuring intoxication and impairment, and
8 for the dissemination of such research;

9 ~~((d))~~ (iv) Fifty percent to the state basic health plan trust
10 account to be administered by the Washington basic health plan
11 administrator and used as provided under chapter 70.47 RCW;

12 ~~((e))~~ (v) Five percent to the Washington state health care
13 authority to be expended exclusively through contracts with community
14 health centers to provide primary health and dental care services,
15 migrant health services, and maternity health care services as
16 provided under RCW 41.05.220;

17 ~~((f))~~ (vi) Three-tenths of one percent to the office of the
18 superintendent of public instruction to fund grants to building
19 bridges programs under chapter 28A.175 RCW; and

20 ~~((g) The remainder to the general fund.)~~ (vii)(A) Except as
21 provided in (e)(vii)(B) of this subsection (1), the remainder to the
22 general fund.

23 (B) Until January 1, 2022, if marijuana excise tax collections
24 deposited into the general fund in the prior fiscal year exceeded
25 twenty-five million dollars, then an amount equal to thirty percent
26 of all marijuana excise taxes deposited into the general fund the
27 prior fiscal year must be distributed to counties and eligible
28 cities. The distribution amount allocated to each county, including
29 the portion for eligible cities within the county, is ratably based
30 on the total amount of taxable sales of marijuana products subject to
31 the marijuana excise tax under RCW 69.50.535 in the prior fiscal year
32 within the county, including all taxable sales attributable to the
33 incorporated areas within the county. Distribution amounts allocated
34 to each county, and eligible cities within the county, must be
35 distributed in four installments by the last day of each fiscal
36 quarter as follows:

37 (I) Sixty percent must be distributed to the county, except where
38 there is no eligible city with taxable sales of marijuana products in
39 the prior fiscal year, in which case the county shall receive one
40 hundred percent of the distribution amount allocated to the county as

1 determined in (e)(vii)(B) of this subsection (1). A county in which
2 the producing, processing, or retailing of marijuana products is
3 prohibited in the unincorporated area of the county is not entitled
4 to a distribution and the distribution amount must be distributed
5 instead to the eligible cities within the county as provided in
6 (e)(vii)(B)(II) of this subsection (1).

7 (II) After making any distribution to the county as provided in
8 (e)(vii)(B)(I) of this subsection (1), the remaining amount must be
9 distributed to eligible cities within the county. The share to each
10 eligible city within the county must be determined by a division
11 among the eligible cities within the county ratably based on total
12 sales, from the prior fiscal year, of all marijuana products subject
13 to the marijuana excise tax under RCW 69.50.535 within the boundaries
14 of each eligible city located within the county. "Eligible city"
15 means any city or town in which sales of marijuana products is
16 attributable to a marijuana retailer, as defined in RCW 69.50.101,
17 located within the boundaries of the city or town.

18 (2) By September 15th of each year, the board must provide the
19 state treasurer the annual distribution amount, if any, for each
20 county and city as determined in subsection (1)(e)(vii)(B) of this
21 section.

22 (3) The total share of marijuana excise tax revenues distributed
23 to counties and cities in subsection (1)(e)(vii)(B) of this section
24 may not exceed twenty million dollars per fiscal year.

25 (4) For the purposes of this section, "marijuana products" means
26 "useable marijuana," "marijuana concentrates," and "marijuana-infused
27 products" as those terms are defined in RCW 69.50.101.

28 NEW SECTION. Sec. 207. A new section is added to chapter 82.08
29 RCW to read as follows:

30 (1) Subject to the conditions and limitations provided in this
31 section, the tax levied by RCW 82.08.020 does not apply to the sales
32 of useable marijuana, marijuana concentrates, and marijuana-infused
33 products to qualifying patients or their designated providers.

34 (2) The exemption authorized in this section only applies to
35 purchases made from marijuana retail outlets authorized under chapter
36 69.50 RCW. Retail outlets that sell sales tax-exempt useable
37 marijuana, marijuana concentrates, or marijuana-infused products are
38 required to file their tax return electronically with the department

1 and report the total amount of exempt sales made for the reporting
2 period.

3 (3) Each marijuana retail outlet making exempt sales is required
4 to maintain records of qualifying patient authorizations provided by
5 the purchaser.

6 (4) The department must provide a separate tax reporting line for
7 exemption amounts claimed under this section.

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

10 (a) "Marijuana concentrate" has the same meaning as provided in
11 RCW 69.50.101.

12 (b) "Designated provider" and "qualifying patient" have the same
13 meanings as provided in RCW 69.51A.010.

14 (c) "Marijuana-infused product" has the same meaning as provided
15 in RCW 69.50.101.

16 (d) "Useable marijuana" has the same meaning as provided in RCW
17 69.50.101.

18 NEW SECTION. **Sec. 208.** A new section is added to chapter 82.12
19 RCW to read as follows:

20 (1) The provisions of this chapter do not apply to the use of
21 useable marijuana, marijuana concentrates, or marijuana-infused
22 products by qualifying patients or their designated providers
23 obtained from an authorized marijuana retail outlet under chapter
24 69.50 RCW.

25 (2) The definitions, conditions, and limitations in section 207
26 of this act apply to this section.

27 NEW SECTION. **Sec. 209.** The provisions of RCW 82.32.805 and
28 82.32.808(8) do not apply to the exemptions in sections 207 and 208
29 of this act.

