
HOUSE BILL 2037

State of Washington

69th Legislature

2025 Regular Session

By Representative Morgan

1 AN ACT Relating to modernizing adult use cannabis laws; amending
2 RCW 69.50.325, 69.50.331, 19.86.070, and 24.34.010; adding new
3 sections to chapter 82.04 RCW; creating new sections; and providing
4 expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
7 state, being one of the first two states in the nation to legalize
8 cannabis for adult use, has a mature cannabis industry that has
9 earned its position as a national leader in industry efficiencies,
10 product and brand development, and longevity of active operations.

11 (2) The legislature recognizes that Washington's licensed
12 cannabis industry's tax revenues now provide over two percent of the
13 state's operating budget.

14 (3) The legislature also recognizes that when the United States
15 federal government deschedules or reschedules cannabis, interstate
16 commerce for cannabis sales will become inevitable under federal law
17 and Washington's licensed cannabis industry will be forced to compete
18 in national markets.

19 (4) The legislature finds that social equity applicants seeking
20 licensure under the cannabis social equity program have discovered
21 that it is desperately difficult or even impossible to find funding

1 to open licensed cannabis operations. Restrictions against out-of-
2 state investors have effectively blocked these applicants from
3 attracting sufficient investors and have been highlighted as major
4 barriers to the success of the program.

5 (5) The legislature recognizes that Washington's licensed
6 cannabis industry has been restricted by a state residency
7 requirement for licensees, blocking access to investors from other
8 states, thus putting Washington cannabis licensees at a disadvantage
9 compared to licensees in other states, almost none of which have such
10 barriers to investment capital from other states.

11 (6) The legislature finds that people from many low-income and
12 minority areas do not have the same access to investment capital to
13 start businesses, thus denying certain demographics from achieving
14 generational wealth.

15 (7) The legislature acknowledges that residency requirements for
16 licensing do not exist in any other industry and is in direct
17 conflict with the dormant commerce clause of the United States
18 Constitution.

19 (8) The legislature finds that it is urgent and critical to
20 eliminate the state's residency requirement while also providing tax
21 incentives to investors to attract investments for social equity
22 applicants.

23 (9) The legislature further finds that granting a time-limited
24 tax exemption from the business and occupation tax for cannabis
25 producers, processors, and retailers licensed through the cannabis
26 social equity program, while these licensees start their businesses
27 in the established market, will reduce the unique barriers these
28 businesses are facing relative to other businesses outside and within
29 the licensed cannabis industry. Additionally, also granting a time-
30 limited tax exemption from the business and occupation tax for
31 cannabis producers, processors, and retailers who obtain their
32 license by transfer or assumption of a licensee in the cannabis
33 social equity program, or from a licensee who was transferred or
34 assumed a license from such a licensee, when the new owner or group
35 of owners also meets the social equity applicant criteria, will
36 similarly reduce the unique barriers these businesses will face
37 relative to other businesses outside and within the licensed cannabis
38 industry and will support the goals of the cannabis social equity
39 program.

1 **Sec. 2.** RCW 69.50.325 and 2022 c 16 s 54 are each amended to
2 read as follows:

3 (1) There shall be a cannabis producer's license regulated by the
4 board and subject to annual renewal. The licensee is authorized to
5 produce: (a) Cannabis for sale at wholesale to cannabis processors
6 and other cannabis producers; (b) immature plants or clones and seeds
7 for sale to cooperatives as described under RCW 69.51A.250; and (c)
8 immature plants or clones and seeds for sale to qualifying patients
9 and designated providers as provided under RCW 69.51A.310. The
10 production, possession, delivery, distribution, and sale of cannabis
11 in accordance with the provisions of this chapter and the rules
12 adopted to implement and enforce it, by a validly licensed cannabis
13 producer, shall not be a criminal or civil offense under Washington
14 state law. Every cannabis producer's license shall be issued in the
15 name of the applicant, shall specify the location at which the
16 cannabis producer intends to operate, which must be within the state
17 of Washington, and the holder thereof shall not allow any other
18 person to use the license. The application fee for a cannabis
19 producer's license shall be (~~two hundred fifty dollars~~) \$250. The
20 annual fee for issuance and renewal of a cannabis producer's license
21 shall be (~~one thousand three hundred eighty-one dollars~~) \$1,381,
22 except the annual renewal fee is \$1,657 for a cannabis producer's
23 license at the next renewal after the licensee submits a change of
24 ownership to the board for an owner who does not lawfully reside in
25 Washington and the board approves of the ownership change, and the
26 annual fee for issuance of a new cannabis producer's license after
27 the effective date of this section is \$1,657 if an owner does not
28 lawfully reside in Washington. A separate license shall be required
29 for each location at which a cannabis producer intends to produce
30 cannabis. Licensed cannabis producers may form agricultural
31 organizations and associations and engage in activities as provided
32 in RCW 19.86.070 and 24.34.010.

