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H.250

Introduced by Representatives Sullivan of Dorset and Bates of Bennington

Referred to Committee on

Date:

Subject: Cannabis; Cannabis Control Board

Statement of purpose of bill as introduced: This bill proposes to establish a comprehensive regulatory system for the production and sale of cannabis and cannabis products in Vermont. The bill creates the Cannabis Control Board as the independent regulatory authority for a commercial cannabis market. The Board is responsible for adopting regulations and administering a licensing program, including compliance and enforcement, for cannabis establishments.

Five types of licenses are available: cultivator, product manufacturer, wholesaler, retailer, and testing laboratory. Applicants are limited to obtaining a maximum of one type of each license. Applicants are not required to be Vermont residents, but residency will be considered in prioritizing issuance of licenses. Application and license fees fund the Board in performance of its duties. Cannabis is taxed at ten percent with a potential one percent local option tax for municipalities that choose to host a cannabis retailer.

Municipalities have authority to require municipal permits for a cannabis establishment and may prohibit the operation of a cannabis establishment or a specific type of cannabis establishment within the municipality by majority

1 vote of those present and voting at an annual or special meeting warned for the
2 purpose. On January 1, 2021, new statutes, as well as rules adopted by the
3 Board, governing the Medical Cannabis Registry and Medical Cannabis
4 Dispensaries take effect, and those programs transfer from the Department of
5 Public Safety to the Board. The bill also directs the Office of Legislative
6 Council to change “marijuana” to “cannabis” throughout the statutes as needed
7 for consistency with the act.

8 An act relating to the regulation of cannabis

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 * * * Title Redesignation * * *

11 Sec. 1. Title 7 of the V.S.A. is redesignated to read:

12 7. ALCOHOLIC BEVERAGES, CANNABIS, AND TOBACCO

13 * * * Cannabis Generally; Cannabis Control Board * * *

14 Sec. 2. 7 V.S.A. chapter 31 is added to read:

15 CHAPTER 31. CANNABIS

16 Subchapter 1. General Provisions

17 § 831. DEFINITIONS

18 As used in this chapter:

19 (1) “Board” means the Cannabis Control Board.

1 (2)(A) “Cannabis” means all parts of the plant Cannabis sativa L.,
2 except as provided by subdivision (B) of this subdivision (2), whether growing
3 or harvested, and includes:

4 (i) the seeds of the plant;

5 (ii) the resin extracted from any part of the plant; and

6 (iii) any compound, manufacture, salt, derivative, mixture, or
7 preparation of the plant, its seeds, or resin.

8 (B) “Cannabis” does not include:

9 (i) the mature stalks of the plant and fiber produced from the
10 stalks;

11 (ii) oil or cake made from the seeds of the plant;

12 (iii) any compound, manufacture, salt, derivative, mixture, or
13 preparation of the mature stalks, fiber, oil, or cake;

14 (iv) the sterilized seed of the plant that is incapable of
15 germination; or

16 (v) hemp or hemp products, as defined in 6 V.S.A. § 562.

17 (3) “Cannabis product” means concentrated cannabis and a product that
18 is composed of cannabis and other ingredients and is intended for use or
19 consumption, including an edible product, ointment, and tincture.

20 (4) “Chair” means the chair of the Cannabis Control Board.

1 (5) “Public place” means any street, alley, park, sidewalk, public
2 building other than individual dwellings, any place of public accommodation
3 as defined in 9 V.S.A. § 4501, and any place where the use or possession of a
4 lighted tobacco product, tobacco product, or tobacco substitute as defined in
5 section 1001 of this title is prohibited by law.

6 § 832. CANNABIS POSSESSED UNLAWFULLY SUBJECT TO

7 SEIZURE AND FORFEITURE

8 Cannabis possessed unlawfully in violation of this title may be seized by
9 law enforcement and is subject to forfeiture.

