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**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2136**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** House Appropriations (originally sponsored by Representative Carlyle)

AN ACT Relating to comprehensive marijuana market reforms to ensure a well-regulated and taxed marijuana market in Washington state; amending 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, 28B.20.502, 43.350.030, 69.50.530, 69.50.360, 69.50.363, 69.50.366, 69.50.342, and 66.08.012; adding new sections to chapter 69.50 RCW; adding new sections to chapter 82.08 RCW; adding new sections to chapter 82.12 RCW; adding a new section to chapter 42.56 RCW; adding new sections to chapter 43.06 RCW; adding a new section to chapter 36.01 RCW; adding a new section to chapter 35.21 RCW; adding a new section to chapter 35A.21 RCW; creating new sections; repealing RCW 69.50.425; providing contingent effective dates; making appropriations; and declaring an emergency.

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

**PART I**

**Intent and Tax Preference Performance Statement**

NEW SECTION. **Sec.**  (1)(a) The legislature finds the implementation of Initiative Measure No. 502 has established a clearly disadvantaged regulated legal market with respect to prices and the ability to compete with the unregulated medical dispensary market and the illicit market. The legislature further finds that it is crucial that the state continues to ensure a safe, highly regulated system in Washington that protects valuable state revenues while continuing efforts towards disbanding the unregulated marijuana markets. The legislature further finds that ongoing evaluation on the impact of meaningful marijuana tax reform for the purpose of stabilizing revenues is crucial to the overall effort of protecting the citizens and resources of this state. The legislature further finds that a partnership with local jurisdictions in this effort is imperative to the success of the legislature's policy objective. The legislature further finds that sharing revenues to promote a successful partnership in achieving the legislature's intent should be transparent and hold local jurisdictions accountable for their use of state shared revenues. Therefore, the legislature intends to reform the current tax structure for the regulated legal marijuana system to create price parity with the large medical and illicit markets with the specific objective of increasing the market share of the legal and highly regulated marijuana market. The legislature further intends to share marijuana tax revenues with local jurisdictions for public safety purposes and to facilitate the ongoing process of ensuring a safe regulated marijuana market in all communities across the state.

(b) The legislature further finds marijuana use for qualifying patients is a valid and necessary option health care professionals may recommend for their patients. The legislature further finds that while recognizing the difference between recreational and medical use of marijuana, it is also imperative to distinguish that the authorization for medical use of marijuana is different from a valid prescription provided by a doctor to a patient. The legislature further finds the authorization for medical use of marijuana is unlike over-the-counter medications that require no oversight by a health care professional. The legislature further finds that due to the unique characterization of authorizations for the medical use of marijuana, the policy of providing a tax preference benefit for patients using an authorization should in no way be construed as precedent for changes in the treatment of prescription medications or over-the-counter medications. Therefore, the legislature intends to provide qualifying patients and their designated providers a retail sales and use tax exemption on marijuana purchased or obtained for medical use when authorized by a health care professional.

(2)(a) This subsection is the tax preference performance statement for the retail sales and use tax exemption for marijuana purchased or obtained by qualifying patients or their designated providers provided in sections 208(1) and 209(1) of this act. The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

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

(c) It is the legislature's specific public policy objective to provide qualifying patients and their designated providers a retail sales and use tax exemption on marijuana purchased or obtained for medical use when authorized by a health care professional.

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

**PART II**

**Marijuana Excise Tax, Exemptions, and Distribution of Revenues**

**Contracting for Illegal Marijuana Eradication**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(3)~~)) (a) There is levied and collected a marijuana excise tax equal to ((~~twenty-five~~)) thirty percent of the selling price on each retail sale in this state of marijuana concentrates, useable marijuana, and marijuana-infused products. This tax is ((~~the obligation of the licensed marijuana retailer, is~~)) separate and in addition to general state and local sales and use taxes that apply to retail sales of tangible personal property, and is not part of the total retail price to which general state and local sales and use taxes apply. The tax must be separately itemized from the state and local retail sales tax on the sales receipt provided to the buyer.

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

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

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

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

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

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

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

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

(e) "True value" means market value based on sales at comparable locations in this state of the same or similar product of like quality and character sold under comparable conditions of sale to comparable purchasers. However, in the absence of such sales of the same or similar product, true value means the value of the product sold as determined by all of the seller's direct and indirect costs attributable to the product.

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

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

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

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

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

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

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

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

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

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

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

((~~All marijuana excise taxes collected from sales of marijuana, useable marijuana, and marijuana-infused products under RCW 69.50.535, and the license fees, penalties, and forfeitures derived under chapter 3, Laws of 2013 from marijuana producer, marijuana processor, and marijuana retailer licenses shall every three months be disbursed by the state liquor control board as follows:~~

~~(1)~~)) The legislature must annually appropriate moneys in the dedicated marijuana account created in RCW 69.50.530 as follows:

(1) For the purposes listed in this subsection (1), the legislature must appropriate to the respective agencies amounts sufficient to make the following expenditures on a quarterly basis:

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

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

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

((~~(4)~~)) (d) An amount not ((~~exceeding~~)) less than one million two hundred fifty thousand dollars to the state liquor ((~~control board as is necessary for administration of chapter 3, Laws of 2013;~~

~~(5) Of the funds remaining after the disbursements identified in subsections (1) through (4) of this section~~)) and cannabis board for administration of this chapter as appropriated in the omnibus appropriations act;