33 (2) There shall be a cannabis processor's license to process,
34 package, and label cannabis concentrates, useable cannabis, and
35 cannabis-infused products for sale at wholesale to cannabis
36 processors and cannabis retailers, regulated by the board and subject
37 to annual renewal. The processing, packaging, possession, delivery,
38 distribution, and sale of cannabis, useable cannabis, cannabis-
39 infused products, and cannabis concentrates in accordance with the
40 provisions of this chapter and chapter 69.51A RCW and the rules

1 adopted to implement and enforce these chapters, by a validly
2 licensed cannabis processor, shall not be a criminal or civil offense
3 under Washington state law. Every cannabis processor's license shall
4 be issued in the name of the applicant, shall specify the location at
5 which the licensee intends to operate, which must be within the state
6 of Washington, and the holder thereof shall not allow any other
7 person to use the license. The application fee for a cannabis
8 processor's license shall be (~~two hundred fifty dollars~~) \$250. The
9 annual fee for issuance and renewal of a cannabis processor's license
10 shall be (~~one thousand three hundred eighty-one dollars~~) \$1,381,
11 except the annual renewal fee is \$1,657 for a cannabis processor's
12 license at the next renewal after the licensee submits a change of
13 ownership to the board for an owner who does not lawfully reside in
14 Washington and the board approves of the ownership change, and the
15 annual fee for issuance of a new cannabis processor's license after
16 the effective date of this section is \$1,657 if an owner does not
17 lawfully reside in Washington. A separate license shall be required
18 for each location at which a cannabis processor intends to process
19 cannabis.

20 (3) (a) There shall be a cannabis retailer's license to sell
21 cannabis concentrates, useable cannabis, and cannabis-infused
22 products at retail in retail outlets, regulated by the board and
23 subject to annual renewal. The possession, delivery, distribution,
24 and sale of cannabis concentrates, useable cannabis, and cannabis-
25 infused products in accordance with the provisions of this chapter
26 and the rules adopted to implement and enforce it, by a validly
27 licensed cannabis retailer, shall not be a criminal or civil offense
28 under Washington state law. Every cannabis retailer's license shall
29 be issued in the name of the applicant, shall specify the location of
30 the retail outlet the licensee intends to operate, which must be
31 within the state of Washington, and the holder thereof shall not
32 allow any other person to use the license. The application fee for a
33 cannabis retailer's license shall be (~~two hundred fifty dollars~~)
34 \$250. The annual fee for issuance and renewal of a cannabis
35 retailer's license shall be (~~one thousand three hundred eighty-one~~
36 ~~dollars~~) \$1,381, except the annual renewal fee is \$1,657 for a
37 cannabis retailer's licensee at the next renewal after the licensee
38 submits a change of ownership to the board for an owner who does not
39 lawfully reside in Washington and the board approves of the ownership
40 change, and the annual fee for issuance of a new cannabis retailer's

1 license after the effective date of this section is \$1,657 if an
2 owner does not lawfully reside in Washington. A separate license
3 shall be required for each location at which a cannabis retailer
4 intends to sell cannabis concentrates, useable cannabis, and
5 cannabis-infused products.

6 (b) (i) An individual retail licensee and all other persons or
7 entities with a financial or other ownership interest in the business
8 operating under the license are limited, in the aggregate, to holding
9 a collective total of not more than five retail cannabis licenses.

10 (ii) A retail licensee and all other persons or entities with a
11 financial or other ownership interest may not enter into any
12 agreement as referenced in RCW 69.50.395 that confers a financial
13 interest across more than five retail cannabis licenses. For the
14 purposes of this subsection, "financial interest" means negotiating
15 or coordinating purchases of cannabis products, any operational
16 control over the business, sharing profits or revenue, sharing
17 marketing and advertising costs, or sharing employment and hiring
18 decisions.