10 § 833. CONSUMPTION OF CANNABIS IN A PUBLIC PLACE

11 No person shall consume cannabis in a public place unless specifically
12 authorized by law. Violations shall be punished in accordance with 18 V.S.A.
13 § 4230a.

14 Subchapter 2. Cannabis Control Board

15 § 841. CANNABIS CONTROL BOARD; DUTIES; MEMBERS

16 (a) Creation. There is created within the Executive Branch an independent
17 commission named the Cannabis Control Board for the purpose of safely,
18 equitably, and effectively implementing and administering the laws enabling
19 access to medical and adult-use cannabis in Vermont.

20 (b) Duties. The duties of the Board shall be:

1 (1) rulemaking in accordance with this chapter, chapters 33–37 of this
2 title, and 3 V.S.A. chapter 25;

3 (2) administration of a program for licensed cannabis establishments,
4 which shall include compliance and enforcement;

5 (3) administration of the Medical Cannabis Registry on and after
6 January 1, 2021;

7 (4) administration of a program for licensed medical cannabis
8 dispensaries, which shall include compliance and enforcement, on and after
9 January 1, 2021; and

10 (5) submission of an annual budget to the Governor.

11 (c) Membership.

12 (1) The Board shall consist of five members who shall be appointed as
13 follows:

14 (A) two members appointed by the Governor;

15 (B) one member appointed by the Senate Committee on Committees;

16 (C) one member appointed by the Speaker of the House; and

17 (D) one member appointed by the Attorney General.

18 (2) Board members shall serve for a term of three years or until a
19 successor is appointed and shall be eligible for reappointment, provided that no
20 member may serve more than nine years.

1 (3) A vacancy created before the expiration of a term shall be filled in
2 the same manner as the original appointment for the unexpired portion of the
3 term. A member appointed to fill a vacancy created before the expiration of a
4 term shall not be deemed to have served a term for the purpose of subdivision
5 (2) of this subsection.

6 (4) A member may be removed only for cause by the remaining
7 members of the Board in accordance with the Vermont Administrative
8 Procedure Act.

9 (5) The Board shall elect a chair from among its membership.

10 (d)(1) Conflicts of interest. No Board member shall, during his or her term
11 or terms on the Board, be an officer of, director of, organizer of, employee of,
12 consultant to, or attorney for any person subject to regulation by the Board.

13 (2) No Board member shall participate in creating or applying any law,
14 rule, or policy or in making any other determination if the Board member,
15 individually or as a fiduciary, or the Board member's spouse, parent, or child
16 wherever residing or any other member of the Board member's family residing
17 in his or her household has an economic interest in the matter before the Board
18 or has any more than a de minimus interest that could be substantially affected
19 by the proceeding.

20 (3) No Board member shall, during his or her term or terms on the
21 Board, solicit, engage in negotiations for, or otherwise discuss future

1 employment or a future business relationship of any kind with any person
2 subject to supervision or regulation by the Board.

3 (4) No Board member may appear before the Board or any other State
4 agency on behalf of a person subject to supervision or regulation by the Board
5 for a period of one year following his or her last day as a member of the
6 Cannabis Control Board.

7 (e) Salaries. The Chair and all members of the Board shall be full-time
8 State employees and shall be exempt from the State classified system.
9 Members shall receive compensation equal to one-third that of a Superior
10 judge.

11 (f) Executive Director. The Board shall appoint an Executive Director.
12 The Director shall be a full-time State employee and shall be exempt from the
13 State classified system. The Director shall be responsible for:

14 (1) supervising and administering the operation and implementation of
15 this chapter and the rules adopted by the Board as directed by the Board;

16 (2) assisting the Board in its duties and administering the licensing
17 requirements of this chapter;

18 (3) acting as Secretary to the Board, but as a nonvoting member of the
19 Board;

20 (4) employing such staff as may be required to carry out the functions of
21 the Board; and

1 (5) preparing an annual budget for submission to the Board.

2 (g) Consultant. The Board is authorized to hire a consultant as needed to
3 assist with its duties under this section.

