
HOUSE BILL 1940

State of Washington

69th Legislature

2025 Regular Session

By Representatives Morgan, Wylie, Reed, Parshley, and Hill

Read first time 02/11/25. Referred to Committee on Consumer Protection & Business.

1 AN ACT Relating to reducing barriers in Washington's cannabis
2 industry; amending RCW 69.50.325 and 69.50.331; adding a new section
3 to chapter 82.04 RCW; creating new sections; and providing an
4 expiration date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that Washington
7 state, being one of the first two states in the nation to legalize
8 cannabis for adult use, has a mature cannabis industry that has
9 earned its position as a national leader in industry efficiencies,
10 product and brand development, and longevity of active operations.

11 (2) The legislature recognizes that Washington's licensed
12 cannabis industry's tax revenues now provide over two percent of the
13 state's operating budget.

14 (3) The legislature also recognizes that when the United States
15 federal government deschedules or reschedules cannabis, interstate
16 commerce for cannabis sales will become inevitable under federal law
17 and Washington's licensed cannabis industry will be forced to compete
18 in national markets.

19 (4) The legislature finds that social equity applicants seeking
20 licensure under the cannabis social equity program have discovered
21 that it is desperately difficult or even impossible to find funding

1 to open licensed cannabis operations. Restrictions against out-of-
2 state investors has effectively blocked these applicants from
3 attracting sufficient investors and has been highlighted as a major
4 barrier to the success of the program.

5 (5) The legislature recognizes that Washington's licensed
6 cannabis industry has been restricted by a state residency
7 requirement for licensees, blocking access to investors from other
8 states, thus putting Washington cannabis licensees at a disadvantage
9 compared to licensees in other states, almost none of which have such
10 barriers to investment capital from other states.

11 (6) The legislature finds that people from many low-income and
12 minority areas do not have the same access to investment capital to
13 start businesses, thus denying certain demographics from achieving
14 generational wealth.

15 (7) The legislature acknowledges that residency requirements for
16 licensing do not exist in any other industry and is in direct
17 conflict with the dormant commerce clause of the United States
18 Constitution.

19 (8) The legislature finds that it is urgent and critical to
20 eliminate the state's residency requirement while also providing tax
21 incentives to investors to attract investments for social equity
22 applicants.

23 (9) The legislature further finds that granting a time-limited
24 tax exemption from the business and occupations tax for cannabis
25 producers, processors, and retailers licensed through the cannabis
26 social equity program, while these licensees start their businesses
27 in the established market, will reduce the unique barriers these
28 businesses are facing relative to other businesses outside and within
29 the licensed cannabis industry.

30 **Sec. 2.** RCW 69.50.325 and 2022 c 16 s 54 are each amended to
31 read as follows:

32 (1) There shall be a cannabis producer's license regulated by the
33 board and subject to annual renewal. The licensee is authorized to
34 produce: (a) Cannabis for sale at wholesale to cannabis processors
35 and other cannabis producers; (b) immature plants or clones and seeds
36 for sale to cooperatives as described under RCW 69.51A.250; and (c)
37 immature plants or clones and seeds for sale to qualifying patients
38 and designated providers as provided under RCW 69.51A.310. The
39 production, possession, delivery, distribution, and sale of cannabis

1 in accordance with the provisions of this chapter and the rules
2 adopted to implement and enforce it, by a validly licensed cannabis
3 producer, shall not be a criminal or civil offense under Washington
4 state law. Every cannabis producer's license shall be issued in the
5 name of the applicant, shall specify the location at which the
6 cannabis producer intends to operate, which must be within the state
7 of Washington, and the holder thereof shall not allow any other
8 person to use the license. The application fee for a cannabis
9 producer's license shall be (~~two hundred fifty dollars~~) \$250 plus
10 any additional application or licensing fee required under RCW
11 69.50.331(1). The annual fee for issuance and renewal of a cannabis
12 producer's license shall be (~~one thousand three hundred eighty-one~~
13 ~~dollars~~) \$1,381. A separate license shall be required for each
14 location at which a cannabis producer intends to produce cannabis.