30 **PART III**
31 **Marijuana Business: Buffers and Licensee Residency**

32 **Sec. 301.** RCW 69.50.331 and 2013 c 3 s 6 are each amended to
33 read as follows:

34 (1) For the purpose of considering any application for a license
35 to produce, process, research, or sell marijuana, or for the renewal
36 of a license to produce, process, research, or sell marijuana, the

1 state liquor (~~control~~) and cannabis board may cause an inspection
2 of the premises to be made, and may inquire into all matters in
3 connection with the construction and operation of the premises. For
4 the purpose of reviewing any application for a license and for
5 considering the denial, suspension, revocation, or renewal or denial
6 thereof, of any license, the state liquor (~~control~~) and cannabis
7 board may consider any prior criminal conduct of the applicant
8 including an administrative violation history record with the state
9 liquor (~~control~~) and cannabis board and a criminal history record
10 information check. The state liquor (~~control~~) and cannabis board
11 may submit the criminal history record information check to the
12 Washington state patrol and to the identification division of the
13 federal bureau of investigation in order that these agencies may
14 search their records for prior arrests and convictions of the
15 individual or individuals who filled out the forms. The state liquor
16 (~~control~~) and cannabis board (~~shall~~) must require fingerprinting
17 of any applicant whose criminal history record information check is
18 submitted to the federal bureau of investigation. The provisions of
19 RCW 9.95.240 and of chapter 9.96A RCW (~~shall~~) do not apply to these
20 cases. Subject to the provisions of this section, the state liquor
21 (~~control~~) and cannabis board may, in its discretion, grant or deny
22 the renewal or license applied for. Denial may be based on, without
23 limitation, the existence of chronic illegal activity documented in
24 objections submitted pursuant to subsections (7)(c) and (9) of this
25 section. Authority to approve an uncontested or unopposed license may
26 be granted by the state liquor (~~control~~) and cannabis board to any
27 staff member the board designates in writing. Conditions for granting
28 this authority (~~shall~~) must be adopted by rule. No license of any
29 kind may be issued to:

- 30 (a) A person under the age of twenty-one years;
- 31 (b) A person doing business as a sole proprietor who has not
32 lawfully resided in the state for at least (~~three~~) six months prior
33 to applying to receive a license;
- 34 (c) A partnership, employee cooperative, association, nonprofit
35 corporation, or corporation unless formed under the laws of this
36 state, and unless all of the members thereof are qualified to obtain
37 a license as provided in this section; or
- 38 (d) A person whose place of business is conducted by a manager or
39 agent, unless the manager or agent possesses the same qualifications
40 required of the licensee.

1 (2)(a) The state liquor (~~control~~) and cannabis board may, in
2 its discretion, subject to the provisions of RCW 69.50.334, suspend
3 or cancel any license; and all protections of the licensee from
4 criminal or civil sanctions under state law for producing,
5 processing, researching, or selling marijuana, marijuana
6 concentrates, useable marijuana, or marijuana-infused products
7 thereunder (~~shall~~) must be suspended or terminated, as the case may
8 be.

9 (b) The state liquor (~~control~~) and cannabis board (~~shall~~)
10 must immediately suspend the license of a person who has been
11 certified pursuant to RCW 74.20A.320 by the department of social and
12 health services as a person who is not in compliance with a support
13 order. If the person has continued to meet all other requirements for
14 reinstatement during the suspension, reissuance of the license
15 (~~shall be~~) is automatic upon the state liquor (~~control~~) and
16 cannabis board's receipt of a release issued by the department of
17 social and health services stating that the licensee is in compliance
18 with the order.

19 (c) The state liquor (~~control~~) and cannabis board may request
20 the appointment of administrative law judges under chapter 34.12 RCW
21 who (~~shall~~) have power to administer oaths, issue subpoenas for the
22 attendance of witnesses and the production of papers, books,
23 accounts, documents, and testimony, examine witnesses, and to receive
24 testimony in any inquiry, investigation, hearing, or proceeding in
25 any part of the state, under rules and regulations the state liquor
26 (~~control~~) and cannabis board may adopt.

27 (d) Witnesses (~~shall~~) must be allowed fees and mileage each way
28 to and from any inquiry, investigation, hearing, or proceeding at the
29 rate authorized by RCW 34.05.446. Fees need not be paid in advance of
30 appearance of witnesses to testify or to produce books, records, or
31 other legal evidence.

32 (e) In case of disobedience of any person to comply with the
33 order of the state liquor (~~control~~) and cannabis board or a
34 subpoena issued by the state liquor (~~control~~) and cannabis board,
35 or any of its members, or administrative law judges, or on the
36 refusal of a witness to testify to any matter regarding which he or
37 she may be lawfully interrogated, the judge of the superior court of
38 the county in which the person resides, on application of any member
39 of the board or administrative law judge, shall compel obedience by
40 contempt proceedings, as in the case of disobedience of the

1 requirements of a subpoena issued from said court or a refusal to
2 testify therein.

3 (3) Upon receipt of notice of the suspension or cancellation of a
4 license, the licensee (~~((shall forthwith))~~) must deliver (~~((up))~~) the
5 license to the state liquor (~~((control))~~) and cannabis board. Where the
6 license has been suspended only, the state liquor (~~((control))~~) and
7 cannabis board (~~((shall))~~) must return the license to the licensee at
8 the expiration or termination of the period of suspension. The state
9 liquor (~~((control))~~) and cannabis board (~~((shall))~~) must notify all other
10 licensees in the county where the subject licensee has its premises
11 of the suspension or cancellation of the license; and no other
12 licensee or employee of another licensee may allow or cause any
13 marijuana, marijuana concentrates, useable marijuana, or marijuana-
14 infused products to be delivered to or for any person at the premises
15 of the subject licensee.

16 (4) Every license issued under this chapter (~~((3, Laws of 2013~~
17 ~~shall be))~~) is subject to all conditions and restrictions imposed by
18 this chapter (~~((3, Laws of 2013))~~) or by rules adopted by the state
19 liquor (~~((control))~~) and cannabis board to implement and enforce this
20 chapter (~~((3, Laws of 2013))~~). All conditions and restrictions imposed
21 by the state liquor (~~((control))~~) and cannabis board in the issuance of
22 an individual license (~~((shall))~~) must be listed on the face of the
23 individual license along with the trade name, address, and expiration
24 date.

25 (5) Every licensee (~~((shall))~~) must post and keep posted its
26 license, or licenses, in a conspicuous place on the premises.

27 (6) No licensee (~~((shall))~~) may employ any person under the age of
28 twenty-one years.

29 (7)(a) Before the state liquor (~~((control))~~) and cannabis board
30 issues a new or renewed license to an applicant it (~~((shall))~~) must
31 give notice of the application to the chief executive officer of the
32 incorporated city or town, if the application is for a license within
33 an incorporated city or town, or to the county legislative authority,
34 if the application is for a license outside the boundaries of
35 incorporated cities or towns.