19 (c) (i) A cannabis retailer's license is subject to forfeiture in
20 accordance with rules adopted by the board pursuant to this section.

21 (ii) The board shall adopt rules to establish a license
22 forfeiture process for a licensed cannabis retailer that is not fully
23 operational and open to the public within a specified period from the
24 date of license issuance, as established by the board, subject to the
25 following restrictions:

26 (A) No cannabis retailer's license may be subject to forfeiture
27 within the first nine months of license issuance; and

28 (B) The board must require license forfeiture on or before
29 twenty-four calendar months of license issuance if a cannabis
30 retailer is not fully operational and open to the public, unless the
31 board determines that circumstances out of the licensee's control are
32 preventing the licensee from becoming fully operational and that, in
33 the board's discretion, the circumstances warrant extending the
34 forfeiture period beyond twenty-four calendar months.

35 (iii) The board has discretion in adopting rules under this
36 subsection (3) (c).

37 ~~(iv) ((This subsection (3) (c) applies to cannabis retailer's~~
38 ~~licenses issued before and after July 23, 2017. However, no license~~
39 ~~of a cannabis retailer that otherwise meets the conditions for~~
40 ~~license forfeiture established pursuant to this subsection (3) (c) may~~

1 ~~be subject to forfeiture within the first nine calendar months of~~
2 ~~July 23, 2017.~~

3 (v)) The board may not require license forfeiture if the
4 licensee has been incapable of opening a fully operational retail
5 cannabis business due to actions by the city, town, or county with
6 jurisdiction over the licensee that include any of the following:

7 (A) The adoption of a ban or moratorium that prohibits the
8 opening of a retail cannabis business; or

9 (B) The adoption of an ordinance or regulation related to zoning,
10 business licensing, land use, or other regulatory measure that has
11 the effect of preventing a licensee from receiving an occupancy
12 permit from the jurisdiction or which otherwise prevents a licensed
13 cannabis retailer from becoming operational.

14 (d) The board may issue cannabis retailer licenses pursuant to
15 this chapter and RCW 69.50.335.

16 **Sec. 3.** RCW 69.50.331 and 2023 c 220 s 2 are each amended to
17 read as follows:

18 (1) For the purpose of considering any application for a license
19 to produce, process, research, transport, or deliver cannabis,
20 useable cannabis, cannabis concentrates, or cannabis-infused products
21 subject to the regulations established under RCW 69.50.385, or sell
22 cannabis, or for the renewal of a license to produce, process,
23 research, transport, or deliver cannabis, useable cannabis, cannabis
24 concentrates, or cannabis-infused products subject to the regulations
25 established under RCW 69.50.385, or sell cannabis, the board must
26 conduct a comprehensive, fair, and impartial evaluation of the
27 applications timely received.

28 (a) The board may cause an inspection of the premises to be made,
29 and may inquire into all matters in connection with the construction
30 and operation of the premises. For the purpose of reviewing any
31 application for a license and for considering the denial, suspension,
32 revocation, cancellation, or renewal or denial thereof, of any
33 license, the board may consider any prior criminal arrests or
34 convictions of the applicant, any public safety administrative
35 violation history record with the board, and a criminal history
36 record information check. The board may submit the criminal history
37 record information check to the Washington state patrol and to the
38 identification division of the federal bureau of investigation in
39 order that these agencies may search their records for prior arrests

1 and convictions of the individual or individuals who filled out the
2 forms. The board must require fingerprinting of any applicant whose
3 criminal history record information check is submitted to the federal
4 bureau of investigation. The provisions of RCW 9.95.240 and of
5 chapter 9.96A RCW do not apply to these cases. Subject to the
6 provisions of this section, the board may, in its discretion, grant
7 or deny the renewal or license applied for. Denial may be based on,
8 without limitation, the existence of chronic illegal activity
9 documented in objections submitted pursuant to subsections (7)(c) and
10 (10) of this section. Authority to approve an uncontested or
11 unopposed license may be granted by the board to any staff member the
12 board designates in writing. Conditions for granting this authority
13 must be adopted by rule.