4 § 842. AUTHORITY FOR CRIMINAL BACKGROUND CHECKS

5 The Board shall establish a user agreement with the Vermont Crime
6 Information Center in accordance with 20 V.S.A. chapter 117 for the purpose
7 of obtaining Vermont criminal history records, out-of-state criminal history
8 records, and criminal history records from the Federal Bureau of Investigation
9 as required by chapters 33 (cannabis establishments) and 37 (medical cannabis
10 dispensaries) of this title.

11 § 843. CANNABIS REGULATION FUND

12 (a) There is established the Cannabis Regulation Fund, which shall be
13 managed in accordance with 32 V.S.A. chapter 7, subchapter 5. The Fund
14 shall be maintained by the Cannabis Control Board.

15 (b) The Fund shall be composed of:

16 (1) all application fees, annual license fees, renewal fees, and civil
17 penalties collected by the Board pursuant to chapters 33 (cannabis
18 establishments) and 37 (medical cannabis dispensaries) of this title; and

19 (2) all annual and renewal fees collected by the Board pursuant to
20 chapter 35 (medical cannabis registry) of this title.

1 (c) Monies from the fund shall only be appropriated for the purposes of
2 implementation, administration, and enforcement of this chapter and chapters
3 33 (cannabis establishments), chapter 35 (medical cannabis registry), and 37
4 (medical cannabis dispensaries).

5 § 844. FEES

6 (a) The Board shall have the authority to charge and collect fees as
7 provided by this chapter and chapters 33–37 of this title.

8 (b) Fees shall be deposited in the Cannabis Regulation Fund.

9 Sec. 3. IMPLEMENTATION OF THE CANNABIS CONTROL BOARD

10 (a) The Cannabis Control Board, created in Sec. 2 of this act, is established
11 on July 1, 2019.

12 (b) Members of the Commission shall be appointed on or before
13 September 1, 2019 and terms of members shall officially begin on such date.

14 (c)(1) In order to stagger the terms of the members of the Board, the initial
15 terms of those members shall be as follows:

16 (A) the Governor shall appoint one member for a three-year term;

17 (B) the Governor shall appoint one member for a one-year term;

18 (C) the Senate Committee on Committees shall appoint a member for
19 a two-year term;

20 (D) the Speaker of the House shall appoint a member for a two-year
21 term; and

1 (E) the Attorney General shall appoint a member for a one-year term.

2 (2) After the expiration of the initial terms set forth in subdivision (1) of
3 this subsection, Board member terms shall be as set forth in 7 V.S.A. § 841.

4 Sec. 4. IMPLEMENTATION OF RULEMAKING BY THE CANNABIS
5 CONTROL BOARD

6 On or before October 15, 2019, the Cannabis Control Board shall initiate
7 rulemaking for cannabis establishments pursuant to 7 V.S.A. § 881 as provided
8 in Sec. 6 of this act, the Medical Cannabis Registry pursuant to 7 V.S.A. § 956
9 as provided in Sec. 8 of this act, and medical cannabis dispensaries pursuant to
10 7 V.S.A. § 974 as provided in Sec. 10 of this act.

11 Sec. 5. CANNABIS CONTROL BOARD; FEES

12 The Executive Director of the Cannabis Control Board shall provide
13 recommendations for the following fees to be charged and collected in
14 accordance with the Board's authority pursuant to 7 V.S.A. § 844 to the
15 General Assembly on or before January 15, 2020. The recommendations shall
16 be accompanied by information justifying the recommended rate as required
17 by 32 V.S.A. § 605(d).

18 (1) Application fees, initial annual license fees, and annual license
19 renewal fees for each type of cannabis establishment license as provided in
20 7 V.S.A. § 909: cultivator, product manufacturer, wholesaler, retailer, and

1 testing laboratory. If the Board establishes tiers within a licensing category, it
2 shall provide a fee recommendation for each tier.

