
SENATE BILL 5403

State of Washington

69th Legislature

2025 Regular Session

By Senators Saldaña, Krishnadasan, and Nobles

Read first time 01/21/25. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to supporting a sustainable cannabis industry by
2 allowing direct to consumer sales of certain cannabis products;
3 amending RCW 69.50.325 and 69.50.535; adding a new section to chapter
4 69.50 RCW; and creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) As of 2024, Washington's cannabis
7 industry generated \$3,770,000,000 in excise taxes, providing vital
8 funds for health care, education, human services, and to local
9 governments.

10 (2) Due to the federal legal landscape, all cannabis produced
11 within Washington must stay within the state's borders, which can
12 cause downward pressure on prices that threaten the ability for small
13 and independent producers to stay in business.

14 (3) The legislature intends to ensure a sustainable business
15 ecosystem in the cannabis industry by allowing limited opportunities
16 for the suppliers of cannabis retail licensees to better support
17 themselves. The legislature does not intend to supplant or replace
18 cannabis retail licensees by providing these limited opportunities.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 69.50
20 RCW to read as follows:

1 (1) Cannabis producers licensed under RCW 69.50.325 may sell
2 cannabis flower directly to consumers only if sales are:

3 (a) Limited to cannabis flower produced and processed by the
4 licensee at the licensee's licensed location; and

5 (b) In compliance with the limits of RCW 69.50.360.

6 (2) Cannabis processors licensed under RCW 69.50.325 may sell
7 cannabis flower directly to consumers only if sales are:

8 (a) Limited to cannabis flower produced within the licensed
9 business entity; and

10 (b) In compliance with the limits of RCW 69.50.360.

11 (3) The board may adopt rules on security and operational
12 requirements for direct to consumer sales under this section, but any
13 requirements adopted by rule may not be more stringent than those
14 imposed on a cannabis retailer licensee.

15 (4) The board may adopt rules to implement this section.

16 **Sec. 3.** RCW 69.50.325 and 2022 c 16 s 54 are each amended to
17 read as follows:

18 (1) (a) There shall be a cannabis producer's license regulated by
19 the board and subject to annual renewal. The licensee is authorized
20 to produce: (~~(a)~~)

21 (i) Cannabis for sale at wholesale to cannabis processors and
22 other cannabis producers; (~~(b) immature~~)

23 (ii) Immature plants or clones and seeds for sale to cooperatives
24 as described under RCW 69.51A.250; (~~and (c) immature~~)

25 (iii) Immature plants or clones and seeds for sale to qualifying
26 patients and designated providers as provided under RCW 69.51A.310;
27 and

28 (iv) Cannabis flower for retail sale directly to consumers,
29 subject to section 2 of this act.

30 (b) The production, possession, delivery, distribution, and sale
31 of cannabis in accordance with the provisions of this chapter and the
32 rules adopted to implement and enforce it, by a validly licensed
33 cannabis producer, shall not be a criminal or civil offense under
34 Washington state law.

35 (c) Every cannabis producer's license shall be issued in the name
36 of the applicant, shall specify the location at which the cannabis
37 producer intends to operate, which must be within the state of
38 Washington, and the holder thereof shall not allow any other person
39 to use the license.

1 (d) The application fee for a cannabis producer's license (~~(shall~~
2 ~~be two hundred fifty dollars)~~) is \$250. The annual fee for issuance
3 and renewal of a cannabis producer's license (~~(shall be one thousand~~
4 ~~three hundred eighty-one dollars)~~) is \$1,381. A separate license
5 shall be required for each location at which a cannabis producer
6 intends to produce cannabis.

7 (2)(a) There shall be a cannabis processor's license (~~(to~~
8 ~~process)~~) regulated by the board and subject to annual renewal. The
9 licensee may:

10 (i) Process, package, and label cannabis concentrates, useable
11 cannabis, and cannabis-infused products for sale at wholesale to
12 cannabis processors and cannabis retailers(~~(, regulated by the board~~
13 ~~and subject to annual renewal)~~); and

14 (ii) Conduct retail sales directly to a consumer, subject to the
15 provisions of section 2 of this act.

16 (b) The processing, packaging, possession, delivery,
17 distribution, and sale of cannabis, useable cannabis, cannabis-
18 infused products, and cannabis concentrates in accordance with the
19 provisions of this chapter and chapter 69.51A RCW and the rules
20 adopted to implement and enforce these chapters, by a validly
21 licensed cannabis processor, shall not be a criminal or civil offense
22 under Washington state law.

23 (c) Every cannabis processor's license shall be issued in the
24 name of the applicant, shall specify the location at which the
25 licensee intends to operate, which must be within the state of
26 Washington, and the holder thereof shall not allow any other person
27 to use the license.

28 (d) The application fee for a cannabis processor's license
29 (~~(shall be two hundred fifty dollars)~~) is \$250. The annual fee for
30 issuance and renewal of a cannabis processor's license (~~(shall be one~~
31 ~~thousand three hundred eighty-one dollars)~~) is \$1,381. A separate
32 license shall be required for each location at which a cannabis
33 processor intends to process cannabis.

34 (3)(a) There shall be a cannabis retailer's license to sell
35 cannabis concentrates, useable cannabis, and cannabis-infused
36 products at retail in retail outlets, regulated by the board and
37 subject to annual renewal. The possession, delivery, distribution,
38 and sale of cannabis concentrates, useable cannabis, and cannabis-
39 infused products in accordance with the provisions of this chapter
40 and the rules adopted to implement and enforce it, by a validly

1 licensed cannabis retailer, shall not be a criminal or civil offense
2 under Washington state law. Every cannabis retailer's license shall
3 be issued in the name of the applicant, shall specify the location of
4 the retail outlet the licensee intends to operate, which must be
5 within the state of Washington, and the holder thereof shall not
6 allow any other person to use the license. The application fee for a
7 cannabis retailer's license (~~(shall be two hundred fifty dollars)~~) is
8 \$250. The annual fee for issuance and renewal of a cannabis
9 retailer's license (~~(shall be one thousand three hundred eighty-one~~
10 ~~dollars)~~) is \$1,381. A separate license shall be required for each
11 location at which a cannabis retailer intends to sell cannabis
12 concentrates, useable cannabis, and cannabis-infused products.