36 (b) The incorporated city or town through the official or
37 employee selected by it, or the county legislative authority or the
38 official or employee selected by it, (~~((shall have))~~) has the right to
39 file with the state liquor (~~((control))~~) and cannabis board within
40 twenty days after the date of transmittal of the notice for

1 applications, or at least thirty days prior to the expiration date
2 for renewals, written objections against the applicant or against the
3 premises for which the new or renewed license is asked. The state
4 liquor (~~control~~) and cannabis board may extend the time period for
5 submitting written objections.

6 (c) The written objections (~~shall~~) must include a statement of
7 all facts upon which the objections are based, and in case written
8 objections are filed, the city or town or county legislative
9 authority may request, and the state liquor (~~control~~) and cannabis
10 board may in its discretion hold, a hearing subject to the applicable
11 provisions of Title 34 RCW. If the state liquor (~~control~~) and
12 cannabis board makes an initial decision to deny a license or renewal
13 based on the written objections of an incorporated city or town or
14 county legislative authority, the applicant may request a hearing
15 subject to the applicable provisions of Title 34 RCW. If a hearing is
16 held at the request of the applicant, state liquor (~~control~~) and
17 cannabis board representatives (~~shall~~) must present and defend the
18 state liquor (~~control~~) and cannabis board's initial decision to
19 deny a license or renewal.

20 (d) Upon the granting of a license under this title the state
21 liquor (~~control~~) and cannabis board (~~shall~~) must send written
22 notification to the chief executive officer of the incorporated city
23 or town in which the license is granted, or to the county legislative
24 authority if the license is granted outside the boundaries of
25 incorporated cities or towns.

26 (8)(a) Except as provided in (b) and (c) of this subsection, the
27 state liquor (~~control~~) and cannabis board (~~shall~~) may not issue a
28 license for any premises within one thousand feet of the perimeter of
29 the grounds of any elementary or secondary school, playground,
30 recreation center or facility, child care center, public park, public
31 transit center, or library, or any game arcade admission to which is
32 not restricted to persons aged twenty-one years or older.

33 (b) A city, county, or town may permit the licensing of premises
34 within one thousand feet but not less than one hundred feet of the
35 facilities described in (a) of this subsection, except elementary
36 schools, secondary schools, and playgrounds, by enacting an ordinance
37 authorizing such distance reduction, provided that such distance
38 reduction will not negatively impact the jurisdiction's civil
39 regulatory enforcement, criminal law enforcement interests, public
40 safety, or public health.

1 (c) The state liquor and cannabis board may license premises
2 located in compliance with the distance requirements set in an
3 ordinance adopted under (b) of this subsection.

4 (9) In determining whether to grant or deny a license or renewal
5 of any license, the state liquor ~~((control))~~ and cannabis board
6 ~~((shall))~~ must give substantial weight to objections from an
7 incorporated city or town or county legislative authority based upon
8 chronic illegal activity associated with the applicant's operations
9 of the premises proposed to be licensed or the applicant's operation
10 of any other licensed premises, or the conduct of the applicant's
11 patrons inside or outside the licensed premises. "Chronic illegal
12 activity" means (a) a pervasive pattern of activity that threatens
13 the public health, safety, and welfare of the city, town, or county
14 including, but not limited to, open container violations, assaults,
15 disturbances, disorderly conduct, or other criminal law violations,
16 or as documented in crime statistics, police reports, emergency
17 medical response data, calls for service, field data, or similar
18 records of a law enforcement agency for the city, town, county, or
19 any other municipal corporation or any state agency; or (b) an
20 unreasonably high number of citations for violations of RCW 46.61.502
21 associated with the applicant's or licensee's operation of any
22 licensed premises as indicated by the reported statements given to
23 law enforcement upon arrest.

24 **PART IV**

25 **Consumption of Marijuana in a Public Place**

26 **Sec. 401.** RCW 69.50.445 and 2013 c 3 s 21 are each amended to
27 read as follows:

28 (1) It is unlawful to open a package containing marijuana,
29 useable marijuana, ~~((or a))~~ marijuana-infused products, or marijuana
30 concentrates, or consume marijuana, useable marijuana, ~~((or a))~~
31 marijuana-infused products, or marijuana concentrates, in ~~((view of~~
32 the general)) a public place.

33 (2) For the purposes of this section, "public place" has the same
34 meaning as defined in RCW 66.04.010, but the exclusions in RCW
35 66.04.011 do not apply.

36 (3) A person who violates this section is guilty of a class 3
37 civil infraction under chapter 7.80 RCW.

1 **PART V**

2 **Transportation of Marijuana Products**

3 NEW SECTION. **Sec. 501.** A new section is added to chapter 69.50
4 RCW to read as follows:

5 (1) A licensed marijuana producer, marijuana processor, marijuana
6 researcher, or marijuana retailer, or their employees, in accordance
7 with the requirements of this chapter and the administrative rules
8 adopted thereunder, may use the services of a common carrier subject
9 to regulation under chapters 81.28 and 81.29 RCW and licensed in
10 compliance with the regulations established under section 502 of this
11 act, to physically transport or deliver marijuana, useable marijuana,
12 marijuana concentrates, and marijuana-infused products within the
13 state.

14 (2) An employee of a common carrier engaged in marijuana-related
15 transportation or delivery services authorized under subsection (1)
16 of this section is prohibited from carrying or using a firearm during
17 the course of providing such services, unless:

18 (a) Pursuant to section 502 of this act, the state liquor and
19 cannabis board explicitly authorizes the carrying or use of firearms
20 by such employee while engaged in the transportation or delivery
21 services;

22 (b) The employee has an armed private security guard license
23 issued pursuant to RCW 18.170.040; and

24 (c) The employee is in full compliance with the regulations
25 established by the state liquor and cannabis board under section 502
26 of this act.

27 (3) A common carrier licensed under section 502 of this act may,
28 for the purpose of transporting and delivering marijuana, useable
29 marijuana, marijuana concentrates, and marijuana-infused products,
30 utilize Washington state ferry routes for such transportation and
31 delivery.

32 (4) The possession of marijuana, useable marijuana, marijuana
33 concentrates, and marijuana-infused products being physically
34 transported or delivered within the state, in amounts not exceeding
35 those that may be established under section 502(3) of this act, by a
36 licensed employee of a common carrier when performing the duties
37 authorized under, and in accordance with, this section and section
38 502 of this act, is not a violation of this section, this chapter, or
39 any other provision of Washington state law.