3 (2) Fee for a cannabis establishment identification card as provided in
4 7 V.S.A. § 884.

5 (3) Initial annual fee and annual renewal fee for a patient on the Medical
6 Cannabis Registry as provided in 7 V.S.A. § 955.

7 (4) Initial annual fee and annual renewal fee for a caregiver on the
8 Medical Cannabis Registry as provided in 7 V.S.A. § 955.

9 (5) Application fee, initial annual fee, and annual renewal fee for
10 medical cannabis dispensaries.

11 (6) Fee for a medical cannabis dispensary identification card as provided
12 in 7 V.S.A. § 975.

13 Sec. 6. CANNABIS CONTROL BOARD; POSITIONS

14 The following new permanent positions are created in the Cannabis Control
15 Board:

16 (1) Five full-time, exempt members of the Board;

17 (2) One full-time, exempt Executive Director of the Board; and

18 (3) One full-time, classified Administrative Assistant.

1 Sec. 6a. BUILDINGS AND GENERAL SERVICES; SPACE ALLOCATION

2 The Commissioner of Buildings and General Services shall allocate space
3 for the Cannabis Control Board established in Sec. 2 of this act. This space
4 shall be allocated on or before September 1, 2019.

5 * * * Cannabis Establishments * * *

6 Sec. 7. 7 V.S.A. chapter 33 is added to read:

7 CHAPTER 33. CANNABIS ESTABLISHMENTS

8 Subchapter 1. General Provisions

9 § 861. DEFINITIONS

10 As used in this chapter:

11 (1) “Affiliate” means a person that directly or indirectly owns or
12 controls, is owned or controlled by, or is under common ownership or control
13 with another person.

14 (2) “Applicant” means a person that applies for a license to operate a
15 cannabis establishment pursuant to this chapter.

16 (3) “Board” means the Cannabis Control Board.

17 (4) “Cannabis” shall have the same meaning as provided in section 831
18 of this title.

19 (5) “Cannabis cultivator” or “cultivator” means a person licensed by the
20 Board to engage in commercial cultivation of cannabis in accordance with this
21 chapter.

1 (6) “Cannabis establishment” means a cannabis cultivator, wholesaler,
2 product manufacturer, retailer, or testing laboratory licensed by the Board to
3 engage in commercial cannabis activity in accordance with this chapter.

4 (7) “Cannabis product” means concentrated cannabis and a product that
5 is composed of cannabis and other ingredients and is intended for use or
6 consumption, including an edible product, ointment, and tincture.

7 (8) “Cannabis product manufacturer” or “product manufacturer” means
8 a person licensed by the Board to manufacture, prepare, and package cannabis
9 products and to sell cannabis products to a licensed retailer, wholesaler, or
10 another product manufacturer in accordance with this chapter.

11 (9) “Cannabis retailer” or “retailer” means a person licensed by the
12 Board to sell cannabis and cannabis products to consumers for off-site
13 consumption in accordance with this chapter.

14 (10) “Cannabis testing laboratory” or “testing laboratory” means a
15 person licensed by the Board to test cannabis for cultivators, product
16 manufacturers, wholesalers, and retailers, in accordance with this chapter.

17 (11) “Cannabis wholesaler” or “wholesaler” means a person licensed by
18 the Board to buy cannabis from cultivators and process, transport, and sell
19 cannabis to licensed product manufacturers and retailers.

20 (12) “Chair” means the Chair of the Cannabis Control Board.

1 (13) “Controls,” “is controlled by,” and “under common control” mean
2 the power to direct, or cause the direction or management and policies of a
3 person, whether through the direct or beneficial ownership of voting securities,
4 by contract, or otherwise. A person who directly or beneficially owns
5 10 percent or more equity interest, or the equivalent thereof, of another person
6 shall be deemed to control the person.

7 (14) “Dispensary” means a business organization licensed pursuant to
8 chapter 37 of this title.

