

# SENATE BILL REPORT

## SB 5456

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As of February 16, 2025

**Title:** An act relating to removing barriers to the responsible growth of Washington's cannabis industry by removing restrictions on investing in Washington cannabis businesses, modifying which owners must qualify for and be named on a cannabis license, authorizing additional fees, and providing for the suspension of inactive cannabis producer licenses.

**Brief Description:** Removing cannabis industry barriers.

**Sponsors:** Senators Stanford, MacEwen and Nobles.

**Brief History:**

**Committee Activity:** Labor & Commerce: 2/17/25.

**Brief Summary of Bill**

- Allows a nonresident and out-of-state business entity to qualify for a cannabis license, subject to certain requirements.
- Authorizes the Liquor and Cannabis Board (LCB) to impose additional licensing fees to recover costs incurred from investigating a nonresident.
- Requires LCB to suspend the license of a cannabis producer if no activity was recorded on the license during a specified period of time.

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### SENATE COMMITTEE ON LABOR & COMMERCE

**Staff:** Marlon Llanes (786-7423)

**Background:** Current law requires a sole proprietor, or small business owner, to lawfully reside in Washington for at least six months before applying for a cannabis license from the Liquor and Cannabis Board (LCB). Certain business entities with qualified members must be formed under the laws of the state to qualify for a cannabis license.

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*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.*

An applicant for a cannabis producer, processor, or retailer license must pay a \$250 application fee. If approved, a licensee must pay license issuance and renewal fees amounting to \$1,381.

When considering a cannabis license application, LCB may inspect the proposed premises and inquire into all matters related to the construction and operation of the premises. LCB may verify the source of the funds used by an applicant to acquire or start a business, and conduct a criminal history record information check.

LCB is currently not accepting new applications for cannabis producer, processor, or retailer licenses, except under a Social Equity Program.

The secretary of state issues a certificate of registration to foreign entities registered in Washington. A certificate of registration lists the foreign entity's name and confirms the entity is registered to do business in the state and has filed a specified annual report. A certificate of registration may be relied upon as conclusive evidence of the facts stated in the certificate, including whether a foreign entity is registered and authorized to do business in the state.

**Summary of Bill:** Cannabis licensing requirements are modified so a sole proprietor is not required to be a Washington resident and a specified business 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;
- unless a natural person does not hold an ownership interest of more than 10 percent, 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 a natural person does not hold an ownership interest of more than 10 percent, 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; and
- 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 LCB.

LCB may impose additional licensing fees to recover costs incurred from investigating a nonresident required to be investigated. If, after reasonable efforts, 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, LCB may deny a license or renewal to an entity.

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. No activity means business activity has not been reported to the Department of Revenue for a cannabis producer's license with a unified business identifier number. 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 United States Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses.

Definitions. Entity means a business corporation, nonprofit corporation, limited liability partnership, limited partnership, limited liability company, general cooperative association, or limited cooperative association. Interest means a share in a business corporation, membership in a nonprofit corporation, share in a nonprofit corporation formed under specified law, partnership interest in a limited liability partnership, partnership interest in a limited partnership, limited liability company interest, share or membership in a general cooperative association, or member's interest in a limited cooperative association.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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