1 NEW SECTION. **Sec. 502.** A new section is added to chapter 69.50
2 RCW to read as follows:

3 (1) The state liquor and cannabis board must adopt rules
4 providing for an annual licensing procedure of a common carrier who
5 seeks to transport or deliver marijuana, useable marijuana, marijuana
6 concentrates, and marijuana-infused products within the state.

7 (2) The rules for licensing must:

8 (a) Establish criteria for considering the approval or denial of
9 a common carrier's original application or renewal application;

10 (b) Provide minimum qualifications for any employee authorized to
11 drive or operate the transportation or delivery vehicle, including a
12 minimum age of at least twenty-one years;

13 (c) Address the safety of the employees transporting or
14 delivering the products, including issues relating to the carrying of
15 firearms by such employees;

16 (d) Address the security of the products being transported,
17 including a system of electronically tracking all products at both
18 the point of pickup and the point of delivery; and

19 (e) Set reasonable fees for the application and licensing
20 process.

21 (3) The state liquor and cannabis board may adopt rules
22 establishing the maximum amounts of marijuana, useable marijuana,
23 marijuana concentrates, and marijuana-infused products that may be
24 physically transported or delivered at one time by a common carrier
25 as provided under section 501 of this act.

26 **Sec. 503.** RCW 69.50.4013 and 2013 c 3 s 20 are each amended to
27 read as follows:

28 (1) It is unlawful for any person to possess a controlled
29 substance unless the substance was obtained directly from, or
30 pursuant to, a valid prescription or order of a practitioner while
31 acting in the course of his or her professional practice, or except
32 as otherwise authorized by this chapter.

33 (2) Except as provided in RCW 69.50.4014, any person who violates
34 this section is guilty of a class C felony punishable under chapter
35 9A.20 RCW.

36 (3)(a) The possession, by a person twenty-one years of age or
37 older, of useable marijuana, marijuana concentrates, or marijuana-
38 infused products in amounts that do not exceed those set forth in RCW

1 69.50.360(3) is not a violation of this section, this chapter, or any
2 other provision of Washington state law.

3 (b) The possession of marijuana, useable marijuana, marijuana
4 concentrates, and marijuana-infused products being physically
5 transported or delivered within the state, in amounts not exceeding
6 those that may be established under section 502(3) of this act, by a
7 licensed employee of a common carrier when performing the duties
8 authorized in accordance with sections 501 and 502 of this act, is
9 not a violation of this section, this chapter, or any other provision
10 of Washington state law.

11 **Sec. 504.** RCW 18.170.020 and 2007 c 154 s 2 are each amended to
12 read as follows:

13 The requirements of this chapter do not apply to:

14 (1) A person who is employed exclusively or regularly by one
15 employer and performs the functions of a private security guard
16 solely in connection with the affairs of that employer, if the
17 employer is not a private security company. However, in accordance
18 with section 501 of this act, an employee engaged in marijuana-
19 related transportation or delivery services on behalf of a common
20 carrier must be licensed as an armed private security guard under
21 this chapter in order to be authorized to carry or use a firearm
22 while providing such services;

23 (2) A sworn peace officer while engaged in the performance of the
24 officer's official duties;

25 (3) A sworn peace officer while employed by any person to engage
26 in off-duty employment as a private security guard, but only if the
27 employment is approved by the chief law enforcement officer of the
28 jurisdiction where the employment takes place and the sworn peace
29 officer does not employ, contract with, or broker for profit other
30 persons to assist him or her in performing the duties related to his
31 or her private employer; or

32 (4)(a) A person performing crowd management or guest services
33 including, but not limited to, a person described as a ticket taker,
34 usher, door attendant, parking attendant, crowd monitor, or event
35 staff who:

36 ((+a)) (i) Does not carry a firearm or other dangerous weapon
37 including, but not limited to, a stun gun, taser, pepper mace, or
38 nightstick;

1 ((~~b~~)) (ii) Does not wear a uniform or clothing readily
2 identifiable by a member of the public as that worn by a private
3 security officer or law enforcement officer; and

4 ((~~e~~)) (iii) Does not have as his or her primary responsibility
5 the detainment of persons or placement of persons under arrest.

6 (b) The exemption provided in this subsection applies only when a
7 crowd has assembled for the purpose of attending or taking part in an
8 organized event, including preevent assembly, event operation hours,
9 and postevent departure activities.

10 **Sec. 505.** RCW 69.50.4014 and 2003 c 53 s 335 are each amended to
11 read as follows:

12 Except as provided in RCW 69.50.401(2)(c) or as otherwise
13 authorized by this chapter, any person found guilty of possession of
14 forty grams or less of ((~~marihuana~~)) marijuana is guilty of a
15 misdemeanor.

16 **PART VI**

17 **Funding for Marijuana Health Awareness Program**

18 **Sec. 601.** RCW 66.08.050 and 2014 c 63 s 3 are each amended to
19 read as follows:

20 The board, subject to the provisions of this title and the rules,
21 must:

22 (1) Determine the nature, form and capacity of all packages to be
23 used for containing liquor kept for sale under this title;

24 (2) Execute or cause to be executed, all contracts, papers, and
25 documents in the name of the board, under such regulations as the
26 board may fix;

27 (3) Pay all customs, duties, excises, charges and obligations
28 whatsoever relating to the business of the board;

29 (4) Require bonds from all employees in the discretion of the
30 board, and to determine the amount of fidelity bond of each such
31 employee;

32 (5) Perform services for the state lottery commission to such
33 extent, and for such compensation, as may be mutually agreed upon
34 between the board and the commission;

35 (6) Accept and deposit into the general fund-local account and
36 disburse, subject to appropriation, federal grants or other funds or
37 donations from any source for the purpose of improving public

1 awareness of the health risks associated with alcohol and marijuana
2 consumption by youth and the abuse of alcohol and marijuana by adults
3 in Washington state. The board's alcohol awareness program must
4 cooperate with federal and state agencies, interested organizations,
5 and individuals to effect an active public beverage alcohol awareness
6 program;

7 (7) Monitor and regulate the practices of licensees as necessary
8 in order to prevent the theft and illegal trafficking of liquor
9 pursuant to RCW 66.28.350;

10 (8) Perform all other matters and things, whether similar to the
11 foregoing or not, to carry out the provisions of this title, and has
12 full power to do each and every act necessary to the conduct of its
13 regulatory functions, including all supplies procurement, preparation
14 and approval of forms, and every other undertaking necessary to
15 perform its regulatory functions whatsoever, subject only to audit by
16 the state auditor. However, the board has no authority to regulate
17 the content of spoken language on licensed premises where wine and
18 other liquors are served and where there is not a clear and present
19 danger of disorderly conduct being provoked by such language or to
20 restrict advertising of lawful prices.