9 (15) “Enclosed, locked facility” shall be either indoors or outdoors, not
10 visible to the public, and may include a building, room, greenhouse, fully
11 enclosed fenced-in area, or other location enclosed on all sides and equipped
12 with locks or other security devices that permit access only by:

13 (A) Employees, agents, or owners of the cultivator, all of whom shall
14 be 21 years of age or older.

15 (B) Government employees performing their official duties.

16 (C) Contractors performing labor that does not include cannabis
17 cultivation, packaging, or processing. Contractors shall be accompanied by an
18 employee, agent, or owner of the cultivator when they are in areas where
19 cannabis is being grown, processed, packaged, or stored.

20 (D) Registered employees of other cultivators, members of the
21 media, elected officials, and other individuals 21 years of age or older visiting

1 the facility, provided they are accompanied by an employee, agent, or owner of
2 the cultivator.

3 (16) "Municipality" means a town, city, or incorporated village.

4 (17) "Person" shall include any natural person; corporation;
5 municipality; the State of Vermont or any department, agency, or subdivision
6 of the State; and any partnership, unincorporated association, or other legal
7 entity.

8 (18) "Plant canopy" means the square footage dedicated to live plant
9 production and does not include areas such as office space or areas used for the
10 storage of fertilizers, pesticides, or other products.

11 (19) "Principal" means an individual vested with the authority to
12 conduct, manage, or supervise the business affairs of a person, and may
13 include the president, vice president, secretary, treasurer, manager, or similar
14 executive officer of a business; a director of a corporation, nonprofit
15 corporation, or mutual benefit enterprise; a member of a nonprofit corporation,
16 cooperative, or member-managed limited liability company; and a partner of a
17 partnership.

18 (20) "Resident" means a person who is domiciled in Vermont, subject to
19 the following:

20 (A) The process for determining the domicile of an individual shall
21 be the same as that required by rules adopted by the Department of Taxes

1 related to determining domicile for the purpose of the interpretation and
2 administration of 32 V.S.A. § 5401(14).

3 (B) The domicile of a business entity is the state in which it is
4 organized.

5 § 862. NOT APPLICABLE TO HEMP OR MEDICAL USE OF
6 CANNABIS

7 This chapter applies to the regulation of cannabis establishments by the
8 Board and shall not apply to activities regulated by 6 V.S.A. chapter 34
9 (hemp), 18 V.S.A. chapter 84 (therapeutic use of cannabis), or chapters 35
10 (Medical Cannabis Registry) and 37 of this title (cannabis medical
11 dispensaries).

12 § 863. REGULATION BY LOCAL GOVERNMENT

13 (a) Nothing in this chapter shall be construed to prevent a municipality
14 from regulating cannabis establishments through local ordinances as set forth
15 in 24 V.S.A. § 2291 or through land use bylaws as set forth in 24 V.S.A.
16 § 4414.

17 (b)(1) A municipality that hosts a cannabis establishment may establish a
18 cannabis control commission, composed of cannabis control commissioners
19 who shall be the members of the municipal legislative body. The commission
20 shall administer municipal permits under this subsection for the cannabis
21 establishments within the municipality.

1 (2) Prior to beginning operations within a municipality, a cannabis
2 establishment shall obtain any local permit required by that municipality.

3 (c)(1) A municipality, by majority vote of those present and voting at an
4 annual or special meeting warned for the purpose, may prohibit the operation
5 of a cannabis establishment or a specific type of cannabis establishment within
6 the municipality. The provisions of this subdivision shall not apply to a
7 cannabis establishment that is operating within the municipality at the time of
8 the vote.

9 (2) A vote to prohibit the operation of a cannabis establishment within
10 the municipality shall remain in effect until rescinded by majority vote of those
11 present and voting at an annual or special meeting warned for the purpose.

12 § 864. ADVERTISING

13 (a) Cannabis advertising shall not contain any statement or illustration that:

14 (1) is deceptive, false or misleading;

15 (2) promotes overconsumption;

16 (3) represents that the use of cannabis has curative effects;

17 (4) depicts a person under 21 years of age consuming cannabis; or

18 (5) is designed to be or has the effect of being particularly appealing to
19 children or persons under 21 years of age.