15 (2) There shall be a cannabis processor's license to process,
16 package, and label cannabis concentrates, useable cannabis, and
17 cannabis-infused products for sale at wholesale to cannabis
18 processors and cannabis retailers, regulated by the board and subject
19 to annual renewal. The processing, packaging, possession, delivery,
20 distribution, and sale of cannabis, useable cannabis, cannabis-
21 infused products, and cannabis concentrates in accordance with the
22 provisions of this chapter and chapter 69.51A RCW and the rules
23 adopted to implement and enforce these chapters, by a validly
24 licensed cannabis processor, shall not be a criminal or civil offense
25 under Washington state law. Every cannabis processor's license shall
26 be issued in the name of the applicant, shall specify the location at
27 which the licensee intends to operate, which must be within the state
28 of Washington, and the holder thereof shall not allow any other
29 person to use the license. The application fee for a cannabis
30 processor's license shall be (~~two hundred fifty dollars~~) \$250 plus
31 any additional application or licensing fee required under RCW
32 69.50.331(1). The annual fee for issuance and renewal of a cannabis
33 processor's license shall be (~~one thousand three hundred eighty-one~~
34 ~~dollars~~) \$1,381. A separate license shall be required for each
35 location at which a cannabis processor intends to process cannabis.

36 (3) (a) There shall be a cannabis retailer's license to sell
37 cannabis concentrates, useable cannabis, and cannabis-infused
38 products at retail in retail outlets, regulated by the board and
39 subject to annual renewal. The possession, delivery, distribution,
40 and sale of cannabis concentrates, useable cannabis, and cannabis-

1 infused products in accordance with the provisions of this chapter
2 and the rules adopted to implement and enforce it, by a validly
3 licensed cannabis retailer, shall not be a criminal or civil offense
4 under Washington state law. Every cannabis retailer's license shall
5 be issued in the name of the applicant, shall specify the location of
6 the retail outlet the licensee intends to operate, which must be
7 within the state of Washington, and the holder thereof shall not
8 allow any other person to use the license. The application fee for a
9 cannabis retailer's license shall be ~~((two hundred fifty dollars))~~
10 \$250 plus any additional application or licensing fee required under
11 RCW 69.50.331(1). The annual fee for issuance and renewal of a
12 cannabis retailer's license shall be ~~((one thousand three hundred~~
13 ~~eighty one dollars))~~ \$1,381. A separate license shall be required for
14 each location at which a cannabis retailer intends to sell cannabis
15 concentrates, useable cannabis, and cannabis-infused products.

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

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

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

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

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

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

38 (iv) ~~((This subsection (3) (c) applies to cannabis retailer's~~
39 ~~licenses issued before and after July 23, 2017. However, no license~~
40 ~~of a cannabis retailer that otherwise meets the conditions for~~

1 ~~license forfeiture established pursuant to this subsection (3)(c) may~~
2 ~~be subject to forfeiture within the first nine calendar months of~~
3 ~~July 23, 2017.~~

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

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

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

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

17 **Sec. 3.** RCW 69.50.331 and 2023 c 220 s 2 are each amended to
18 read as follows:

19 (1) For the purpose of considering any application for a license
20 to produce, process, research, transport, or deliver cannabis,
21 useable cannabis, cannabis concentrates, or cannabis-infused products
22 subject to the regulations established under RCW 69.50.385, or sell
23 cannabis, or for the renewal of a license to produce, process,
24 research, transport, or deliver cannabis, useable cannabis, cannabis
25 concentrates, or cannabis-infused products subject to the regulations
26 established under RCW 69.50.385, or sell cannabis, the board must
27 conduct a comprehensive, fair, and impartial evaluation of the
28 applications timely received.

29 (a) The board may cause an inspection of the premises to be made,
30 and may inquire into all matters in connection with the construction
31 and operation of the premises. For the purpose of reviewing any
32 application for a license and for considering the denial, suspension,
33 revocation, cancellation, or renewal or denial thereof, of any
34 license, the board may consider any prior criminal arrests or
35 convictions of the applicant, any public safety administrative
36 violation history record with the board, and a criminal history
37 record information check. The board may submit the criminal history
38 record information check to the Washington state patrol and to the
39 identification division of the federal bureau of investigation in

1 order that these agencies may search their records for prior arrests
2 and convictions of the individual or individuals who filled out the
3 forms. The board must require fingerprinting of any applicant whose
4 criminal history record information check is submitted to the federal
5 bureau of investigation. The provisions of RCW 9.95.240 and of
6 chapter 9.96A RCW do not apply to these cases. Subject to the
7 provisions of this section, the board may, in its discretion, grant
8 or deny the renewal or license applied for. Denial may be based on,
9 without limitation, the existence of chronic illegal activity
10 documented in objections submitted pursuant to subsections (7)(c) and
11 (10) of this section. Authority to approve an uncontested or
12 unopposed license may be granted by the board to any staff member the
13 board designates in writing. Conditions for granting this authority
14 must be adopted by rule.

