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## Commerce & Gaming Committee

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### HB 1855

**Brief Description:** Concerning a craft cannabis endorsement.

**Sponsors:** Representatives Wicks, Dolan, Macri, Bateman and Harris-Talley.

**Brief Summary of Bill**

- Establishes a craft cannabis endorsement available to qualified cannabis producers and processors.
- Authorizes the holder of a cannabis producer and processor license with the endorsement to make retail sales from a single licensed premises pursuant to rules adopted by the Washington State Liquor and Cannabis Board.

**Hearing Date:** 1/14/22

**Staff:** Matt Sterling

**Background:**

The Washington State Liquor and Cannabis Board (LCB) licenses and regulates cannabis producers, processors, and retailers. Cannabis producers may also be licensed as processors and the majority of producers are licensed as processors. Cannabis producers and processors may not be licensed as retailers or engage in making retail sales of cannabis. Medical cannabis endorsements are available for a cannabis retail license, but not for cannabis producers or processors.

Retail Sales.

The distribution and sale of any combination of one ounce of usable marijuana, 16 ounces of marijuana-infused product in solid form, 72 ounces of marijuana-infused product in liquid form,

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or seven grams of marijuana concentrate is permitted on the premises of a retail cannabis outlet to any person 21 years of age or older. Retail licensees may sell cannabis products between the hours of 8:00 a.m. and midnight. Cannabis products sold at retail are subject to a 37% cannabis state excise tax in addition to state and local sales taxes.

#### Licensee Restrictions.

The LCB's rules divide cannabis producers into three tiers based on how many square feet of canopy a producer uses to cultivate cannabis, regardless of whether a producer chooses to produce cannabis outdoors or indoors:

- Tier 1 producers have less than 4,000 square feet;
- Tier 2 producers have between 4,000 and 10,000 square feet; and
- Tier 3 producers have more than 10,000 square feet up to a maximum of 30,000 square feet.

The LCB's rules also limit a business to holding three total producer licenses that may each be combined with a processor license.

#### **Summary of Bill:**

##### Cannabis Endorsement.

A craft cannabis endorsement is established and made available to qualified cannabis producers and processors. Requires the Liquor and Cannabis Board (LCB) to establish a fee for the endorsement that does not exceed \$500 per year.

##### Retail Sales by Producer and Processor.

A cannabis producer and processor with the craft cannabis endorsement may make retail sales of cannabis produced and processed entirely by the licensee to persons 21 years of age and over from the licensed premise, subject to the same retail sales limits and retail taxes applicable to retailers. The LCB must adopt rules by January 1, 2023, that allow a craft cannabis endorsement holder to make retail sales and establish hours of operation for such retail sales activities that are more limited than for retail cannabis licensees.

An entity that holds multiple cannabis producer and processor licenses may make retail sales from a single licensed production premises, or from a processing facility that is on or adjacent to a production premises, but cannabis products sold at retail may be produced and processed in any of the commonly owned licensed premises or facilities.

##### Restrictions on Endorsement Holder.

An owner of an entity with a producer and processor license and a craft cannabis endorsement may not have an ownership interest in, have a management role in, or exercise control over any other separately-organized business or entity with a cannabis license issued in Washington.

Cannabis producers and processors may not use more than a total of 10,000 square feet of indoor production canopy at all multiple licensed premises to be eligible for the craft cannabis

endorsement. Any additional cannabis production must be seasonal sun-grown production.

The square footage of production canopy allowed by the LCB for any licensee, the number of facilities that licensees may operate, the respective privileges of processors and producers, and the number of producer and processor licenses are all unchanged.

**Appropriation:** None.

**Fiscal Note:** Available.

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