(e) Twenty-three thousand seven hundred fifty dollars to the department of enterprise services provided solely for the state building code council established under RCW 19.27.070, to develop and adopt fire and building code provisions related to marijuana processing and extraction facilities. The distribution under this subsection (1)(e) is for fiscal year 2016 only;

(2) From the amounts in the dedicated marijuana account after appropriation of the amounts identified in subsection (1) of this section, the legislature must appropriate for the purposes listed in this subsection (2) as follows:

(a)(i) Fifteen percent to the department of social and health services division of behavioral health and recovery for ((~~implementation and maintenance~~)) the development, implementation, maintenance, and evaluation of programs and practices aimed at the prevention or reduction of maladaptive substance use, substance-use disorder, substance abuse or substance dependence, as these terms are defined in the Diagnostic and Statistical Manual of Mental Disorders, among middle school and high school age students, whether as an explicit goal of a given program or practice or as a consistently corresponding effect of its implementation, mental health services for children and youth, and services for pregnant and parenting women, subject to (a)(iii) of this subsection; PROVIDED, That:

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

((~~(ii)~~)) (B) Up to fifteen percent of the funds ((~~disbursed~~)) appropriated under (a)(i) of this subsection for new programs and new services may be directed to ((~~research-based and~~)) proven and tested practices, emerging best practices, or promising practices.

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

(iii) For the fiscal year beginning July 1, 2016, the legislature must appropriate twenty-eight million three hundred fourteen thousand dollars under this subsection (2)(a). For the fiscal year beginning July 1, 2017, and each subsequent fiscal year, the amount appropriated for this subsection (2)(a) must be increased by the annual growth in the Washington state population as published by the office of financial management plus the annual growth in the implicit price deflator as published by the federal bureau of labor statistics;

(b)(i) Ten percent to the department of health for the following, subject to (b)(ii) of this subsection (2):

(A) Creation, implementation, operation, and management of a marijuana education and public health program that contains the following:

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

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

((~~(iii)~~)) (III) Media-based education campaigns across television, internet, radio, print, and out-of-home advertising, separately targeting youth and adults, that provide medically and scientifically accurate information about the health and safety risks posed by marijuana use; and

(B) The Washington poison control center.

(ii) For the fiscal year beginning July 1, 2016, the legislature must appropriate nine million seven hundred fifty thousand dollars under this subsection (2)(b). For the fiscal year beginning July 1, 2017, and each subsequent fiscal year, the amounts appropriated for this subsection (2)(b) must be increased by the annual growth in the Washington state population as published by the office of financial management plus the annual growth in the implicit price deflator as published by the federal bureau of labor statistics;

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

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

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

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

(g) ((~~The remainder to the general fund.~~)) At the end of each fiscal year, the treasurer must transfer any amounts in the dedicated marijuana account that are not appropriated pursuant to subsection (1) of this section and this subsection (2) into the general fund, except as provided in (g)(i) of this subsection (2).

(i) Until January 1, 2022, if marijuana excise tax collections deposited into the general fund in the prior fiscal year exceed twenty-five million dollars, then each fiscal year the legislature must appropriate an amount equal to thirty percent of all marijuana excise taxes deposited into the general fund the prior fiscal year to the treasurer for distribution to counties, cities, and towns as follows:

(A) Thirty percent must be distributed to counties, cities, and towns where licensed marijuana retailers are physically located. Each jurisdiction shall receive a share of the revenue distribution under this subsection (2)(g)(i)(A) based on the proportional share of the total revenues generated in the individual jurisdiction from the taxes collected under RCW 69.50.535, from licensed marijuana retailers physically located in each jurisdiction. For purposes of this subsection (2)(g)(i)(A), one hundred percent of the proportional amount attributed to a retailer physically located in a city or town shall be distributed to the city or town.

(B) Seventy percent must be distributed to counties, cities, and towns ratably on a per capita basis. Counties shall receive sixty percent of the distribution, which shall be disbursed based on each county's total proportional population, including the population within incorporated cities and towns, and cities and towns shall receive forty percent of this distribution, which shall be based on each city or town's total proportional population. Funds may only be distributed to jurisdictions that do not prohibit the siting of any state licensed marijuana producer, processor, or retailer.

(ii) Distribution amounts allocated to each county, city, and town must be distributed in four installments by the last day of each fiscal quarter.

(iii) By September 15th of each year, the state liquor and cannabis board must provide the state treasurer the annual distribution amount, if any, for each county and city as determined in (g)(i) of this subsection (2).

(iv) The total share of marijuana excise tax revenues distributed to counties and cities in (g)(i) of this subsection (2) may not exceed twenty million dollars per fiscal year.

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

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

(1) The joint legislative audit and review committee must provide a report to the fiscal committees of the state legislature analyzing the incremental cost of legalization of marijuana on local jurisdictions by January 31, 2021. The committee may rely on data provided by local jurisdictions in subsection (2) of this section, along with data from the state liquor and cannabis board, the state treasurer, and the state auditor for the report. The report must include at a minimum the following information:

(a) The amount of marijuana tax revenues expended for: (i) General government purposes; (ii) public safety purposes; and (iii) specific costs associated with the licensing and siting of marijuana businesses;

(b) The number and type of marijuana-related calls for service and arrests by jurisdiction; and

(c) The number and type of liquor and other drug-related calls for service and arrests by jurisdiction.

(2) All counties, and cities with a population greater than twenty thousand, receiving more than ten thousand dollars in marijuana excise tax revenue under RCW 69.50.540, must provide the joint legislative audit and review committee a report that includes the information listed in subsection (1) of this section by January 31, 2016, and every subsequent January 31st, until January 31, 2020.