15 (b) No license of any kind may be issued to:

16 (i) A person under the age of 21 years;

17 (ii) ~~((A person doing business as a sole proprietor who has not
18 lawfully resided in the state for at least six months prior to
19 applying to receive a license;~~

20 ~~(iii) A partnership, employee cooperative, association, nonprofit
21 corporation, or corporation)) An entity unless formed under the laws
22 of this state(~~(, and unless all of the members thereof are qualified
23 to obtain a license as provided in this section))~~); or~~

24 ~~((~~(iv)~~))~~ (iii) A person whose place of business is conducted by a
25 manager or agent, unless the manager or agent possesses the same
26 qualifications required of the licensee.

27 (c) The board may impose additional licensing fees to recover
28 additional costs incurred in investigating a nonresident required to
29 be investigated under this section. If, after reasonable efforts, the
30 board is unable to investigate a nonresident required to be
31 investigated under this section, in accordance with the investigatory
32 standards applicable to the investigation of a state resident, the
33 board may deny a license or license renewal to an entity.

34 (2)(a) The board may, in its discretion, subject to RCW
35 43.05.160, 69.50.563, 69.50.562, 69.50.334, and 69.50.342(3) suspend
36 or cancel any license; and all protections of the licensee from
37 criminal or civil sanctions under state law for producing,
38 processing, researching, or selling cannabis, cannabis concentrates,
39 useable cannabis, or cannabis-infused products thereunder must be
40 suspended or terminated, as the case may be.

1 (b) The board must immediately suspend the license of a person
2 who has been certified pursuant to RCW 74.20A.320 by the department
3 of social and health services as a person who is not in compliance
4 with a support order. If the person has continued to meet all other
5 requirements for reinstatement during the suspension, reissuance of
6 the license is automatic upon the board's receipt of a release issued
7 by the department of social and health services stating that the
8 licensee is in compliance with the order.

9 (c) The board may request the appointment of administrative law
10 judges under chapter 34.12 RCW who shall have power to administer
11 oaths, issue subpoenas for the attendance of witnesses and the
12 production of papers, books, accounts, documents, and testimony,
13 examine witnesses, receive testimony in any inquiry, investigation,
14 hearing, or proceeding in any part of the state, and consider
15 mitigating and aggravating circumstances in any case and deviate from
16 any prescribed penalty, under rules the board may adopt.

17 (d) Witnesses must be allowed fees and mileage each way to and
18 from any inquiry, investigation, hearing, or proceeding at the rate
19 authorized by RCW 34.05.446. Fees need not be paid in advance of
20 appearance of witnesses to testify or to produce books, records, or
21 other legal evidence.

22 (e) In case of disobedience of any person to comply with the
23 order of the board or a subpoena issued by the board, or any of its
24 members, or administrative law judges, or on the refusal of a witness
25 to testify to any matter regarding which he or she may be lawfully
26 interrogated, the judge of the superior court of the county in which
27 the person resides, on application of any member of the board or
28 administrative law judge, compels obedience by contempt proceedings,
29 as in the case of disobedience of the requirements of a subpoena
30 issued from said court or a refusal to testify therein.

31 (3) Upon receipt of notice of the suspension or cancellation of a
32 license, the licensee must forthwith deliver up the license to the
33 board. Where the license has been suspended only, the board must
34 return the license to the licensee at the expiration or termination
35 of the period of suspension. The board must notify all other
36 licensees in the county where the subject licensee has its premises
37 of the suspension or cancellation of the license; and no other
38 licensee or employee of another licensee may allow or cause any
39 cannabis, cannabis concentrates, useable cannabis, or cannabis-

1 infused products to be delivered to or for any person at the premises
2 of the subject licensee.

3 (4) Every license issued under this chapter is subject to all
4 conditions and restrictions imposed by this chapter or by rules
5 adopted by the board to implement and enforce this chapter. All
6 conditions and restrictions imposed by the board in the issuance of
7 an individual license must be listed on the face of the individual
8 license along with the trade name, address, and expiration date.

9 (5) Every licensee must post and keep posted its license, or
10 licenses, in a conspicuous place on the premises.

11 (6) No licensee may employ any person under the age of 21 years.