21 **PART VII**

22 **Cannabis Health and Beauty Aid Exemption**

23 NEW SECTION. **Sec. 701.** A new section is added to chapter 69.50
24 RCW to read as follows:

25 (1) Cannabis health and beauty aids are not subject to the
26 regulations and penalties of this chapter that apply to marijuana,
27 marijuana concentrates, or marijuana-infused products.

28 (2) For purposes of this section, "cannabis health and beauty
29 aid" means a product containing parts of the cannabis plant and
30 which:

31 (a) Is intended for use only as a topical application to provide
32 therapeutic benefit or to enhance appearance;

33 (b) Contains a THC concentration of not more than 0.3 percent;

34 (c) Does not cross the blood-brain barrier; and

35 (d) Is not intended for consumption by humans or animals.

36 **PART VIII**

37 **Signage and Public Notice Requirements**

1 NEW SECTION. **Sec. 801.** A new section is added to chapter 69.50
2 RCW to read as follows:

3 (1) Applicants for a marijuana producer's, marijuana processor's,
4 marijuana researcher's or marijuana retailer's license under this
5 chapter must display a sign provided by the state liquor and cannabis
6 board on the outside of the premises to be licensed notifying the
7 public that the premises are subject to an application for such
8 license. The sign must:

9 (a) Contain text with content sufficient to notify the public of
10 the nature of the pending license application, the date of the
11 application, the name of the applicant, and contact information for
12 the state liquor and cannabis board;

13 (b) Be conspicuously displayed on, or immediately adjacent to,
14 the premises subject to the application and in the location that is
15 most likely to be seen by the public;

16 (c) Be of a size sufficient to ensure that it will be readily
17 seen by the public; and

18 (d) Be posted within seven business days of the submission of the
19 application to the state liquor and cannabis board.

20 (2) The state liquor and cannabis board must adopt such rules as
21 are necessary for the implementation of this section, including rules
22 pertaining to the size of the sign and the text thereon, the textual
23 content of the sign, the fee for providing the sign, and any other
24 requirements necessary to ensure that the sign provides adequate
25 notice to the public.

26 **PART IX**

27 **Marijuana-Infused Products and Concentrates**

28 **Sec. 901.** RCW 69.50.101 and 2014 c 192 s 1 are each amended to
29 read as follows:

30 ~~((Unless the context clearly requires otherwise, definitions of~~
31 ~~terms shall be as indicated where used in this chapter:)) The
32 definitions in this section apply throughout this chapter unless the
33 context clearly requires otherwise.~~

34 (a) "Administer" means to apply a controlled substance, whether
35 by injection, inhalation, ingestion, or any other means, directly to
36 the body of a patient or research subject by:

37 (1) a practitioner authorized to prescribe (or, by the
38 practitioner's authorized agent); or

1 (2) the patient or research subject at the direction and in the
2 presence of the practitioner.

3 (b) "Agent" means an authorized person who acts on behalf of or
4 at the direction of a manufacturer, distributor, or dispenser. It
5 does not include a common or contract carrier, public
6 warehouseperson, or employee of the carrier or warehouseperson.

7 (c) "Commission" means the pharmacy quality assurance commission.

8 (d) "Controlled substance" means a drug, substance, or immediate
9 precursor included in Schedules I through V as set forth in federal
10 or state laws, or federal or commission rules.

11 (e)(1) "Controlled substance analog" means a substance the
12 chemical structure of which is substantially similar to the chemical
13 structure of a controlled substance in Schedule I or II and:

14 (i) that has a stimulant, depressant, or hallucinogenic effect on
15 the central nervous system substantially similar to the stimulant,
16 depressant, or hallucinogenic effect on the central nervous system of
17 a controlled substance included in Schedule I or II; or

18 (ii) with respect to a particular individual, that the individual
19 represents or intends to have a stimulant, depressant, or
20 hallucinogenic effect on the central nervous system substantially
21 similar to the stimulant, depressant, or hallucinogenic effect on the
22 central nervous system of a controlled substance included in Schedule
23 I or II.

24 (2) The term does not include:

25 (i) a controlled substance;

26 (ii) a substance for which there is an approved new drug
27 application;

28 (iii) a substance with respect to which an exemption is in effect
29 for investigational use by a particular person under Section 505 of
30 the federal Food, Drug and Cosmetic Act, 21 U.S.C. Sec. 355, to the
31 extent conduct with respect to the substance is pursuant to the
32 exemption; or

33 (iv) any substance to the extent not intended for human
34 consumption before an exemption takes effect with respect to the
35 substance.

36 (f) "Deliver" or "delivery," means the actual or constructive
37 transfer from one person to another of a substance, whether or not
38 there is an agency relationship.

39 (g) "Department" means the department of health.

1 (h) "Dispense" means the interpretation of a prescription or
2 order for a controlled substance and, pursuant to that prescription
3 or order, the proper selection, measuring, compounding, labeling, or
4 packaging necessary to prepare that prescription or order for
5 delivery.

6 (i) "Dispenser" means a practitioner who dispenses.

7 (j) "Distribute" means to deliver other than by administering or
8 dispensing a controlled substance.

9 (k) "Distributor" means a person who distributes.

10 (l) "Drug" means (1) a controlled substance recognized as a drug
11 in the official United States pharmacopoeia/national formulary or the
12 official homeopathic pharmacopoeia of the United States, or any
13 supplement to them; (2) controlled substances intended for use in the
14 diagnosis, cure, mitigation, treatment, or prevention of disease in
15 individuals or animals; (3) controlled substances (other than food)
16 intended to affect the structure or any function of the body of
17 individuals or animals; and (4) controlled substances intended for
18 use as a component of any article specified in (1), (2), or (3) of
19 this subsection. The term does not include devices or their
20 components, parts, or accessories.