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

(1) Beginning July 1, 2016, the tax levied by RCW 82.08.020 does not apply to:

(a) Sales of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department of health under RCW 69.50.--- (section 10, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))) to be beneficial for medical use, by marijuana retailers with medical marijuana endorsements to qualifying patients or designated providers who have been issued recognition cards;

(b) Sales of products containing THC with a THC concentration of 0.3 percent or less to qualifying patients or designated providers who have been issued recognition cards by marijuana retailers with medical marijuana endorsements;

(c) Sales of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department of health under RCW 69.50.--- (section 10, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))) to have a low THC, high CBD ratio, and to be beneficial for medical use, by marijuana retailers with medical marijuana endorsements, to any person;

(d) Sales of topical, noningestible products containing THC with a THC concentration of 0.3 percent or less by health care professionals under RCW 69.51A.--- (section 35, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15)));

(e)(i) Marijuana, marijuana concentrates, useable marijuana, marijuana-infused products, or products containing THC with a THC concentration of 0.3 percent or less produced by a cooperative and provided to its members; and

(ii) Any nonmonetary resources and labor contributed by an individual member of the cooperative in which the individual is a member. However, nothing in this subsection (1)(e) may be construed to exempt the individual members of a cooperative from the tax imposed in RCW 82.08.020 on any purchase of property or services contributed to the cooperative.

(2) From the effective date of this section until July 1, 2016, the tax levied by RCW 82.08.020 does not apply to sales of marijuana, marijuana concentrates, useable marijuana, marijuana-infused products, or products containing THC with a THC concentration of 0.3 percent or less, by collective gardens under RCW 69.51A.085 to qualifying patients or designated providers, if such sales are in compliance with chapter 69.51A RCW.

(3) Each seller making exempt sales under subsection (1) or (2) of this section must maintain information establishing eligibility for the exemption in the form and manner required by the department.

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

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

(a) "Cooperative" means a cooperative authorized by and operating in compliance with RCW 69.51A.--- (section 26, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))).

(b) "Marijuana retailer with a medical marijuana endorsement" means a marijuana retailer permitted under RCW 69.50.--- (section 10, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))) to sell marijuana for medical use to qualifying patients and designated providers.

(c) "Products containing THC with a THC concentration of 0.3 percent or less" means all products containing THC with a THC concentration not exceeding 0.3 percent and that, when used as intended, are inhalable, ingestible, or absorbable.

(d) "THC concentration," "marijuana," "marijuana concentrates," "useable marijuana," "marijuana retailer," and "marijuana-infused products" have the same meanings as provided in RCW 69.50.101 and the terms "qualifying patients," "designated providers," and "recognition card" have the same meaning as provided in RCW 69.51A.010.

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

(1) From the effective date of this section until July 1, 2016, the provisions of this chapter do not apply to the use of marijuana, marijuana concentrates, useable marijuana, marijuana-infused products, or products containing THC with a THC concentration of 0.3 percent or less, by a collective garden under RCW 69.51A.085, and the qualifying patients or designated providers participating in the collective garden, if such use is in compliance with chapter 69.51A RCW.

(2) Beginning July 1, 2016, the provisions of this chapter do not apply to:

(a) The use of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department of health under RCW 69.50.--- (section 10, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))) to be beneficial for medical use, by qualifying patients or designated providers who have been issued recognition cards and have obtained such products from a marijuana retailer with a medical marijuana endorsement.

(b) The use of products containing THC with a THC concentration of 0.3 percent or less by qualifying patients or designated providers who have been issued recognition cards and have obtained such products from a marijuana retailer with a medical marijuana endorsement.

(c)(i) Marijuana retailers with a medical marijuana endorsement with respect to:

(A) Marijuana concentrates, useable marijuana, or marijuana-infused products; or

(B) Products containing THC with a THC concentration of 0.3 percent or less;

(ii) The exemption in this subsection (2)(c) applies only if such products are provided at no charge to a qualifying patient or designated provider who has been issued a recognition card. Each such retailer providing such products at no charge must maintain information establishing eligibility for this exemption in the form and manner required by the department.

(d) The use of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department of health under RCW 69.50.--- (section 10, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))) to have a low THC, high CBD ratio, and to be beneficial for medical use, purchased from marijuana retailers with a medical marijuana endorsement.

(e) Health care professionals with respect to the use of products containing THC with a THC concentration of 0.3 percent or less provided at no charge by the health care professionals under RCW 69.51A.--- (section 35, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))). Each health care professional providing such products at no charge must maintain information establishing eligibility for this exemption in the form and manner required by the department.

(f) The use of topical, noningestible products containing THC with a THC concentration of 0.3 percent or less by qualifying patients when purchased from or provided at no charge by a health care professional under RCW 69.51A.--- (section 35, chapter . . ., Laws of 2015 (2SSB 5052 (S-1522/15))).

(g) The use of:

(i) Marijuana, marijuana concentrates, useable marijuana, marijuana-infused products, or products containing THC with a THC concentration of 0.3 percent or less, by a cooperative and its members, when produced by the cooperative; and

(ii) Any nonmonetary resources and labor by a cooperative when contributed by its members. However, nothing in this subsection (2)(g) may be construed to exempt the individual members of a cooperative from the tax imposed in RCW 82.12.020 on the use of any property or services purchased by the member and contributed to the cooperative.

(3) The definitions in section 208 of this act apply to this section.