12 (7)(a) Before the board issues a new or renewed license to an
13 applicant it must give notice of the application to the chief
14 executive officer of the incorporated city or town, if the
15 application is for a license within an incorporated city or town, or
16 to the county legislative authority, if the application is for a
17 license outside the boundaries of incorporated cities or towns, or to
18 the tribal government if the application is for a license within
19 Indian country, or to the port authority if the application for a
20 license is located on property owned by a port authority.

21 (b) The incorporated city or town through the official or
22 employee selected by it, the county legislative authority or the
23 official or employee selected by it, the tribal government, or port
24 authority has the right to file with the board within twenty days
25 after the date of transmittal of the notice for applications, or at
26 least thirty days prior to the expiration date for renewals, written
27 objections against the applicant or against the premises for which
28 the new or renewed license is asked. The board may extend the time
29 period for submitting written objections upon request from the
30 authority notified by the board.

31 (c) The written objections must include a statement of all facts
32 upon which the objections are based, and in case written objections
33 are filed, the city or town or county legislative authority may
34 request, and the board may in its discretion hold, a hearing subject
35 to the applicable provisions of Title 34 RCW. If the board makes an
36 initial decision to deny a license or renewal based on the written
37 objections of an incorporated city or town or county legislative
38 authority, the applicant may request a hearing subject to the
39 applicable provisions of Title 34 RCW. If a hearing is held at the

1 request of the applicant, board representatives must present and
2 defend the board's initial decision to deny a license or renewal.

3 (d) Upon the granting of a license under this title the board
4 must send written notification to the chief executive officer of the
5 incorporated city or town in which the license is granted, or to the
6 county legislative authority if the license is granted outside the
7 boundaries of incorporated cities or towns.

8 (8)(a) Except as provided in (b) through (e) of this subsection,
9 the board may not issue a license for any premises within 1,000 feet
10 of the perimeter of the grounds of any elementary or secondary
11 school, playground, recreation center or facility, child care center,
12 public park, public transit center, or library, or any game arcade
13 admission to which is not restricted to persons aged 21 years or
14 older.

15 (b) A city, county, or town may permit the licensing of premises
16 within 1,000 feet but not less than 100 feet of the facilities
17 described in (a) of this subsection, except elementary schools,
18 secondary schools, and playgrounds, by enacting an ordinance
19 authorizing such distance reduction, provided that such distance
20 reduction will not negatively impact the jurisdiction's civil
21 regulatory enforcement, criminal law enforcement interests, public
22 safety, or public health.

23 (c) A city, county, or town may permit the licensing of research
24 premises allowed under RCW 69.50.372 within 1,000 feet but not less
25 than 100 feet of the facilities described in (a) of this subsection
26 by enacting an ordinance authorizing such distance reduction,
27 provided that the ordinance will not negatively impact the
28 jurisdiction's civil regulatory enforcement, criminal law
29 enforcement, public safety, or public health.

30 (d) The board may license premises located in compliance with the
31 distance requirements set in an ordinance adopted under (b) or (c) of
32 this subsection. Before issuing or renewing a research license for
33 premises within 1,000 feet but not less than 100 feet of an
34 elementary school, secondary school, or playground in compliance with
35 an ordinance passed pursuant to (c) of this subsection, the board
36 must ensure that the facility:

37 (i) Meets a security standard exceeding that which applies to
38 cannabis producer, processor, or retailer licensees;

39 (ii) Is inaccessible to the public and no part of the operation
40 of the facility is in view of the general public; and

1 (iii) Bears no advertising or signage indicating that it is a
2 cannabis research facility.

3 (e) The board must issue a certificate of compliance if the
4 premises met the requirements under (a), (b), (c), or (d) of this
5 subsection on the date of the application. The certificate allows the
6 licensee to operate the business at the proposed location
7 notwithstanding a later occurring, otherwise disqualifying factor.

8 (f) The board may not issue a license for any premises within
9 Indian country, as defined in 18 U.S.C. Sec. 1151, including any fee
10 patent lands within the exterior boundaries of a reservation, without
11 the consent of the federally recognized tribe associated with the
12 reservation or Indian country.

13 (9) A city, town, or county may adopt an ordinance prohibiting a
14 cannabis producer or cannabis processor from operating or locating a
15 business within areas zoned primarily for residential use or rural
16 use with a minimum lot size of five acres or smaller.

