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## Regulated Substances & Gaming Committee

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### HB 1595

**Brief Description:** Modifying the cannabis excise tax.

**Sponsors:** Representatives Chambers and Robertson.

#### Brief Summary of Bill

- Changes the cannabis excise tax from thirty-seven percent on all retail sales to different varying percentages based on the tetrahydrocannabinol (THC) concentration of the cannabis or cannabis product.
- Requires the Liquor and Cannabis Board to collect certain data related to sales of cannabis products.

**Hearing Date:** 2/6/23

**Staff:** Matt Sterling (786-7289).

#### Background:

There is levied and collected a cannabis excise tax equal to 37 percent of the selling price on each retail sale in Washington of cannabis concentrates, useable cannabis, and cannabis-infused products. This tax is separate and in addition to general state and local sales and use taxes that apply to retail sales of tangible personal property, and is not part of the total retail price to which general state and local sales and use taxes apply.

The tax must be reflected in the price list or quoted shelf price in the licensed cannabis retail store and in any advertising that includes prices for all cannabis products. All revenues collected from the cannabis excise tax must be deposited each day in the Dedicated Cannabis Account

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

(Cannabis Account).

The Cannabis Account is an appropriated account in the custody of the State Treasurer. All moneys received by the Liquor and Cannabis Board (LCB) from cannabis-related activities must be deposited in the Cannabis Account. These moneys include cannabis excise taxes collected on sales of cannabis and cannabis products, license fees, penalties, and forfeitures from cannabis producers, processors, researchers, and retailers.

According to the LCB's Fiscal Year 2022 Report, the total cannabis tax and license fees collected was \$515.2 million. The disbursements for Fiscal Year 2022 were the following:

- State General Fund — \$157,065,574;
- Basic Health Account — \$264,470,455;
- Local Governments — \$20,000,000;
- Washington State Health Care Authority — \$53,183,411 for primary health and dental care services provided by community health centers, Healthy Youth and Young Adult Surveys, contract cost with the Washington Institute for Public Health, and the policy for cost-benefit evaluation;
- Department of Health — \$9,035,816 for cannabis education and public health programs and administration of the cannabis authorization database;
- Washington State Patrol — \$2,201,155 for Drug Enforcement Task Force;
- University of Washington Alcohol and Drug Abuse Institute — \$263,000 for research on impacts of cannabis use and web-based public education;
- Washington State University — \$138,000 for research on impacts of cannabis use;
- Department of Agriculture — \$586,307 for compliance-based lab analysis of pesticides in cannabis;
- Superintendent of Public Instruction — \$317,377 for school drop-out prevention;
- Department of Ecology — \$184,700 for cannabis testing labs: protocols and accreditation standards;
- Department of Commerce — \$59,330 for social equity grants and technical assistance; and
- Washington State Liquor and Cannabis Board — \$11,840,801 for administration and regulation operations.

### **Summary of Bill:**

The cannabis excise tax on each retail sale in the state is:

- 25 percent of the selling price for:
  - useable cannabis and cannabis concentrates with a tetrahydrocannabinol (THC) concentration no greater than 20 percent; and
  - cannabis-infused edible products in solid or liquid form with no greater than 4 milligrams of total THC included per serving in the container.
- 35 percent of the selling price for:
  - useable cannabis and cannabis concentrates with a THC concentration between 20 to 50 percent; and
  - cannabis-infused edible products in solid and liquid form with greater than 4

milligrams of total THC included per serving in the container.

- 40 percent of the selling price for useable cannabis and cannabis concentrates with a THC concentration greater than 50 percent.

The board must collect data related to sales of cannabis products to include how many individual cannabis products were sold for each product type and tax rate, how much cannabis product was sold for each product type and tax rate, and how much cannabis excise tax was collected.

**Appropriation:** None.

**Fiscal Note:** Available.

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