

SENATE BILL REPORT

SB 5403

As of January 27, 2025

Title: An act relating to supporting a sustainable cannabis industry by allowing direct to consumer sales of certain cannabis products.

Brief Description: Allowing direct to consumer sales of certain cannabis products.

Sponsors: Senators Saldaña, Krishnadasan and Nobles.

Brief History:

Committee Activity: Labor & Commerce: 1/27/25.

Brief Summary of Bill

- Authorizes licensed cannabis producers and processors to sell cannabis flower directly to consumers if sales are limited to cannabis flower produced by the licensee and sales comply with specified limits.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Marlon Llanes (786-7423)

Background: The Liquor and Cannabis Board (LCB) issues commercial cannabis licenses for producers, processors, and retailers. A licensed producer may produce cannabis for sale to cannabis processors, producers, or other specified parties. A licensed processor may process, package, and label cannabis concentrates, useable cannabis, and cannabis-infused products for sale to cannabis processors and retailers.

The sale of cannabis is subject to a cannabis excise tax equal to 37 percent of the selling price of cannabis concentrates, useable cannabis, and cannabis-infused products. The tax must be reflected in the price list or quoted shelf price in the licensed cannabis retail store and in any advertising that includes prices for cannabis products.

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.

A person 21 years of age or older may legally purchase and possess the following types and amounts of cannabis products:

- one ounce of useable cannabis;
- 16 ounces of cannabis-infused product in solid form;
- 72 ounces of cannabis-infused product in liquid form;
- 200 milligrams of THC within a cannabis-infused product in liquid form; or
- seven grams of cannabis concentrate.

Summary of Bill: A cannabis producer licensee may sell cannabis flower directly to consumers if sales are limited to cannabis flower produced and processed by the licensee at the licensee's location and the sale complies with limits on the types and amounts of cannabis an adult can legally purchase.

A cannabis processor licensee may sell cannabis flower directly to consumers if sales are limited to cannabis flower produced within the licensed business entity and the sale complies with limits on the types and amounts of cannabis an adult can legally purchase.

LCB may adopt rules on security and operational requirements for direct to consumer sales, but any requirements adopted by rule may not be more stringent than those imposed on a cannabis retailer licensee.

The cannabis excise tax must be reflected in the price list, quoted shelf price, or in any advertising that includes prices for all cannabis flower sold directly to consumers.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Growers are struggling because sales prices and consumer participation are decreasing. This bill would increase tax revenue and reduce black market sales. Direct to consumer sales allow farms to educate consumers about cannabis. Cannabis businesses have been abiding by security regulations and can continue to do so for direct sales. Growers need the ability to generate independent revenue. There is a need for diversity in the marketplace.

CON: The bill is opening the door to vertical integration. This bill would fundamentally change the cannabis market. There are better alternatives to help small growers. The bill only benefits some growers and puts pressure on small retailers. This bill would increase access to cannabis for youth and may have unintended consequences. The Legislature should consider funding a study as an alternative.

OTHER: Washington is the only state with legal cannabis that still prohibits direct sales. The current market is inequitable. Growers are forced to make decisions based on the bottom line, rather than focusing on sustainable practices, community relationships, or innovation. The bill's definitions are too vague. A social equity component should be included in the bill.

Persons Testifying: PRO: Senator Rebecca Saldaña, Prime Sponsor; Micah Sherman, Raven; Tamara Weinmann, 13300 SE 30th st unit 101; Benjamin Ogren, The People of this great state; Douglas Henderson, Painted Rooster; Rebeca Potasnik; Scott Mckinley, The Cantanna Festival; Joshua Sheets; Ann'ette Pedigo, Cedar Creek Cannabis ; Nichole Graf; Caitlein Ryan, THE CANNABIS ALLIANCE; Rian Takahashi; RYAN SEVIGNY; Brendon Weinmann, 30th Street Productions; Jeremy Careaga ; Anthony Covos-Golden.

CON: Megan Moore, WA State Public Health Association; TRENT MATSON, Washington Cannabis Licensees Association; Scott Waller, WASAVP - Washington Association for Substance misuse and Violence Prevention ; Brooke Davies, Washington CannaBusiness Association.

OTHER: Beau Whitney, Whitney Economics; Kelsey Taylor, Walden; Peter Manning, Black Excellence in Cannabis; Mike Asai, Black Excellence In Cannabis.

Persons Signed In To Testify But Not Testifying: No one.