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

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

(1)(a) Except as provided in (b) of this subsection, a retail sale of a bundled transaction that includes marijuana product is subject to the tax imposed under RCW 69.50.535 on the entire selling price of the bundled transaction.

(b) If the selling price is attributable to products that are taxable and products that are not taxable under RCW 69.50.535, the portion of the price attributable to the nontaxable products are subject to the tax imposed by RCW 69.50.535 unless the seller can identify by reasonable and verifiable standards the portion that is not subject to tax from its books and records that are kept in the regular course of business for other purposes including, but not limited to, nontax purposes.

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

(i) "Bundled transaction" means:

(A) The retail sale of two or more products where the products are otherwise distinct and identifiable, are sold for one nonitemized price, and at least one product is a marijuana product subject to the tax under RCW 69.50.535; and

(B) A marijuana product provided free of charge with the required purchase of another product. A marijuana product is provided free of charge if the sales price of the product purchased does not vary depending on the inclusion of the marijuana product provided free of charge.

(ii) "Distinct and identifiable products" does not include packaging such as containers, boxes, sacks, bags, and bottles, or materials such as wrapping, labels, tags, and instruction guides, that accompany the retail sale of the products and are incidental or immaterial to the retail sale thereof. Examples of packaging that are incidental or immaterial include grocery sacks, shoeboxes, and dry cleaning garment bags.

(iii) "Marijuana product" means "useable marijuana," "marijuana concentrates," and "marijuana-infused products" as defined in RCW 69.50.101.

(iv) "Selling price" has the same meaning as in RCW 82.08.010, except that when product is sold under circumstances where the total amount of consideration paid for the product is not indicative of its true value, "selling price" means the true value of the product sold as determined or agreed to by the state liquor and cannabis board.

(v) "True value" means market value based on sales at comparable locations in this state of the same or similar product of like quality and character sold under comparable conditions of sale to comparable purchasers. However, in the absence of such sales of the same or similar product, "true value" means the value of the product sold as determined by all of the seller's direct and indirect costs attributable to the product.

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

(1) Marijuana producers, processors, and retailers are prohibited from making sales of any marijuana or marijuana product, if the sale of the marijuana or marijuana product is conditioned upon the buyer's purchase of any service or nonmarijuana product. This subsection applies whether the buyer purchases such service or nonmarijuana product at the time of sale of the marijuana or marijuana product, or in a separate transaction.

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

(a) "Marijuana product" means "useable marijuana," "marijuana concentrates," and "marijuana-infused products," as those terms are defined in RCW 69.50.101.

(b) "Nonmarijuana product" includes paraphernalia, promotional items, lighters, bags, boxes, containers, and such other items as may be identified by the state liquor and cannabis board.

(c) "Selling price" has the same meaning as in RCW 69.50.535.

(d) "Service" includes memberships and any other services identified by the state liquor and cannabis board.

**PART III**

**Marijuana Business: Buffers and Licensee Residency**

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

(1) For the purpose of considering any application for a license to produce, process, research, transport or deliver marijuana, useable marijuana, marijuana concentrates, or marijuana-infused products subject to the regulations established under section 502 of this act, or sell marijuana, or for the renewal of a license to produce, process, research, transport or deliver marijuana, useable marijuana, marijuana concentrates, or marijuana-infused products subject to the regulations established under section 502 of this act, or sell marijuana, the state liquor ((~~control~~)) and cannabis board may cause an inspection of the premises to be made, and may inquire into all matters in connection with the construction and operation of the premises. For the purpose of reviewing any application for a license and for considering the denial, suspension, revocation, or renewal or denial thereof, of any license, the state liquor ((~~control~~)) and cannabis board may consider any prior criminal conduct of the applicant including an administrative violation history record with the state liquor ((~~control~~)) and cannabis board and a criminal history record information check. The state liquor ((~~control~~)) and cannabis board may submit the criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The state liquor ((~~control~~)) and cannabis board ((~~shall~~)) must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation. The provisions of RCW 9.95.240 and of chapter 9.96A RCW ((~~shall~~)) do not apply to these cases. Subject to the provisions of this section, the state liquor ((~~control~~)) and cannabis board may, in its discretion, grant or deny the renewal or license applied for. Denial may be based on, without limitation, the existence of chronic illegal activity documented in objections submitted pursuant to subsections (7)(c) and (9) of this section. Authority to approve an uncontested or unopposed license may be granted by the state liquor ((~~control~~)) and cannabis board to any staff member the board designates in writing. Conditions for granting this authority ((~~shall~~)) must be adopted by rule. No license of any kind may be issued to:

(a) A person under the age of twenty-one years;

(b) A person doing business as a sole proprietor who has not lawfully resided in the state for at least ((~~three~~)) six months prior to applying to receive a license;

(c) A partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under the laws of this state, and unless all of the members thereof are qualified to obtain a license as provided in this section; or

(d) A person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

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

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

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

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

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

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

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

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

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

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

(b) The incorporated city or town through the official or employee selected by it, or the county legislative authority or the official or employee selected by it, ((~~shall have~~)) has the right to file with the state liquor ((~~control~~)) and cannabis board within twenty days after the date of transmittal of the notice for applications, or at least thirty days prior to the expiration date for renewals, written objections against the applicant or against the premises for which the new or renewed license is asked. The state liquor ((~~control~~)) and cannabis board may extend the time period for submitting written objections.

