

Consumer Protection & Business Committee

HB 1346

Brief Description: Removing cannabis industry barriers.

Sponsors: Representatives Hackney, Waters, Reeves, Walen, Springer and Hill.

Brief Summary of Bill

- Authorizes out-of-state ownership of licensed cannabis businesses.
- Modifies requirements about who must qualify for and be named on a cannabis license so that, generally, a natural person holding an ownership interest of 10 percent or less of the entity is not required to qualify for or be named on the license, subject to requirements.
- Authorizes the Liquor and Cannabis Board (LCB) to impose additional licensing fees to recover costs incurred from investigating a nonresident required to be investigated.
- Requires the LCB to suspend the license of a cannabis producer if no activity was recorded on the license during a recent period of time, and requires the LCB to reissue the license if certain conditions are met.

Hearing Date: 2/4/25

Staff: Peter Clodfelter (786-7127).

Background:

Washington Initiative 502, passed in 2012, is administered to require all owners of licensed cannabis businesses to have lawfully resided in Washington for at least six months prior to

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applying for a cannabis license from the Liquor and Cannabis Board (LCB). Additionally, no cannabis license may be issued to a person under the age of 21 years, or to a partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under Washington law and unless all of the members are qualified to obtain a license. If a manager or agent conducts the business of a licensed cannabis establishment, the manager or agent must possess the same qualifications required of the licensee.

To apply for a cannabis producer, processor, or retailer license there is a \$250 application fee, plus fees equivalent to \$1,381 for license issuance and annually for license renewal. When an application for a cannabis license is submitted to the LCB, the LCB may inspect the premises proposed to be licensed, and may inquire into all matters in connection with the construction and operation of the premises. The LCB conducts a financial investigation to determine the source of funds as well as a criminal history record information check. The LCB is not currently accepting applications for new cannabis producer, processor, or retailer licenses, other than at certain times through the Cannabis Social Equity Program.

In the Uniform Business Organizations Code, the word "entity" is defined as a business corporation, a nonprofit corporation, a limited liability partnership, a limited partnership, a limited liability company, or a general cooperative association. Additionally, the word "interest" means a share in a business corporation, a membership or share in a nonprofit corporation, a partnership interest in a limited liability partnership, a partnership interest in a limited partnership, a limited liability company interest, or a share or membership in a general cooperative association.

The Secretary of State issues a certificate of registration to foreign entities registered in Washington. A certificate of registration contains information including the foreign entity's name, as well as statements such as that the entity is registered to do business in Washington and that the most recent annual report has been delivered to the Secretary of State for filing. A certificate of registration issued by the Secretary of State may be relied upon as conclusive evidence of the facts stated in the certificate, and that as of the date of its issuance, in the case of a foreign entity, it is registered and authorized to do business in Washington.

Summary of Bill:

Cannabis licensing requirements are modified so a person is not required to be a Washington resident and an entity with a certificate of registration is not required to be formed under Washington law to qualify for a cannabis license, subject to the following requirements:

- A natural person holding an ownership interest of more than 10 percent in the entity must qualify for and be named on the license.
- Except as provided below, a natural person holding an ownership interest of 10 percent or less in the entity is not required to qualify for or be named on the license.
- If no natural person holds an ownership interest of more than 10 percent in the entity, the natural person with the largest ownership interest must qualify for and be named on the license.

- Directors of the entity must possess the same qualifications required of the licensee.
- The identification of a natural person holding an ownership interest of 10 percent or less but more than 1 percent in the entity, who is not otherwise required to qualify for and be named on the license, must be disclosed to the LCB.

The LCB may impose additional licensing fees to recover additional costs incurred from investigating a nonresident required to be investigated. If, after reasonable efforts, the LCB is unable to investigate a nonresident required to be investigated, in accordance with the investigatory standards applicable to the investigation of a state resident, the LCB may deny a license or license renewal to an entity.

The LCB must suspend a cannabis producer's license if no activity has been recorded on the license between July 1, 2023, and December 31, 2024. A cannabis producer's license must be reissued to the licensee when federal law allows for the interstate transfer of cannabis between authorized cannabis-related businesses, or the US Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses. For purposes of the license suspensions, the term "no activity" refers to a cannabis producer's license with a unified business identifier number under which no business activity has been reported to the Department of Revenue.

Appropriation: None.

Fiscal Note: Requested on January 15, 2025.

Effective Date: The bill takes effect on January 1, 2026.