21 (m) "Drug enforcement administration" means the drug enforcement
22 administration in the United States Department of Justice, or its
23 successor agency.

24 (n) "Electronic communication of prescription information" means
25 the transmission of a prescription or refill authorization for a drug
26 of a practitioner using computer systems. The term does not include a
27 prescription or refill authorization verbally transmitted by
28 telephone nor a facsimile manually signed by the practitioner.

29 (o) "Immediate precursor" means a substance:

30 (1) that the commission has found to be and by rule designates as
31 being the principal compound commonly used, or produced primarily for
32 use, in the manufacture of a controlled substance;

33 (2) that is an immediate chemical intermediary used or likely to
34 be used in the manufacture of a controlled substance; and

35 (3) the control of which is necessary to prevent, curtail, or
36 limit the manufacture of the controlled substance.

37 (p) "Isomer" means an optical isomer, but in subsection ((+z+))
38 (bb)(5) of this section, RCW 69.50.204(a) (12) and (34), and
39 69.50.206(b)(4), the term includes any geometrical isomer; in RCW
40 69.50.204(a) (8) and (42), and 69.50.210(c) the term includes any

1 positional isomer; and in RCW 69.50.204(a)(35), 69.50.204(c), and
2 69.50.208(a) the term includes any positional or geometric isomer.

3 (q) "Lot" means a definite quantity of marijuana, useable
4 marijuana, marijuana concentrates, or marijuana-infused product
5 identified by a lot number, every portion or package of which is
6 uniform within recognized tolerances for the factors that appear in
7 the labeling.

8 (r) "Lot number" (~~shall~~) must identify the licensee by business
9 or trade name and Washington state unified business identifier
10 number, and the date of harvest or processing for each lot of
11 marijuana, useable marijuana, or marijuana-infused product.

12 (s) "Manufacture" means the production, preparation, propagation,
13 compounding, conversion, or processing of a controlled substance,
14 either directly or indirectly or by extraction from substances of
15 natural origin, or independently by means of chemical synthesis, or
16 by a combination of extraction and chemical synthesis, and includes
17 any packaging or repackaging of the substance or labeling or
18 relabeling of its container. The term does not include the
19 preparation, compounding, packaging, repackaging, labeling, or
20 relabeling of a controlled substance:

21 (1) by a practitioner as an incident to the practitioner's
22 administering or dispensing of a controlled substance in the course
23 of the practitioner's professional practice; or

24 (2) by a practitioner, or by the practitioner's authorized agent
25 under the practitioner's supervision, for the purpose of, or as an
26 incident to, research, teaching, or chemical analysis and not for
27 sale.

28 (t) "Marijuana" or "marihuana" means all parts of the plant
29 Cannabis, whether growing or not, with a THC concentration greater
30 than 0.3 percent on a dry weight basis; the seeds thereof; the resin
31 extracted from any part of the plant; and every compound,
32 manufacture, salt, derivative, mixture, or preparation of the plant,
33 its seeds or resin. The term does not include the mature stalks of
34 the plant, fiber produced from the stalks, oil or cake made from the
35 seeds of the plant, any other compound, manufacture, salt,
36 derivative, mixture, or preparation of the mature stalks (except the
37 resin extracted therefrom), fiber, oil, or cake, or the sterilized
38 seed of the plant which is incapable of germination.

1 (u) "Marijuana concentrates" means products consisting wholly or
2 in part of the resin extracted from any part of the plant Cannabis
3 and having a THC concentration greater than (~~sixty~~) ten percent.

4 (v) "Marijuana processor" means a person licensed by the state
5 liquor (~~control~~) and cannabis board to process marijuana into
6 useable marijuana, marijuana concentrates, and marijuana-infused
7 products, package and label useable marijuana, marijuana
8 concentrates, and marijuana-infused products for sale in retail
9 outlets, and sell useable marijuana, marijuana concentrates, and
10 marijuana-infused products at wholesale to marijuana retailers.

11 (w) "Marijuana producer" means a person licensed by the state
12 liquor (~~control~~) and cannabis board to produce and sell marijuana
13 at wholesale to marijuana processors and other marijuana producers.

14 (x) "Marijuana products" means useable marijuana, marijuana
15 concentrates, and marijuana-infused products as defined in this
16 section.

17 (y) "Marijuana-infused products" means products that contain
18 marijuana or marijuana extracts, are intended for human use, are
19 derived from marijuana as defined in subsection (t) of this section,
20 and have a THC concentration no greater than (~~0.3~~) ten percent
21 (~~and no greater than sixty percent~~). The term "marijuana-infused
22 products" does not include either useable marijuana or marijuana
23 concentrates.

24 (~~y~~) (z) "Marijuana researcher" means a person licensed by the
25 state liquor and cannabis board to produce, process, and possess
26 marijuana for the purposes of conducting research on marijuana and
27 marijuana-derived drug products.

28 (aa) "Marijuana retailer" means a person licensed by the state
29 liquor (~~control~~) and cannabis board to sell useable marijuana,
30 marijuana concentrates, and marijuana-infused products in a retail
31 outlet.

32 (~~z~~) (bb) "Narcotic drug" means any of the following, whether
33 produced directly or indirectly by extraction from substances of
34 vegetable origin, or independently by means of chemical synthesis, or
35 by a combination of extraction and chemical synthesis:

36 (1) Opium, opium derivative, and any derivative of opium or opium
37 derivative, including their salts, isomers, and salts of isomers,
38 whenever the existence of the salts, isomers, and salts of isomers is
39 possible within the specific chemical designation. The term does not
40 include the isoquinoline alkaloids of opium.

1 (2) Synthetic opiate and any derivative of synthetic opiate,
2 including their isomers, esters, ethers, salts, and salts of isomers,
3 esters, and ethers, whenever the existence of the isomers, esters,
4 ethers, and salts is possible within the specific chemical
5 designation.

6 (3) Poppy straw and concentrate of poppy straw.

7 (4) Coca leaves, except coca leaves and extracts of coca leaves
8 from which cocaine, ecgonine, and derivatives or ecgonine or their
9 salts have been removed.

10 (5) Cocaine, or any salt, isomer, or salt of isomer thereof.

11 (6) Cocaine base.

12 (7) Ecgonine, or any derivative, salt, isomer, or salt of isomer
13 thereof.