20 (b) Cannabis establishments shall not advertise their products via flyers,
21 television, radio, billboards, print, or Internet unless the licensee can show that

1 no more than 30 percent of the audience is reasonably expected to be under 21
2 years of age.

3 (c) All advertising shall contain the following warnings:

4 (1) For use only by adults 21 years of age or older. Keep out of the
5 reach of children.

6 (2) Cannabis has intoxicating effects and may impair concentration,
7 coordination, and judgment.

8 § 865. EDUCATION

9 (a) A licensee shall complete an enforcement seminar every three years
10 conducted by the Board. A license shall not be renewed unless the records of
11 the Board show that the licensee has complied with the terms of this
12 subsection.

13 (b) A licensee shall ensure that each employee involved in the sale of
14 cannabis completes a training program approved by the Board prior to selling
15 cannabis and at least once every 24 months thereafter. A licensee shall keep a
16 written record of the type and date of training for each employee, which shall
17 be signed by each employee. A licensee may comply with this requirement by
18 conducting its own training program on its premises, using information and
19 materials furnished by the Board. A licensee who fails to comply with the
20 requirements of this section shall be subject to a suspension of not less than
21 one day of the license issued under this chapter.

1 (J) regulation of additives to cannabis, including those that are toxic
2 or designed to make the product more addictive, more appealing to children, or
3 to mislead consumers;

4 (K) procedures for seed-to-sale traceability of cannabis, including
5 any requirements for tracking software;

6 (L) regulation of the storage and transportation of cannabis;

7 (M) sanitary requirements;

8 (N) procedures for the renewal of a license, which shall allow
9 renewal applications to be submitted up to 90 days prior to the expiration of
10 the cannabis establishment's license;

11 (O) procedures for suspension and revocation of a license; and

12 (P) requirements for banking and financial transactions.

13 (2)(A) Rules concerning cultivators shall include:

14 (i) creation of a tiered system of licensing based on square footage
15 of cultivation space;

16 (ii) restrictions on the use by cultivators of pesticides that are
17 injurious to human health;

18 (iii) standards for both the indoor and outdoor cultivation of
19 cannabis, including environmental protection requirements;

20 (iv) procedures and standards for testing cannabis for
21 contaminants and potency and for quality assurance and control;

1 (v) labeling requirements for products sold to retailers that include
2 appropriate warnings concerning the potential risks of consuming cannabis
3 and the need to keep the product away from children;

4 (vi) regulation of visits to the establishments, including the
5 number of visitors allowed at any one time and record keeping concerning
6 visitors; and

7 (vii) facility inspection requirements and procedures.

8 (B) The Board shall consider the different needs and risks of small
9 cultivators of not more than 500 square feet when adopting rules and shall
10 make an exception or accommodation to such rules for cultivators of this size
11 where appropriate.

12 (3) Rules concerning product manufacturers shall include:

13 (A) identification of the amount of tetrahydrocannabinol and
14 cannabidiol that constitutes a single serving;

15 (B) limitations to a specific number of servings for each individual
16 package of edible cannabis products with the exception of infused oils,
17 powders, and liquids;

18 (C) requirements for opaque, child-resistant packaging;

19 (D) requirements for labeling of cannabis products that include the
20 length of time it typically takes for products to take effect and appropriate

1 warnings concerning the potential risks of consuming cannabis and the need to
2 keep the product away from children;

3 (E) requirements that a cannabis product is clearly identifiable with a
4 standard symbol indicating that it contains cannabis; and

5 (F) a prohibition on:

6 (i) products or packaging that make the product more appealing to
7 children;

8 (ii) the inclusion of nicotine or alcoholic beverages in a cannabis
9 product;

10 (iii) the production and sale of cannabis products that are not
11 reasonably detectable to consumers, including tasteless powders.