17 (10) In determining whether to grant or deny a license or renewal
18 of any license, the board must give substantial weight to objections
19 from an incorporated city or town or county legislative authority
20 based upon chronic illegal activity associated with the applicant's
21 operations of the premises proposed to be licensed or the applicant's
22 operation of any other licensed premises, or the conduct of the
23 applicant's patrons inside or outside the licensed premises. "Chronic
24 illegal activity" means (a) a pervasive pattern of activity that
25 threatens the public health, safety, and welfare of the city, town,
26 or county including, but not limited to, open container violations,
27 assaults, disturbances, disorderly conduct, or other criminal law
28 violations, or as documented in crime statistics, police reports,
29 emergency medical response data, calls for service, field data, or
30 similar records of a law enforcement agency for the city, town,
31 county, or any other municipal corporation or any state agency; or
32 (b) an unreasonably high number of citations for violations of RCW
33 46.61.502 associated with the applicant's or licensee's operation of
34 any licensed premises as indicated by the reported statements given
35 to law enforcement upon arrest.

36 (11) The board may not issue a cannabis retail license for any
37 premises not currently licensed if:

38 (a) The board receives a written objection from the legislative
39 authority of an incorporated city or town, or county legislative

1 authority, relating to the physical location of the proposed
2 premises;

3 (b) The objection to the location from the incorporated city or
4 town, or county legislative authority, is received by the board
5 within 20 days of the board notifying the incorporated city or town,
6 or county legislative authority, of the proposed cannabis retail
7 location; and

8 (c) The objection to the issuance of a cannabis retail license at
9 the specified location is based on a preexisting local ordinance
10 limiting outlet density in a specific geographic area. For purposes
11 of this subsection (11), a preexisting local ordinance is an
12 ordinance enacted and in effect before the date the applicant submits
13 an application for a cannabis retail license to the board identifying
14 the premises proposed to be licensed. No objection related to the
15 physical location of a proposed premises may be made by a local
16 government under this subsection (11) based on a local ordinance
17 enacted after the date the applicant submits an application for a
18 cannabis retail license to the board identifying the premises
19 proposed to be licensed.

20 (12) After January 1, 2024, all cannabis licensees are encouraged
21 but are not required to submit a social equity plan to the board.
22 Upon confirmation by the board that a cannabis licensee who is not a
23 social equity applicant, and who does not hold a social equity
24 license issued under RCW 69.50.335, has submitted a social equity
25 plan, the board must within 30 days reimburse such a licensee an
26 amount equal to the cost of the licensee's annual cannabis license
27 renewal fee. The license renewal fee reimbursement authorized under
28 this subsection is subject to the following limitations:

29 (a) The board may provide reimbursement one time only to any
30 licensed entity; and

31 (b) Any licensed entity holding more than one cannabis license is
32 eligible for reimbursement of the license renewal fee on only one
33 license.

34 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04
35 RCW to read as follows:

36 (1) This chapter does not apply to a cannabis producer,
37 processor, or retailer, licensed by the liquor and cannabis board
38 under the cannabis social equity program under RCW 69.50.335, for the

1 five years beginning after the licensee exceeds \$5,000 in sales
2 revenues.

3 (2) This section expires July 1, 2038.

4 NEW SECTION. **Sec. 5.** This section is the tax preference
5 performance statement for the tax preference contained in section 4
6 of this act. This performance statement is only intended to be used
7 for subsequent evaluation of the tax preference. It is not intended
8 to create a private right of action by any party or be used to
9 determine eligibility for preferential tax treatment.

10 (1) The legislature categorizes this tax preference as one
11 intended to provide tax relief for certain businesses or individuals,
12 as indicated in RCW 82.32.808(2)(e).

13 (2) It is the legislature's specific public policy objective to
14 provide this tax preference to a designated class of taxpayers who
15 are cannabis producers, processors, and retailers licensed under the
16 cannabis social equity program in RCW 69.50.335. The legislature
17 finds that this designated class of taxpayers faces unique barriers
18 in their business relative to other producers, manufacturers,
19 processors, and retailers in general, as well as relative to cannabis
20 producers, cannabis processors, and cannabis retailers licensed
21 outside of the cannabis social equity program, the majority of which
22 have years of operating experience and growth after selecting prime
23 locations within a market with a limited number of licenses and
24 locations. The legislature further finds that eligibility for
25 licensure through the cannabis social equity program is connected to
26 documented evidence of disproportionate impacts of historical
27 enforcement of criminal laws related to cannabis or other social
28 disadvantages. The legislature finds that providing a time-limited
29 business and occupations tax exemption for licensees in the cannabis
30 social equity program will reduce the unique barriers and tax and
31 financial burdens facing these businesses as they enter the
32 established market and start to grow their businesses.

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