14 (8) Any compound, mixture, or preparation containing any quantity
15 of any substance referred to in subparagraphs (1) through (7).

16 ~~((aa))~~ (cc) "Opiate" means any substance having an addiction-
17 forming or addiction-sustaining liability similar to morphine or
18 being capable of conversion into a drug having addiction-forming or
19 addiction-sustaining liability. The term includes opium, substances
20 derived from opium (opium derivatives), and synthetic opiates. The
21 term does not include, unless specifically designated as controlled
22 under RCW 69.50.201, the dextrorotatory isomer of 3-methoxy-n-
23 methylmorphinan and its salts (dextromethorphan). The term includes
24 the racemic and levorotatory forms of dextromethorphan.

25 ~~((bb))~~ (dd) "Opium poppy" means the plant of the species
26 *Papaver somniferum* L., except its seeds.

27 ~~((cc))~~ (ee) "Person" means individual, corporation, business
28 trust, estate, trust, partnership, association, joint venture,
29 government, governmental subdivision or agency, or any other legal or
30 commercial entity.

31 ~~((dd))~~ (ff) "Poppy straw" means all parts, except the seeds, of
32 the opium poppy, after mowing.

33 ~~((ee))~~ (gg) "Practitioner" means:

34 (1) A physician under chapter 18.71 RCW; a physician assistant
35 under chapter 18.71A RCW; an osteopathic physician and surgeon under
36 chapter 18.57 RCW; an osteopathic physician assistant under chapter
37 18.57A RCW who is licensed under RCW 18.57A.020 subject to any
38 limitations in RCW 18.57A.040; an optometrist licensed under chapter
39 18.53 RCW who is certified by the optometry board under RCW 18.53.010
40 subject to any limitations in RCW 18.53.010; a dentist under chapter

1 18.32 RCW; a podiatric physician and surgeon under chapter 18.22 RCW;
2 a veterinarian under chapter 18.92 RCW; a registered nurse, advanced
3 registered nurse practitioner, or licensed practical nurse under
4 chapter 18.79 RCW; a naturopathic physician under chapter 18.36A RCW
5 who is licensed under RCW 18.36A.030 subject to any limitations in
6 RCW 18.36A.040; a pharmacist under chapter 18.64 RCW or a scientific
7 investigator under this chapter, licensed, registered or otherwise
8 permitted insofar as is consistent with those licensing laws to
9 distribute, dispense, conduct research with respect to or administer
10 a controlled substance in the course of their professional practice
11 or research in this state.

12 (2) A pharmacy, hospital or other institution licensed,
13 registered, or otherwise permitted to distribute, dispense, conduct
14 research with respect to or to administer a controlled substance in
15 the course of professional practice or research in this state.

16 (3) A physician licensed to practice medicine and surgery, a
17 physician licensed to practice osteopathic medicine and surgery, a
18 dentist licensed to practice dentistry, a podiatric physician and
19 surgeon licensed to practice podiatric medicine and surgery, a
20 licensed physician assistant or a licensed osteopathic physician
21 assistant specifically approved to prescribe controlled substances by
22 his or her state's medical quality assurance commission or equivalent
23 and his or her supervising physician, an advanced registered nurse
24 practitioner licensed to prescribe controlled substances, or a
25 veterinarian licensed to practice veterinary medicine in any state of
26 the United States.

27 ~~((ff))~~ (hh) "Prescription" means an order for controlled
28 substances issued by a practitioner duly authorized by law or rule in
29 the state of Washington to prescribe controlled substances within the
30 scope of his or her professional practice for a legitimate medical
31 purpose.

32 ~~((gg))~~ (ii) "Production" includes the manufacturing, planting,
33 cultivating, growing, or harvesting of a controlled substance.

34 ~~((hh))~~ (jj) "Retail outlet" means a location licensed by the
35 state liquor ~~((control))~~ and cannabis board for the retail sale of
36 useable marijuana, marijuana concentrates, and marijuana-infused
37 products.

38 ~~((ii))~~ (kk) "Secretary" means the secretary of health or the
39 secretary's designee.

1 ((~~jj~~)) (ll) "State," unless the context otherwise requires,
2 means a state of the United States, the District of Columbia, the
3 Commonwealth of Puerto Rico, or a territory or insular possession
4 subject to the jurisdiction of the United States.

5 ((~~kk~~)) (mm) "THC concentration" means percent of delta-9
6 tetrahydrocannabinol content per dry weight of any part of the plant
7 *Cannabis*, or per volume or weight of marijuana product, or the
8 combined percent of delta-9 tetrahydrocannabinol and
9 tetrahydrocannabinolic acid in any part of the plant *Cannabis*
10 regardless of moisture content.

11 ((~~ll~~)) (nn) "Ultimate user" means an individual who lawfully
12 possesses a controlled substance for the individual's own use or for
13 the use of a member of the individual's household or for
14 administering to an animal owned by the individual or by a member of
15 the individual's household.

16 ((~~mm~~)) (oo) "Useable marijuana" means dried marijuana flowers.
17 The term "useable marijuana" does not include either marijuana-
18 infused products or marijuana concentrates.

19 PART X

20 Marijuana Research License

21 NEW SECTION. **Sec. 1001.** A new section is added to chapter 69.50
22 RCW to read as follows:

23 (1) There shall be a marijuana research license that permits a
24 licensee to produce, process, possess, and deliver marijuana for the
25 following limited research purposes:

26 (a) To test chemical potency and composition levels;

27 (b) To conduct clinical investigations of marijuana-derived drug
28 products;

29 (c) To conduct research on the efficacy and safety of
30 administering marijuana as part of medical treatment; and

31 (d) To conduct genomic or agricultural research.

32 (2) As part of the application process for a marijuana research
33 license, an applicant must submit to the life sciences discovery fund
34 authority a description of the research that is intended to be
35 conducted. The life sciences discovery fund authority must review the
36 project and determine that it meets the requirements of subsection
37 (1) of this section. If the life sciences discovery fund authority

1 determines that the research project does not meet the requirements
2 of subsection (1) of this section, the application must be denied.

3 (3) A marijuana research licensee may only sell marijuana grown
4 or within its operation to other marijuana research licensees. The
5 state liquor and cannabis board may revoke a marijuana research
6 license for violations of this subsection.