14 (b) No license of any kind may be issued to:

15 (i) A person under the age of 21 years;

16 (ii) ~~((A person doing business as a sole proprietor who has not
17 lawfully resided in the state for at least six months prior to
18 applying to receive a license;~~

19 ~~(iii) A partnership, employee cooperative, association, nonprofit
20 corporation, or corporation)) An entity unless formed under the laws
21 of this state(, and unless all of the members thereof are qualified
22 to obtain a license as provided in this section)); or~~

23 ~~((iv))~~ (iii) A person whose place of business is conducted by a
24 manager or agent, unless the manager or agent possesses the same
25 qualifications required of the licensee.

26 (c) If, after reasonable efforts, the board is unable to
27 investigate a nonresident required to be investigated under this
28 section, in accordance with the investigatory standards applicable to
29 the investigation of a state resident, the board may deny a license
30 or license renewal to an entity.

31 (2)(a) The board may, in its discretion, subject to RCW
32 43.05.160, 69.50.563, 69.50.562, 69.50.334, and 69.50.342(3) suspend
33 or cancel any license; and all protections of the licensee from
34 criminal or civil sanctions under state law for producing,
35 processing, researching, or selling cannabis, cannabis concentrates,
36 useable cannabis, or cannabis-infused products thereunder must be
37 suspended or terminated, as the case may be.

38 (b) The board must immediately suspend the license of a person
39 who has been certified pursuant to RCW 74.20A.320 by the department
40 of social and health services as a person who is not in compliance

1 with a support order. If the person has continued to meet all other
2 requirements for reinstatement during the suspension, reissuance of
3 the license is automatic upon the board's receipt of a release issued
4 by the department of social and health services stating that the
5 licensee is in compliance with the order.

6 (c) The board may request the appointment of administrative law
7 judges under chapter 34.12 RCW who shall have power to administer
8 oaths, issue subpoenas for the attendance of witnesses and the
9 production of papers, books, accounts, documents, and testimony,
10 examine witnesses, receive testimony in any inquiry, investigation,
11 hearing, or proceeding in any part of the state, and consider
12 mitigating and aggravating circumstances in any case and deviate from
13 any prescribed penalty, under rules the board may adopt.

14 (d) Witnesses must be allowed fees and mileage each way to and
15 from any inquiry, investigation, hearing, or proceeding at the rate
16 authorized by RCW 34.05.446. Fees need not be paid in advance of
17 appearance of witnesses to testify or to produce books, records, or
18 other legal evidence.

19 (e) In case of (~~(disobedience of)~~) noncompliance by any person
20 (~~(to comply)~~) with the order of the board or a subpoena issued by the
21 board, or any of its members, or administrative law judges, or on the
22 refusal of a witness to testify to any matter regarding which he or
23 she may be lawfully interrogated, the judge of the superior court of
24 the county in which the person resides, on application of any member
25 of the board or administrative law judge, compels (~~(obedience)~~)
26 compliance by contempt proceedings, as in the case of (~~(disobedience~~
27 ~~of)~~) noncompliance with the requirements of a subpoena issued from
28 said court or a refusal to testify therein.

29 (3) Upon receipt of notice of the suspension or cancellation of a
30 license, the licensee must forthwith deliver up the license to the
31 board. Where the license has been suspended only, the board must
32 return the license to the licensee at the expiration or termination
33 of the period of suspension. The board must notify all other
34 licensees in the county where the subject licensee has its premises
35 of the suspension or cancellation of the license; and no other
36 licensee or employee of another licensee may allow or cause any
37 cannabis, cannabis concentrates, useable cannabis, or cannabis-
38 infused products to be delivered to or for any person at the premises
39 of the subject licensee.

1 (4) Every license issued under this chapter is subject to all
2 conditions and restrictions imposed by this chapter or by rules
3 adopted by the board to implement and enforce this chapter. All
4 conditions and restrictions imposed by the board in the issuance of
5 an individual license must be listed on the face of the individual
6 license along with the trade name, address, and expiration date.

7 (5) Every licensee must post and keep posted its license, or
8 licenses, in a conspicuous place on the premises.

9 (6) No licensee may employ any person under the age of 21 years.

10 (7)(a) Before the board issues a new or renewed license to an
11 applicant it must give notice of the application to the chief
12 executive officer of the incorporated city or town, if the
13 application is for a license within an incorporated city or town, or
14 to the county legislative authority, if the application is for a
15 license outside the boundaries of incorporated cities or towns, or to
16 the tribal government if the application is for a license within
17 Indian country, or to the port authority if the application for a
18 license is located on property owned by a port authority.