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

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

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

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

(c) A city, county, or town may permit the licensing of research premises allowed under section 1001 of this act within one thousand feet but not less than one hundred feet of the facilities described in (a) of this subsection by enacting an ordinance authorizing such distance reduction, provided that the ordinance will not negatively impact the jurisdiction's civil regulatory enforcement, criminal law enforcement, public safety, or public health.

(d) The state liquor and cannabis board may license premises located in compliance with the distance requirements set in an ordinance adopted under (b) or (c) of this subsection. Before issuing or renewing a research license for premises within one thousand feet but not less than one hundred feet of an elementary school, secondary school, or playground in compliance with an ordinance passed pursuant to (c) of this subsection, the board must ensure that the facility:

(i) Meets a security standard exceeding that which applies to marijuana producer, processor, or retailer licensees;

(ii) Is inaccessible to the public and no part of the operation of the facility is in view of the general public; and

(iii) Bears no advertising or signage indicating that it is a marijuana research facility.

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

**PART IV**

**Consumption of Marijuana in a Public Place**

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

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

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

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

**PART V**

**Transportation of Marijuana Products**

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

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

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

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

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

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

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

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

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

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

(2) The rules for licensing must:

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

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

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

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

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

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

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

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

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

(3)(a) The possession, by a person twenty-one years of age or older, of useable marijuana, marijuana concentrates, or marijuana-infused products in amounts that do not exceed those set forth in RCW 69.50.360(3) is not a violation of this section, this chapter, or any other provision of Washington state law.

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

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

The requirements of this chapter do not apply to:

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

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

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

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

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

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

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

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

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

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

**PART VI**

**Funding for Marijuana Health Awareness Program**

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

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

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

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

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

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

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

(6) Accept and deposit into the general fund-local account and disburse, subject to appropriation, federal grants or other funds or donations from any source for the purpose of improving public awareness of the health risks associated with alcohol and marijuana consumption by youth and the abuse of alcohol and marijuana by adults in Washington state. The board's alcohol awareness program must cooperate with federal and state agencies, interested organizations, and individuals to effect an active public beverage alcohol awareness program;

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

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

**PART VII**

**Cannabis Health and Beauty Aid Exemption**

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

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

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

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

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

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

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

**PART VIII**

**Signage and Public Notice Requirements**

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

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

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

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

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

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

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

**PART IX**

**Marijuana-Infused Products and Concentrates**

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

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

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

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

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

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

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

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

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

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

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

(2) The term does not include:

(i) a controlled substance;

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

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

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

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

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

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

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

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

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

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

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

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

(o) "Immediate precursor" means a substance:

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

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

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

(p) "Isomer" means an optical isomer, but in subsection ((~~(z)~~)) (bb)(5) of this section, RCW 69.50.204(a) (12) and (34), and 69.50.206(b)(4), the term includes any geometrical isomer; in RCW 69.50.204(a) (8) and (42), and 69.50.210(c) the term includes any positional isomer; and in RCW 69.50.204(a)(35), 69.50.204(c), and 69.50.208(a) the term includes any positional or geometric isomer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Poppy straw and concentrate of poppy straw.

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

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

(6) Cocaine base.

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

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

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

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

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

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

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

(1) A physician under chapter 18.71 RCW; a physician assistant under chapter 18.71A RCW; an osteopathic physician and surgeon under chapter 18.57 RCW; an osteopathic physician assistant under chapter 18.57A RCW who is licensed under RCW 18.57A.020 subject to any limitations in RCW 18.57A.040; an optometrist licensed under chapter 18.53 RCW who is certified by the optometry board under RCW 18.53.010 subject to any limitations in RCW 18.53.010; a dentist under chapter 18.32 RCW; a podiatric physician and surgeon under chapter 18.22 RCW; a veterinarian under chapter 18.92 RCW; a registered nurse, advanced registered nurse practitioner, or licensed practical nurse under chapter 18.79 RCW; a naturopathic physician under chapter 18.36A RCW who is licensed under RCW 18.36A.030 subject to any limitations in RCW 18.36A.040; a pharmacist under chapter 18.64 RCW or a scientific investigator under this chapter, licensed, registered or otherwise permitted insofar as is consistent with those licensing laws to distribute, dispense, conduct research with respect to or administer a controlled substance in the course of their professional practice or research in this state.

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

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

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

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

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

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

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

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

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

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

**PART X**

**Marijuana Research License**

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

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

(a) To test chemical potency and composition levels;

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

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

(d) To conduct genomic or agricultural research.

(2) As part of the application process for a marijuana research license, an applicant must submit to the life sciences discovery fund authority a description of the research that is intended to be conducted. The life sciences discovery fund authority must review the project and determine that it meets the requirements of subsection (1) of this section. If the life sciences discovery fund authority determines that the research project does not meet the requirements of subsection (1) of this section, the application must be denied.

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

(4) A marijuana research licensee may contract with the University of Washington or Washington State University to perform research in conjunction with the university. All research projects, not including those projects conducted pursuant to a contract entered into under RCW 28B.20.502(3), must be approved by the life sciences discovery fund authority and meet the requirements of subsection (1) of this section.

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

(a) Application requirements;

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

(c) Conditions for license revocation;

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

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

(f) Licensee reporting requirements;

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

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

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

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

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

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

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

(3) The University of Washington and Washington State University may contract to conduct marijuana research with an entity licensed to conduct such research by a federally recognized Indian tribe located within the geographical boundaries of the state of Washington.

