
Finance Committee

HB 1789

Brief Description: Creating greater consistency in the regulatory schemes applied to marijuana during the transition to the implementation of Initiative Measure No. 502.

Sponsors: Representatives Hunter, Carlyle, Hurst, Wylie, Ryu, Morrell and Pollet.

Brief Summary of Bill

- Imposes an excise tax of 25 percent on gross revenues from the sale of medical cannabis sold at medical cannabis dispensaries.

Hearing Date: 2/18/13

Staff: Dominique Meyers (786-7150).

Background:

Medical Cannabis

In 1998, voters approved Initiative 692, which permitted the use of cannabis for medical purposes by qualifying patients. In order to qualify for the use of medical cannabis, patients must have a terminal or debilitating medical condition and diagnosis of this condition must be made by a health care professional. Patients may grow medical marijuana for themselves or designate a provider to grow on their behalf.

Designated providers may only provide medical cannabis to one patient at a time. Qualified patients and their designated providers may possess no more than 15 cannabis plants and 24 ounces of useable cannabis product. Up to ten qualified patients may pool resources and grow cannabis for their personal medical use by creating and participating in collective gardens.

Cities, towns and counties may adopt zoning requirements, business licensing requirements, health and safety requirements, and business taxes pertaining to the production, processing, or dispensing of cannabis or cannabis production within their jurisdiction.

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

Retail sales of medical cannabis are subject to retail sales tax. Sales of medical cannabis are not eligible for the retail sales tax exemption provided for prescription drugs; cannabis is a Schedule 1 controlled substance and cannot be prescribed under federal or state law. In addition, gross income from retail sales of medical cannabis is subject to business and occupation tax under the retailing classification.

Initiative 502

Initiative 502 (I-502) was a ballot measure approved by Washington voters in November of 2012. The passage of the initiative legalized the recreational use of marijuana and created a comprehensive regulatory scheme that includes provisions regarding the following:

- legalizing the possession of up to one ounce of marijuana and related products for personal use;
- licensing and regulating marijuana production and distribution;
- creating a dedicated marijuana fund for the collection and distribution of marijuana related tax revenues;
- deleting statutory provisions containing criminal and/or civil penalties for activities authorized by I-502; and
- revising drunk driving laws to include specific provisions pertaining to driving under the influence of marijuana.

In addition, an excise tax of 25 percent is imposed on the production, processing and retailing of recreational marijuana. The tax is imposed at all three levels of distribution. In addition to the 25 percent excise tax at the retail level, sales tax is imposed on the retail sale of marijuana.

Summary of Bill:

An additional excise tax is levied on medical cannabis dispensaries for the retail sale of medical cannabis. The tax is 25 percent of the gross retail sales of medical cannabis. Pharmacies licensed by the Department of Health are exempt from the tax. The revenues from the excise tax are deposited into the dedicated marijuana fund created in I-502.

Appropriation: None.

Fiscal Note: Available.

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