
Commerce & Gaming Committee

HB 2770

Brief Description: Regarding ownership of marijuana businesses.

Sponsors: Representatives Kloba, Condotta and Macri.

Brief Summary of Bill

- Establishes the categories of persons, entities, and corporate officials considered to be applicants for marijuana business licensing purposes.
- Requires criminal background checks for persons who are not categorized as applicants, but who have an ownership interest in a licensed marijuana business.
- Authorizes the legal transfer of an interest in a marijuana business to an heir or assignee upon the death or incapacity of an owner of a marijuana business.

Hearing Date: 1/22/18

Staff: Thamas Osborn (786-7129).

Background:

The Liquor and Cannabis Board (LCB) is required to conduct a comprehensive, fair, and impartial evaluation of all applications for the various state-issued marijuana business licenses. However, pursuant to statute, the LCB is granted very broad, discretionary authority to grant or deny a license application. The process of evaluating license applications includes the following:

- the experience and qualifications of the applicant;
- an extensive criminal background check;
- verification that the applicant has the requisite municipal business licenses; and
- an inspection of the premises to be licensed, including an inquiry into the construction and operation of the premises.

Pursuant to statute, the LCB cannot issue a marijuana business license to:

- a person under 21 years of age;

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- a person doing business as a sole proprietor who has not lawfully resided in the state for at least six months prior to applying to receive a license;
- a partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under the laws of this state, and unless all of the members thereof are qualified to obtain a license; or
- a person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

Every marijuana producer, processor, and retailer license must be issued in the name of the applicant and specify the location of the premises in which licensed activities will be conducted.

Washington statutes do not explicitly define the categories of persons or entities considered to be "applicants" for purposes of licensing marijuana businesses.

Summary of Bill:

The following categories of persons, entities, and corporate officials are considered to be applicants for marijuana business licensing purposes and must therefore be named on the license:

- a sole proprietor;
- a general partner of a general partnership, limited partnership, limited liability partnership, or limited liability limited partnership;
- a limited partner of a limited partnership, limited liability partnership, or limited liability limited partnership who has more than a ten percent ownership interest in the partnership;
- a manager of a limited liability company;
- a member of a limited liability company who has more than a ten percent ownership interest in the company;
- a corporate officer or director, or person with equivalent title, of a privately or publicly held corporation;
- a stockholder of a privately or publicly held corporation who has more than a ten percent ownership interest in the corporation;
- any person or entity who is in receipt of, or who has the right to receive, more than ten percent of the gross or net sales from the licensed business; and
- any person or entity who exercises control over the business pursuant to an agreement or contract.

The spouse of any person deemed to be an applicant is also considered to be an applicant for licensing purposes.

A person or entity with an ownership interest of ten percent or less of the business is not considered to be an applicant for licensing purposes, provided the person or entity does not fall under one of the specified categories of applicants. However, a person or entity holding an ownership interest of any kind, regardless of the percentage of such ownership interest, must pass a criminal background check involving the services of the Washington State Patrol and the Federal Bureau of Investigation.

Upon the death or incapacity of the owner of a marijuana business, his or her ownership interest may be transferred to an heir or assignee regardless of the age of the heir or assignee.

Appropriation: None.

Fiscal Note: Available.

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