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

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

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

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

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

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

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

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

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

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

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

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

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

**PART XI**

**Dedicated Marijuana Account**

**Sec.**  RCW 69.50.530 and 2013 c 3 s 26 are each amended to read as follows:

((~~(1) There shall be a fund, known as the dedicated marijuana fund, which shall consist of all marijuana excise taxes, license fees, penalties, forfeitures, and all other moneys, income, or revenue received by the state liquor control board from marijuana-related activities. The state treasurer shall be custodian of the fund.~~

~~(2)~~)) The dedicated marijuana account is created in the state treasury. All moneys received by the state liquor ((~~control~~)) and cannabis board, or any employee thereof, from marijuana-related activities ((~~shall~~)) must be deposited ((~~each day in a depository approved by the state treasurer and transferred to the state treasurer to be credited to the dedicated marijuana fund.~~

~~(3) Disbursements from the dedicated marijuana fund shall be on authorization of the state liquor control board or a duly authorized representative thereof~~)) in the account. Unless otherwise provided in this act, all marijuana excise taxes collected from sales of marijuana, useable marijuana, marijuana concentrates, and marijuana-infused products under RCW 69.50.535, and the license fees, penalties, and forfeitures derived under this chapter from marijuana producer, marijuana processor, marijuana researcher, and marijuana retailer licenses, must be deposited in the account. Moneys in the account may only be spent after appropriation.

**PART XII**

**Agreements between the Governor and Indian Tribes**

NEW SECTION. **Sec.**  A new section is added to chapter 43.06 RCW to read as follows:

The legislature intends to further the government-to-government relationship between the state of Washington and federally recognized Indian tribes in the state of Washington by authorizing the governor to enter into agreements concerning the regulation of marijuana. Such agreements may include provisions pertaining to: The lawful commercial production, processing, sale, and possession of marijuana for both recreational and medical purposes; marijuana-related research activities; law enforcement, both criminal and civil; and taxation. The legislature finds that these agreements will facilitate and promote a cooperative and mutually beneficial relationship between the state and the tribes regarding matters relating to the legalization of marijuana, particularly in light of the fact that federal Indian law precludes the state from enforcing its civil regulatory laws in Indian country. Such cooperative agreements will enhance public health and safety, ensure a lawful and well-regulated marijuana market, encourage economic development, and provide fiscal benefits to both the tribes and the state.

NEW SECTION. **Sec.**  A new section is added to chapter 43.06 RCW to read as follows:

(1) The governor may enter into agreements with federally recognized Indian tribes concerning marijuana. Marijuana agreements may address any marijuana-related issue that involves both state and tribal interests or otherwise has an impact on tribal-state relations. Such agreements may include, but are not limited to, the following provisions and subject matter:

(a) Criminal and civil law enforcement;

(b) Regulatory issues related to the commercial production, processing, sale, and possession of marijuana, and processed marijuana products, for both recreational and medical purposes;

(c) Medical and pharmaceutical research involving marijuana;

(d) Taxation;

(e) Any tribal immunities or preemption of state law regarding the production, processing, or marketing of marijuana; and

(f) Dispute resolution, including the use of mediation or other nonjudicial process.

(2) Any marijuana agreement relating to the production, processing, and sale of marijuana in Indian country, whether for recreational or medical purposes, must address the following issues:

(a) Preservation of public health and safety;

(b) Ensuring the security of production, processing, retail, and research facilities; and

(c) Cross-border commerce in marijuana.

(3) The governor may delegate the power to negotiate marijuana agreements to the state liquor control board. In conducting such negotiations, the state liquor control board must, when necessary, consult with the governor and/or the department of revenue.

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

(a) "Indian country" has the same meaning as in RCW 82.24.010.

(b) "Indian tribe" or "tribe" means a federally recognized Indian tribe located within the geographical boundaries of the state of Washington.

(c) "Marijuana" means "marijuana," "marijuana concentrates," "marijuana-infused products," and "useable marijuana," as those terms are defined in RCW 69.50.101.

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

The taxes, fees, assessments, and other charges imposed by this chapter do not apply to commercial activities related to the production, processing, sale, and possession of marijuana, useable marijuana, marijuana concentrates, and marijuana-infused products covered by an agreement entered into under section 1202 of this act.

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

The taxes imposed by this chapter do not apply to the retail sale of marijuana, useable marijuana, marijuana concentrates, and marijuana-infused products covered by an agreement entered into under section 1202 of this act. "Marijuana," "useable marijuana," "marijuana concentrates," and "marijuana-infused products" have the same meaning as defined in RCW 69.50.101.

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

The taxes imposed by this chapter do not apply to the use of marijuana, useable marijuana, marijuana concentrates, and marijuana-infused products covered by an agreement entered into under section 1202 of this act. "Marijuana," "useable marijuana," "marijuana concentrates," and "marijuana-infused products" have the same meaning as defined in RCW 69.50.101.

**Sec.**  RCW 69.50.360 and 2014 c 192 s 5 are each amended to read as follows:

The following acts, when performed by a validly licensed marijuana retailer or employee of a validly licensed retail outlet in compliance with rules adopted by the state liquor control board to implement and enforce chapter 3, Laws of 2013, ((~~shall~~)) do not constitute criminal or civil offenses under Washington state law:

(1) Purchase and receipt of marijuana concentrates, useable marijuana, or marijuana-infused products that have been properly packaged and labeled from a marijuana processor validly licensed under chapter 3, Laws of 2013;

(2) Possession of quantities of marijuana concentrates, useable marijuana, or marijuana-infused products that do not exceed the maximum amounts established by the state liquor control board under RCW 69.50.345(5); ((~~and~~))

(3) Delivery, distribution, and sale, on the premises of the retail outlet, of any combination of the following amounts of marijuana concentrates, useable marijuana, or marijuana-infused product to any person twenty-one years of age or older:

(a) One ounce of useable marijuana;

(b) Sixteen ounces of marijuana-infused product in solid form;

(c) Seventy-two ounces of marijuana-infused product in liquid form; or

(d) Seven grams of marijuana concentrate; and

(4) Purchase and receipt of marijuana concentrates, useable marijuana, or marijuana-infused products that have been properly packaged and labeled from a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under section 1202 of this act.