19 (b) The incorporated city or town through the official or
20 employee selected by it, the county legislative authority or the
21 official or employee selected by it, the tribal government, or port
22 authority has the right to file with the board within twenty days
23 after the date of transmittal of the notice for applications, or at
24 least thirty days prior to the expiration date for renewals, written
25 objections against the applicant or against the premises for which
26 the new or renewed license is asked. The board may extend the time
27 period for submitting written objections upon request from the
28 authority notified by the board.

29 (c) The written objections must include a statement of all facts
30 upon which the objections are based, and in case written objections
31 are filed, the city or town or county legislative authority may
32 request, and the board may in its discretion hold, a hearing subject
33 to the applicable provisions of Title 34 RCW. If the board makes an
34 initial decision to deny a license or renewal based on the written
35 objections of an incorporated city or town or county legislative
36 authority, the applicant may request a hearing subject to the
37 applicable provisions of Title 34 RCW. If a hearing is held at the
38 request of the applicant, board representatives must present and
39 defend the board's initial decision to deny a license or renewal.

1 (d) Upon the granting of a license under this title the board
2 must send written notification to the chief executive officer of the
3 incorporated city or town in which the license is granted, or to the
4 county legislative authority if the license is granted outside the
5 boundaries of incorporated cities or towns.

6 (8)(a) Except as provided in (b) through (e) of this subsection,
7 the board may not issue a license for any premises within 1,000 feet
8 of the perimeter of the grounds of any elementary or secondary
9 school, playground, recreation center or facility, child care center,
10 public park, public transit center, or library, or any game arcade
11 admission to which is not restricted to persons aged 21 years or
12 older.

13 (b) A city, county, or town may permit the licensing of premises
14 within 1,000 feet but not less than 100 feet of the facilities
15 described in (a) of this subsection, except elementary schools,
16 secondary schools, and playgrounds, by enacting an ordinance
17 authorizing such distance reduction, provided that such distance
18 reduction will not negatively impact the jurisdiction's civil
19 regulatory enforcement, criminal law enforcement interests, public
20 safety, or public health.

21 (c) A city, county, or town may permit the licensing of research
22 premises allowed under RCW 69.50.372 within 1,000 feet but not less
23 than 100 feet of the facilities described in (a) of this subsection
24 by enacting an ordinance authorizing such distance reduction,
25 provided that the ordinance will not negatively impact the
26 jurisdiction's civil regulatory enforcement, criminal law
27 enforcement, public safety, or public health.

28 (d) The board may license premises located in compliance with the
29 distance requirements set in an ordinance adopted under (b) or (c) of
30 this subsection. Before issuing or renewing a research license for
31 premises within 1,000 feet but not less than 100 feet of an
32 elementary school, secondary school, or playground in compliance with
33 an ordinance passed pursuant to (c) of this subsection, the board
34 must ensure that the facility:

35 (i) Meets a security standard exceeding that which applies to
36 cannabis producer, processor, or retailer licensees;

37 (ii) Is inaccessible to the public and no part of the operation
38 of the facility is in view of the general public; and

39 (iii) Bears no advertising or signage indicating that it is a
40 cannabis research facility.

1 (e) The board must issue a certificate of compliance if the
2 premises met the requirements under (a), (b), (c), or (d) of this
3 subsection on the date of the application. The certificate allows the
4 licensee to operate the business at the proposed location
5 notwithstanding a later occurring, otherwise disqualifying factor.

6 (f) The board may not issue a license for any premises within
7 Indian country, as defined in 18 U.S.C. Sec. 1151, including any fee
8 patent lands within the exterior boundaries of a reservation, without
9 the consent of the federally recognized tribe associated with the
10 reservation or Indian country.

11 (9) A city, town, or county may adopt an ordinance prohibiting a
12 cannabis producer or cannabis processor from operating or locating a
13 business within areas zoned primarily for residential use or rural
14 use with a minimum lot size of five acres or smaller.

