HOUSE BILL REPORT
EHB 2681

As Passed Legislature

Title: An act relating to cannabis producer, processor, and retailer license fees.

Brief Description: Concerning cannabis license fees.

Sponsors: Representative Ormsby; by request of Office of Financial Management.

Brief History:
Committee Activity:
Appropriations: 2/5/26, 2/7/26 [DP].
Floor Activity:
Passed House: 2/28/26, 52-42.
Passed Senate: 3/11/26, 29-20.
Passed Legislature.

Brief Summary of Engrossed Bill

- Increases the fees for cannabis producer, processor, and retail licenses from $1,381 to $1,781.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 18 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Springer, Stonier, Street and Thai.

Minority Report: Do not pass. Signed by 9 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Dye, Keaton, Manjarrez and Marshall.

Staff: Matt Mazur-Hart (786-7139).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

A cannabis producer license is required to produce and harvest cannabis and sell it to other licensed producers and processors. A separate license is required for each location where a business produces cannabis. The annual fee for a cannabis producer license is $1,381.

A cannabis processor license is required to process, package, and label cannabis and sell it to other licensed processors and retailers. A separate license is required for each location where a business processes cannabis. The annual fee for a cannabis processor license is $1,381.

A cannabis retail license is required to sell cannabis at retail. A separate license is required for each location where a business sells cannabis. The annual fee for a cannabis retail license is $1,381.

Summary of Engrossed Bill:

The annual fees for cannabis producer, processor, and retail licenses are increased from $1,381 to $1,781.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill will more closely align the cost of license fees with the Liquor and Cannabis Board's (LCB's) cost of regulating cannabis. The license fees have not been increased since 2018, so this bill attempts to account for the cost increases since 2018. The bill also adds an adjustment for inflation to make sure that future license fees align with the LCB's costs.

Washington has some of the lowest license fees nationwide, making this a justifiable increase. However, the ongoing automatic inflation adjustments are not recommended because industry sales are volatile and the market does not always experience steady growth. Also, while social equity licensees are temporarily exempt from the fees, that should be a permanent exemption.

(Opposed) Washington is the highest-taxed state for cannabis in the entire country and we are continually losing market share to the illicit market. There are a complex set of regulations that licensees must adhere to. Instead of further driving up costs for the

industry, we should be looking at streamlining regulations.

In addition to these annual fees, cannabis licensees also have other miscellaneous fees that they sometimes must pay. There is a $250 application fee, for example, and in 2017 licensees had to pay a one-time $480 traceability surcharge. Rather than increasing fees, it would be better to focus on reforming and improving operational efficiency at the LCB.

(Other) Increasing the license fees could make sense, but it would be better to tie the amount of the increase to the size of the business, as measured by their recent revenue collections. This would also align with other states where larger businesses have larger licensing fees.

The Consumer Price Index should not be used to measure fee increases. The LCB is not a consumer of consumer goods, so that measure is not very appropriate. A flat percentage increase each year would be better.

Persons Testifying: (In support) Representative Timm Ormsby, prime sponsor; Sheri Sawyer, Office of Financial Management; and Paula Fillmore-Sardinas, FMSGS and WBBA.

(Opposed) Ezra Eickmeyer, Producers NW; and Caitlein Ryan, THE CANNABIS ALLIANCE.

(Other) Micah Sherman.

Persons Signed In To Testify But Not Testifying: None.