**Sec.**  RCW 69.50.363 and 2013 c 3 s 16 are each amended to read as follows:

The following acts, when performed by a validly licensed marijuana processor or employee of a validly licensed marijuana processor in compliance with rules adopted by the state liquor control board to implement and enforce chapter 3, Laws of 2013, ((~~shall~~)) do not constitute criminal or civil offenses under Washington state law:

(1) Purchase and receipt of marijuana that has been properly packaged and labeled from a marijuana producer validly licensed under chapter 3, Laws of 2013;

(2) Possession, processing, packaging, and labeling of quantities of marijuana, useable marijuana, and marijuana-infused products that do not exceed the maximum amounts established by the state liquor control board under RCW 69.50.345(4); ((~~and~~))

(3) Delivery, distribution, and sale of useable marijuana or marijuana-infused products to a marijuana retailer validly licensed under chapter 3, Laws of 2013; and

(4) Delivery, distribution, and sale of useable marijuana, marijuana concentrates, or marijuana-infused products to a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under section 1202 of this act.

**Sec.**  RCW 69.50.366 and 2013 c 3 s 17 are each amended to read as follows:

The following acts, when performed by a validly licensed marijuana producer or employee of a validly licensed marijuana producer in compliance with rules adopted by the state liquor control board to implement and enforce chapter 3, Laws of 2013, ((~~shall~~)) do not constitute criminal or civil offenses under Washington state law:

(1) Production or possession of quantities of marijuana that do not exceed the maximum amounts established by the state liquor control board under RCW 69.50.345(3); ((~~and~~))

(2) Delivery, distribution, and sale of marijuana to a marijuana processor or another marijuana producer validly licensed under chapter 3, Laws of 2013; and

(3) Delivery, distribution, and sale of marijuana or useable marijuana to a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under section 1202 of this act.

**PART XIII**

**Preemption and Public Vote**

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

(1) Except as provided in subsections (2) through (6) of this section, no city, town, or county may enact or enforce a moratorium or prohibition on the production, processing, researching, or retail sale of marijuana under this chapter.

(2)(a) Any registered voter of a city, town, or county may submit a petition calling for the city, town, or county to prohibit the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana under this chapter. The petition must be signed by thirty percent or more of the voters of the jurisdiction and must be filed with the legislative authority of the applicable city, town, or county. With respect to petitions to be filed with a county under this subsection, only registered voters in the unincorporated area of the county may initiate and sign the petition.

(b) If the legislative authority determines the petition to be sufficient, it must, within sixty days of determining the petition to be sufficient, hold a public hearing on the petition and an implementing ordinance. Following the public hearing, the legislative authority of the city, town, or county must submit the question of prohibiting siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana products under this chapter to the voters of the jurisdiction at a general election.

(c) If a majority of the voters of the city, town, or county voting in the election approve the prohibition, the prohibition will take effect on the date specified in the petition. If no effective date is specified in the petition, the prohibition takes effect sixty days after the election.

(3) As an alternative to the petition process established in subsection (1) of this section, the legislative authority of any city, town, or county may initiate an ordinance provided for in subsection (1) of this section by submitting a ballot proposition at a general election prohibiting the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana under this chapter. If a majority of the voters of the county, city, or town voting in the election approve the prohibition, the prohibition takes effect on the date specified in the ballot proposition. If no effective date is specified in the ballot proposition, the prohibition takes effect sixty days after the election.

(4) With respect to a county enacting an ordinance under this section, the ordinance may only apply to unincorporated areas of the county. No voters within the boundaries of an incorporated city or town may participate in a county election under this section.

(5) Following the passage of an ordinance under subsections (1) and (2) of this section, the state liquor control board may not issue or renew any license under RCW 69.50.325 or section 1001 of this act for the production, processing, researching, or retail sale of marijuana with respect to businesses that are either located or proposed to be located within an area subject to the ordinance.

(6) The legislative authority of a city, town, or county may, by ordinance, repeal a prohibition enacted under this section not less than two years after the prohibition's effective date. After a repeal under this subsection, the state liquor control board may issue and renew licenses under RCW 69.50.325 or section 1001 of this act within the area that had been subject to a prohibition.

(7) Nothing in this section may be construed to extend powers to cities, towns, or counties beyond the power to prohibit the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana.

NEW SECTION. **Sec.**  A new section is added to chapter 36.01 RCW to read as follows:

Notwithstanding any other provision of law, counties also have the authority granted in section 1301 of this act to prohibit by ordinance the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana under chapter 69.50 RCW.

NEW SECTION. **Sec.**  A new section is added to chapter 35.21 RCW to read as follows:

Notwithstanding any other provision of law, cities and towns also have the authority granted in section 1301 of this act to prohibit by ordinance the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana under chapter 69.50 RCW.