15 (10) In determining whether to grant or deny a license or renewal
16 of any license, the board must give substantial weight to objections
17 from an incorporated city or town or county legislative authority
18 based upon chronic illegal activity associated with the applicant's
19 operations of the premises proposed to be licensed or the applicant's
20 operation of any other licensed premises, or the conduct of the
21 applicant's patrons inside or outside the licensed premises. "Chronic
22 illegal activity" means (a) a pervasive pattern of activity that
23 threatens the public health, safety, and welfare of the city, town,
24 or county including, but not limited to, open container violations,
25 assaults, disturbances, disorderly conduct, or other criminal law
26 violations, or as documented in crime statistics, police reports,
27 emergency medical response data, calls for service, field data, or
28 similar records of a law enforcement agency for the city, town,
29 county, or any other municipal corporation or any state agency; or
30 (b) an unreasonably high number of citations for violations of RCW
31 46.61.502 associated with the applicant's or licensee's operation of
32 any licensed premises as indicated by the reported statements given
33 to law enforcement upon arrest.

34 (11) The board may not issue a cannabis retail license for any
35 premises not currently licensed if:

36 (a) The board receives a written objection from the legislative
37 authority of an incorporated city or town, or county legislative
38 authority, relating to the physical location of the proposed
39 premises;

1 (b) The objection to the location from the incorporated city or
2 town, or county legislative authority, is received by the board
3 within 20 days of the board notifying the incorporated city or town,
4 or county legislative authority, of the proposed cannabis retail
5 location; and

6 (c) The objection to the issuance of a cannabis retail license at
7 the specified location is based on a preexisting local ordinance
8 limiting outlet density in a specific geographic area. For purposes
9 of this subsection (11), a preexisting local ordinance is an
10 ordinance enacted and in effect before the date the applicant submits
11 an application for a cannabis retail license to the board identifying
12 the premises proposed to be licensed. No objection related to the
13 physical location of a proposed premises may be made by a local
14 government under this subsection (11) based on a local ordinance
15 enacted after the date the applicant submits an application for a
16 cannabis retail license to the board identifying the premises
17 proposed to be licensed.

18 (12) After January 1, 2024, all cannabis licensees are encouraged
19 but are not required to submit a social equity plan to the board.
20 Upon confirmation by the board that a cannabis licensee who is not a
21 social equity applicant, and who does not hold a social equity
22 license issued under RCW 69.50.335, has submitted a social equity
23 plan, the board must within 30 days reimburse such a licensee an
24 amount equal to the cost of the licensee's annual cannabis license
25 renewal fee. The license renewal fee reimbursement authorized under
26 this subsection is subject to the following limitations:

27 (a) The board may provide reimbursement one time only to any
28 licensed entity; and

29 (b) Any licensed entity holding more than one cannabis license is
30 eligible for reimbursement of the license renewal fee on only one
31 license.

32 **Sec. 4.** RCW 19.86.070 and 1961 c 216 s 7 are each amended to
33 read as follows:

34 The labor of a human being is not a commodity or article of
35 commerce. Nothing contained in this chapter shall be construed to
36 forbid the existence and operation of labor, agricultural, or
37 horticultural organizations, instituted for the purposes of mutual
38 help, and not having capital stock or conducted for profit, or to
39 forbid or restrain individual members of such organizations from

1 lawfully carrying out the legitimate objects thereof. For purposes of
2 this section and RCW 24.34.010, and only with respect to licensed
3 cannabis producers, cannabis is considered an agricultural product
4 like other covered agricultural products, and nothing prohibits
5 licensed cannabis producers from forming and operating agricultural
6 organizations authorized under this section or agricultural
7 associations authorized under RCW 24.34.010.

8 **Sec. 5.** RCW 24.34.010 and 2013 c 23 s 40 are each amended to
9 read as follows:

10 Persons engaged in the production of agricultural products as
11 farmers, licensed cannabis producers, planters, ranchers, dairy
12 farmers, nut growers, or fruit growers may act together in
13 associations, corporate or otherwise, with or without capital stock,
14 in collectively processing, preparing for market, handling, and
15 marketing in intrastate commerce, such products of persons so
16 engaged. Such associations may have marketing agencies in common; and
17 such associations and their members may make the necessary contracts
18 and agreements to effect such purposes (~~(: PROVIDED, That such)~~). For
19 purposes of RCW 19.86.070 and this section only, and only with
20 respect to licensed cannabis producers, cannabis is considered an
21 agricultural product like other covered agricultural products. Such
22 associations (~~(are)~~) must be operated for the mutual benefit of the
23 members thereof, as such producers, and conform to one or both of the
24 following requirements:

25 First. That no member of the association is allowed more than one
26 vote because of the amount of stock or membership capital he or she
27 may own therein, or,

28 Second. That the association does not pay dividends on stock or
29 membership capital in excess of eight percent per annum.