7 (4) A marijuana research licensee may contract with the
8 University of Washington or Washington State University to perform
9 research in conjunction with the university. All research projects
10 must be approved by the life sciences discovery fund authority and
11 meet the requirements of subsection (1) of this section.

12 (5) In establishing a marijuana research license, the state
13 liquor and cannabis board may adopt rules on the following:

14 (a) Application requirements;

15 (b) Marijuana research license renewal requirements, including
16 whether additional research projects may be added or considered;

17 (c) Conditions for license revocation;

18 (d) Security measures to ensure marijuana is not diverted to
19 purposes other than research;

20 (e) Amount of plants, useable marijuana, marijuana concentrates,
21 or marijuana-infused products a licensee may have on its premises;

22 (f) Licensee reporting requirements;

23 (g) Conditions under which marijuana grown by marijuana
24 processors may be donated to marijuana research licensees; and

25 (h) Additional requirements deemed necessary by the state liquor
26 and cannabis board.

27 (6) The production, processing, possession, delivery, donation,
28 and sale of marijuana in accordance with this section and the rules
29 adopted to implement and enforce it, by a validly licensed marijuana
30 researcher, shall not be a criminal or civil offense under Washington
31 state law. Every marijuana research license must be issued in the
32 name of the applicant, must specify the location at which the
33 marijuana researcher intends to operate, which must be within the
34 state of Washington, and the holder thereof may not allow any other
35 person to use the license.

36 (7) The application fee for a marijuana research license is two
37 hundred fifty dollars. The annual fee for issuance and renewal of a
38 marijuana research license is one thousand dollars. Fifty percent of
39 the application fee, the issuance fee, and the renewal fee must be
40 deposited to the life sciences discovery fund under RCW 43.350.070.

1 **Sec. 1002.** RCW 28B.20.502 and 2011 c 181 s 1002 are each amended
2 to read as follows:

3 (1) The University of Washington and Washington State University
4 may conduct scientific research on the efficacy and safety of
5 administering ((~~cannabis~~)) marijuana as part of medical treatment. As
6 part of this research, the University of Washington and Washington
7 State University may develop and conduct studies to ascertain the
8 general medical safety and efficacy of ((~~cannabis~~)) marijuana, and
9 may develop medical guidelines for the appropriate administration and
10 use of ((~~cannabis~~)) marijuana.

11 (2) The University of Washington and Washington State University
12 may, in accordance with section 1001 of this act, contract with
13 marijuana research licensees to conduct research permitted under this
14 section and section 1001 of this act.

15 **Sec. 1003.** RCW 43.350.030 and 2005 c 424 s 4 are each amended to
16 read as follows:

17 In addition to other powers and duties prescribed in this
18 chapter, the authority is empowered to:

19 (1) Use public moneys in the life sciences discovery fund,
20 leveraging those moneys with amounts received from other public and
21 private sources in accordance with contribution agreements, to
22 promote life sciences research;

23 (2) Solicit and receive gifts, grants, and bequests, and enter
24 into contribution agreements with private entities and public
25 entities other than the state to receive moneys in consideration of
26 the authority's promise to leverage those moneys with amounts
27 received through appropriations from the legislature and
28 contributions from other public entities and private entities, in
29 order to use those moneys to promote life sciences research. Nonstate
30 moneys received by the authority for this purpose ((~~shall~~)) must be
31 deposited in the life sciences discovery fund created in RCW
32 43.350.070;

33 (3) Hold funds received by the authority in trust for their use
34 pursuant to this chapter to promote life sciences research;

35 (4) Manage its funds, obligations, and investments as necessary
36 and as consistent with its purpose including the segregation of
37 revenues into separate funds and accounts;

38 (5) Make grants to entities pursuant to contract for the
39 promotion of life sciences research to be conducted in the state.

1 Grant agreements (~~shall~~) must specify deliverables to be provided
2 by the recipient pursuant to the grant. The authority shall solicit
3 requests for funding and evaluate the requests by reference to
4 factors such as: (a) The quality of the proposed research; (b) its
5 potential to improve health outcomes, with particular attention to
6 the likelihood that it will also lower health care costs, substitute
7 for a more costly diagnostic or treatment modality, or offer a
8 breakthrough treatment for a particular disease or condition; (c) its
9 potential for leveraging additional funding; (d) its potential to
10 provide health care benefits or benefit human learning and
11 development; (e) its potential to stimulate the health care delivery,
12 biomedical manufacturing, and life sciences related employment in the
13 state; (f) the geographic diversity of the grantees within
14 Washington; (g) evidence of potential royalty income and contractual
15 means to recapture such income for purposes of this chapter; and (h)
16 evidence of public and private collaboration;

17 (6) Create one or more advisory boards composed of scientists,
18 industrialists, and others familiar with life sciences research;
19 (~~and~~)

20 (7) Review and approve or disapprove marijuana research license
21 applications under section 1001 of this act;

22 (8) Review any reports made by marijuana research licensees under
23 state liquor and cannabis board rule and provide the state liquor and
24 cannabis board with its determination on whether the research project
25 continues to meet research qualifications under section 1001(1) of
26 this act; and

27 (9) Adopt policies and procedures to facilitate the orderly
28 process of grant application, review, and reward.

29 NEW SECTION. Sec. 1004. A new section is added to chapter 42.56
30 RCW to read as follows:

31 Reports submitted by marijuana research licensees in accordance
32 with rules adopted by the state liquor and cannabis board under
33 section 1001 of this act that contain proprietary information are
34 exempt from disclosure under this chapter.

35 **PART XI**
36 **Dedicated Marijuana Account**

1 NEW SECTION. **Sec. 1202.** (1) Subject to the contingency in
2 subsection (3) of this section, parts I through IV, VI through VIII,
3 IX, XI, and XII of this act are necessary for the immediate
4 preservation of the public peace, health, or safety, or support of
5 the state government and its existing public institutions, and take
6 effect July 1, 2015.

7 (2) Subject to the contingency in subsection (3) of this section,
8 parts V and X of this act take effect October 1, 2015.

9 (3) This act takes effect on the dates provided in subsection (1)
10 and (2) of this section if Senate Bill No. 5052, or any subsequent
11 version of Senate Bill No. 5052, is enacted into law by July 1, 2015.

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