NEW SECTION. **Sec.**  A new section is added to chapter 35A.21 RCW to read as follows:

Notwithstanding any other provision of law, code cities also have the authority granted in section 1301 of this act to prohibit by ordinance the siting or operation of any business or facility to be used for the production, processing, researching, or retail sale of marijuana under chapter 69.50 RCW.

**PART XIV**

**Miscellaneous Provisions**

**Sec.**  RCW 69.50.342 and 2013 c 3 s 9 are each amended to read as follows:

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

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

(2) The books and records to be created and maintained by licensees, the reports to be made thereon to the state liquor ((~~control~~)) and cannabis board, and inspection of the books and records;

(3) Methods of producing, processing, and packaging marijuana, useable marijuana, and marijuana-infused products; conditions of sanitation; and standards of ingredients, quality, and identity of marijuana, useable marijuana, and marijuana-infused products produced, processed, packaged, or sold by licensees;

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

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

(6) Retail outlet locations and hours of operation;

(7) Labeling requirements and restrictions on advertisement of marijuana, useable marijuana, ((~~and~~)) marijuana concentrates, marijuana-infused products, and cannabis health and beauty aids;

(8) Forms to be used for purposes of chapter 3, Laws of 2013 or the rules adopted to implement and enforce it, the terms and conditions to be contained in licenses issued under chapter 3, Laws of 2013, and the qualifications for receiving a license issued under chapter 3, Laws of 2013, including a criminal history record information check. The state liquor ((~~control~~)) and cannabis board may submit any criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The state liquor ((~~control~~)) and cannabis board ((~~shall~~)) must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation;

(9) Application, reinstatement, and renewal fees for licenses issued under chapter 3, Laws of 2013, and fees for anything done or permitted to be done under the rules adopted to implement and enforce chapter 3, Laws of 2013;

(10) The manner of giving and serving notices required by chapter 3, Laws of 2013 or rules adopted to implement or enforce it;

(11) Times and periods when, and the manner, methods, and means by which, licensees ((~~shall~~)) must transport and deliver marijuana, useable marijuana, and marijuana-infused products within the state;

(12) Identification, seizure, confiscation, destruction, or donation to law enforcement for training purposes of all marijuana, useable marijuana, and marijuana-infused products produced, processed, sold, or offered for sale within this state which do not conform in all respects to the standards prescribed by chapter 3, Laws of 2013 or the rules adopted to implement and enforce it: PROVIDED, That nothing in chapter 3, Laws of 2013 ((~~shall~~)) may be construed as authorizing the state liquor ((~~control~~)) and cannabis board to seize, confiscate, destroy, or donate to law enforcement marijuana, useable marijuana, or marijuana-infused products produced, processed, sold, offered for sale, or possessed in compliance with the Washington state medical use of cannabis act, chapter 69.51A RCW.

NEW SECTION. **Sec.**  RCW 69.50.425 (Misdemeanor violations—Minimum penalties) and 2002 c 175 s 44 & 1989 c 271 s 105 are each repealed.

**Sec.**  RCW 66.08.012 and 2012 c 117 s 265 are each amended to read as follows:

There shall be a board, known as the "Washington state liquor ((~~control~~)) and cannabis board," consisting of three members, to be appointed by the governor, with the consent of the senate, who ((~~shall~~)) must each be paid an annual salary to be fixed by the governor in accordance with the provisions of RCW 43.03.040. The governor may, in his or her discretion, appoint one of the members as chair of the board, and a majority of the members ((~~shall~~)) constitutes a quorum of the board.

NEW SECTION. **Sec.**  (1) Subject to appropriation, if, in addition to any distributions required by section 206 of this act, funding of at least six million dollars per fiscal year for fiscal years 2016 and 2017 is not provided by June 30, 2015, in the omnibus appropriations act for distribution to local governments for marijuana enforcement, this section is null and void. The appropriation in the omnibus appropriations act must reference this section by bill and section number. Distributions to local governments are based on the distribution formula in subsection (2) of this section.

(2)(a) The distribution amount allocated to each county, including the portion for eligible cities within the county, is ratably based on the total amount of taxable sales of marijuana products subject to the marijuana excise tax under RCW 69.50.535 in the prior fiscal year within the county, including all taxable sales attributable to the incorporated areas within the county. Distribution amounts allocated to each county, and eligible cities within the county, must be distributed in four installments by the last day of each fiscal quarter as follows.

(b) Sixty percent must be distributed to each county, except where there is no eligible city with taxable sales of marijuana products in the prior fiscal year, in which case the county must receive one hundred percent of the distribution amount allocated to the county as determined in (a) of this subsection. A county in which the producing, processing, or retailing of marijuana products is prohibited in the unincorporated area of the county is not entitled to a distribution and the distribution amount must be distributed instead to the eligible cities within the county as provided in (c) of this subsection.

(c) After making any distribution to counties as provided in (b) of this subsection, the treasurer must distribute the remaining amount to eligible cities within the counties. The share to each eligible city within a county must be determined by a division among the eligible cities within each county ratably based on total sales, from the prior fiscal year, of all marijuana products subject to the marijuana excise tax under RCW 69.50.535 within the boundaries of each eligible city located within the county. "Eligible city" means any city or town in which sales of marijuana products are attributable to a marijuana retailer, as defined in RCW 69.50.101, located within the boundaries of the city or town.

(d) By September 15th of each year, the state liquor and cannabis board must provide the state treasurer the annual distribution amount, if any, for each county and city as determined in subsection (2) of this section.

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

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

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

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