30 And in any case to the following:

31 Third. That the association shall not deal in the products of
32 nonmembers to an amount greater in value than such as are handled by
33 it for members.

34 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04
35 RCW to read as follows:

36 (1) This chapter does not apply to a cannabis producer,
37 processor, or retailer, licensed by the liquor and cannabis board
38 under the cannabis social equity program under RCW 69.50.335, for the

1 five years beginning after the licensee exceeds \$5,000 in sales
2 revenues.

3 (2) This section expires July 1, 2039.

4 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.04
5 RCW to read as follows:

6 (1) This chapter does not apply to a cannabis producer,
7 processor, or retailer who:

8 (a) Obtains the license by transfer or assumption from a licensee
9 in the cannabis social equity program, if the cannabis producer,
10 processor, or retailer who obtains the license also meets social
11 equity applicant criteria in RCW 69.50.335; or

12 (b) Obtains the license by transfer or assumption from a licensee
13 who meets social equity applicant criteria in RCW 69.50.335 and
14 previously received the license by transfer or assumption as provided
15 in this subsection or (a) of this subsection, if the cannabis
16 producer, processor, or retailer who obtains the license also meets
17 social equity applicant criteria in RCW 69.50.335.

18 (2)(a) The tax exemption in this section applies only for five
19 years after the date each eligible cannabis producer, processor, or
20 retailer obtains or assumes the license.

21 (b) Nothing in this section prevents a subsequent eligible owner
22 or group of owners from qualifying for the tax exemption in this
23 section for five years, even if the original or a previous subsequent
24 owner or group of owners operated for more than five years under the
25 license and had a tax exemption for five of those years under this
26 section or section 6 of this act.

27 (3) This section expires June 30, 2052.

28 NEW SECTION. **Sec. 8.** (1) This section is the tax preference
29 performance statement for the tax preferences contained in sections 6
30 and 7 of this act. This performance statement is only intended to be
31 used for subsequent evaluation of the tax preference. It is not
32 intended to create a private right of action by any party or be used
33 to determine eligibility for preferential tax treatment.

34 (2) The legislature categorizes these tax preferences as intended
35 to provide tax relief for certain businesses or individuals, as
36 indicated in RCW 82.32.808(2)(e).

37 (3)(a) It is the legislature's specific public policy objective
38 to provide these tax preferences to a designated class of taxpayers

1 who are cannabis producers, processors, and retailers licensed under
2 the cannabis social equity program in RCW 69.50.335, or who are
3 cannabis producers, processors, or retailers who obtain a license by
4 transfer or assumption from a licensee in the cannabis social equity
5 program or from a licensee who previously obtained a license by
6 transfer or assumption from such a licensee, and who also meet the
7 social equity applicant criteria.

8 (b) The legislature finds that this designated class of taxpayers
9 faces unique barriers in their business relative to other producers,
10 manufacturers, processors, and retailers in general, as well as
11 relative to cannabis producers, cannabis processors, and cannabis
12 retailers licensed outside of the cannabis social equity program, the
13 majority of which have years of operating experience and growth after
14 selecting prime locations within a market with a limited number of
15 licenses and locations.

16 (c) The legislature further finds that eligibility for licensure
17 through the cannabis social equity program is connected to documented
18 evidence of disproportionate impacts of historical enforcement of
19 criminal laws related to cannabis or other social disadvantages, and
20 serves to remedy past discrimination against, or disproportionate
21 impacts on, persons who are members of legally protected classes
22 under state and federal antidiscrimination laws, and prevent future
23 discrimination.

24 (d) The legislature finds that providing time-limited business
25 and occupation tax exemptions for licensees in the cannabis social
26 equity program, and certain licensees who obtain a license by
27 transfer or assumption from licensees in the cannabis social equity
28 program, or from licensees who were transferred or assumed such
29 licenses, and who also meet the social equity applicant criteria,
30 will reduce the historical barriers and tax and financial burdens
31 facing these businesses as they enter the lucrative market and start
32 to build generational wealth through growing a sustainable business.

33 (e) Black lives matter.

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