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**HOUSE BILL 1667**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Representatives Appleton, Ryu, Blake, Van Werven, Peterson, Chapman, Tharinger, and Ortiz-Self

AN ACT Relating to marijuana tax reform; adding new sections to chapter 69.50 RCW; repealing RCW 82.08.9998 and 82.12.9998; providing an effective date; and declaring an emergency.

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

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

(1) The tax levied by RCW 69.50.535 does not apply to:

(a) Sales of marijuana concentrates, useable marijuana, or marijuana-infused products, identified by the department of health under RCW 69.50.375 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 69.50.375 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.280;

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

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

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

(a) "Board," "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.

(b) "Cooperative" means a cooperative authorized by and operating in compliance with RCW 69.51A.250.

(c) "Marijuana retailer with a medical marijuana endorsement" means a marijuana retailer permitted under RCW 69.50.375 to sell marijuana for medical use to qualifying patients and designated providers.

(d) "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.

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

(1) A tax is imposed on each sale at wholesale of any hydrocarbon gas-based solvent that is purchased by a licensed marijuana processor to extract or separate resin from marijuana or to produce or process any form of marijuana concentrates or marijuana-infused products. The rate of the tax is equal to thirty-seven percent of the wholesale selling price on each sale.

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

(a) "Hydrocarbon gas-based solvent" means any hydrocarbon gas-based solvent allowed by the liquor and cannabis board to be used by licensed marijuana processors in the processing of marijuana extracts.

(b) "Licensed marijuana processor" "marijuana concentrates" and "marijuana-infused products" have the same meanings as provided in RCW 69.50.101.

(3) Moneys collected under this section must be deposited into the marijuana processing impact account created in section 3 of this act.

(4) The tax imposed in this section must be paid by the buyer to the wholesaler and each wholesaler must collect from the buyer the full amount of the tax payable in respect to each taxable scale. Regardless of the obligation to collect the tax from the buyer, the wholesaler is liable to the state for the amount of the tax. The tax required to be collected by the wholesaler must be stated separately from the selling price in any sales invoice or other instrument of sale. The amount of tax required to be collected under this section constitutes a debt from the buyer to the wholesaler until paid by the buyer to the wholesaler.

(5) The board may adopt rules as necessary to implement this section.

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

(1) The marijuana processing impact account is created in the state treasury. All moneys received by the tax established in section 2 of this act must be deposited in the account. Moneys in the account may only be spent after appropriation.

(2) The legislature must annually appropriate moneys in the marijuana processing impact account created by this section as follows:

(a) Fifty percent to the department of agriculture for the purposes of waste disposal;

(b) Fifty percent for distribution to counties, cities, and towns as follows:

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

(ii) Seventy percent must be distributed to counties, cities, and towns ratably on a per capita basis. Counties must receive sixty percent of the distribution, which must be disbursed based on each county'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.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1)RCW 82.08.9998 (Exemptions—Marijuana concentrates, useable marijuana, or marijuana-infused products beneficial for medical use—Products containing THC) and 2015 2nd sp.s. c 4 s 207; and

(2)RCW 82.12.9998 (Exemptions—Marijuana concentrates, useable marijuana, or marijuana-infused products beneficial for medical use—Products containing THC) and 2015 2nd sp.s. c 4 s 208.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2017.

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