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

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

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

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

26 (B) The board must require license forfeiture on or before
27 (~~(twenty-four)~~) 24 calendar months of license issuance if a cannabis
28 retailer is not fully operational and open to the public, unless the
29 board determines that circumstances out of the licensee's control are
30 preventing the licensee from becoming fully operational and that, in
31 the board's discretion, the circumstances warrant extending the
32 forfeiture period beyond (~~(twenty-four)~~) 24 calendar months.

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

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

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

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

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

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

14 **Sec. 4.** RCW 69.50.535 and 2024 c 79 s 1 are each amended to read
15 as follows:

16 (1)(a) There is levied and collected a cannabis excise tax equal
17 to (~~(thirty-seven)~~) 37 percent of the selling price on each retail
18 sale in this state of cannabis concentrates, useable cannabis, and
19 cannabis-infused products. This tax is separate and in addition to
20 general state and local sales and use taxes that apply to retail
21 sales of tangible personal property, and is not part of the total
22 retail price to which general state and local sales and use taxes
23 apply. The tax must be separately itemized from the state and local
24 retail sales tax on the sales receipt provided to the buyer.

25 (b) The tax levied in this section must be reflected in the price
26 list or quoted shelf price in the licensed cannabis retail store and
27 in any advertising that includes prices for all useable cannabis,
28 cannabis concentrates, or cannabis-infused products.

29 (c) The tax levied in this section must be reflected in the price
30 list, quoted shelf price, or in any advertising that includes prices
31 for all cannabis flower sold directly to consumers under section 2 of
32 this act.

33 (2)(a) Until June 30, 2029, the tax levied by subsection (1) of
34 this section does not apply to sales by a cannabis retailer with a
35 medical cannabis endorsement to qualifying patients or designated
36 providers who have been issued a recognition card, of cannabis
37 concentrates, useable cannabis, or cannabis-infused products,
38 identified by the department as a compliant cannabis product in
39 chapter 246-70 WAC and tested to the standards in WAC 246-70-040.

1 (b) Each seller making exempt sales under this subsection (2)
2 must maintain information establishing eligibility for the exemption
3 in the form and manner required by the board.

4 (c) The board must provide a separate tax reporting line on the
5 excise tax form for exemption amounts claimed under this subsection
6 (2).

7 (3) All revenues collected from the cannabis excise tax imposed
8 under this section must be deposited each day in the dedicated
9 cannabis account.

10 (4) The tax imposed in this section must be paid by the buyer to
11 the seller. Each seller must collect from the buyer the full amount
12 of the tax payable on each taxable sale. The tax collected as
13 required by this section is deemed to be held in trust by the seller
14 until paid to the board. If any seller fails to collect the tax
15 imposed in this section or, having collected the tax, fails to pay it
16 as prescribed by the board, whether such failure is the result of the
17 seller's own acts or the result of acts or conditions beyond the
18 seller's control, the seller is, nevertheless, personally liable to
19 the state for the amount of the tax.

20 (5) The definitions in this subsection apply throughout this
21 section unless the context clearly requires otherwise.

22 (a) "Retail sale" has the same meaning as in RCW 82.08.010.

23 (b) "Selling price" has the same meaning as in RCW 82.08.010,
24 except that when product is sold under circumstances where the total
25 amount of consideration paid for the product is not indicative of its
26 true value, "selling price" means the true value of the product sold.

27 (c) "Product" means cannabis, cannabis concentrates, useable
28 cannabis, and cannabis-infused products.

29 (d) "True value" means market value based on sales at comparable
30 locations in this state of the same or similar product of like
31 quality and character sold under comparable conditions of sale to
32 comparable purchasers. However, in the absence of such sales of the
33 same or similar product, true value means the value of the product
34 sold as determined by all of the seller's direct and indirect costs
35 attributable to the product.

36 (6) (a) The board must regularly review the tax level established
37 under this section and make recommendations, in consultation with the
38 department of revenue, to the legislature as appropriate regarding
39 adjustments that would further the goal of discouraging use while
40 undercutting illegal market prices.

1 (b) The board must report, in compliance with RCW 43.01.036, to
2 the appropriate committees of the legislature every two years. The
3 report at a minimum must include the following:

4 (i) The specific recommendations required under (a) of this
5 subsection;

6 (ii) A comparison of gross sales and tax collections prior to and
7 after any cannabis tax change;

8 (iii) The increase or decrease in the volume of legal cannabis
9 sold prior to and after any cannabis tax change;

10 (iv) Increases or decreases in the number of licensed cannabis
11 producers, processors, and retailers;

12 (v) The number of illegal and noncompliant cannabis outlets the
13 board requires to be closed;

14 (vi) Gross cannabis sales and tax collections in Oregon; and

15 (vii) The total amount of reported sales and use taxes exempted
16 for qualifying patients. The department of revenue must provide the
17 data of exempt amounts to the board.

18 (c) The board is not required to report to the legislature as
19 required in (b) of this subsection after January 1, 2025.

20 (7) The legislature does not intend and does not authorize any
21 person or entity to engage in activities or to conspire to engage in
22 activities that would constitute per se violations of state and
23 federal antitrust laws including, but not limited to, agreements
24 among retailers as to the selling price of any goods sold.

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