12 (4) Rules concerning retailers shall include:

13 (A) requirements for proper verification of age of customers;

14 (B) restrictions that cannabis shall be stored behind a counter or other
15 barrier to ensure a customer does not have direct access to the cannabis; and

16 (C) facility inspection requirements and procedures.

17 (5) Rules concerning testing laboratories shall include:

18 (A) procedures and standards for testing cannabis for contaminants
19 and potency and for quality assurance and control;

20 (B) reporting requirements, including requirements for chain-of-
21 custody record keeping; and

1 (C) procedures for destruction of all cannabis and cannabis products
2 samples.

3 (b) The Board shall consult with other State agencies and departments as
4 necessary in the development and adoption of rules where there is shared
5 expertise and duties.

6 § 882. SUSPENSION AND REVOCATION OF LICENSES; CIVIL

7 VIOLATIONS

8 (a) The Board shall have the authority to suspend or revoke a license for
9 violations of this chapter in accordance with rules adopted pursuant to this
10 chapter.

11 (b) The Board shall have the authority to adopt rules for the issuance of
12 civil citations for violations of this chapter and the rules adopted pursuant to
13 this chapter. Any proposed rule under this section shall include the full,
14 minimum, and waiver penalty amounts for each violation.

15 § 883. CRIMINAL BACKGROUND RECORD CHECKS; APPLICANTS

16 (a) The Board shall obtain from the Vermont Crime Information Center a
17 copy of a license applicant's fingerprint-based Vermont criminal history
18 records, out-of-state criminal history records, and criminal history records from
19 the Federal Bureau of Investigation.

20 (b) The Board shall adopt rules that set forth standards for determining
21 whether an applicant should be denied a cannabis establishment license

1 because of his or her criminal history record. Nonviolent drug offenses shall
2 not automatically disqualify a candidate.

3 § 884. CANNABIS ESTABLISHMENT IDENTIFICATION CARD

4 (a) Every owner, principal, and employee of a cannabis establishment shall
5 obtain an identification card issued by the Board.

6 (b)(1) Prior to issuing the identification card, the Board shall obtain from
7 the Vermont Crime Information Center a copy of the person's Vermont
8 fingerprint-based criminal history records, out-of-state criminal history
9 records, and criminal history records from the Federal Bureau of Investigation.

10 (2) The Board shall adopt rules that set forth standards for determining
11 whether a person should be denied a cannabis establishment identification card
12 because of his or her criminal history record. Nonviolent drug offenses shall
13 not automatically disqualify a candidate.

14 (c) Once an identification card application has been submitted, a person
15 may serve as an employee of a cannabis establishment pending the background
16 check, provided the person is supervised in his or her duties by someone who
17 is a cardholder. The Board shall issue a temporary permit to the person for this
18 purpose, which shall expire upon the issuance of the identification card or
19 disqualification of the person in accordance with this section.

20 (d) An identification card shall expire one year after its issuance or upon
21 the expiration of the cannabis establishment's license, whichever occurs first.

1 (3) An applicant and its affiliates may obtain a maximum of one type of
2 each license under this chapter. Each license shall permit only one location of
3 the establishment. A dispensary license issued pursuant to chapter 37 of this
4 title does not count toward the license limits provided in this section.

5 (e) A dispensary that obtains a retailer license pursuant to this chapter shall
6 maintain the dispensary and retail operations in a manner that protects patient
7 and caregiver privacy in accordance with rules adopted by the Board.

8 (f) Each licensee shall obtain and maintain commercial general liability
9 insurance in accordance with rules adopted by the Board. Failure to provide
10 proof of insurance to the Board, as required, may result in revocation of the
11 license.

12 (g) All records relating to security, transportation, public safety, and trade
13 secrets in an application for a license under this chapter are exempt from public
14 inspection and copying under the Public Records Act and shall be confidential.
15 Notwithstanding 1 V.S.A. § 317(e), the Public Records Act exemption created
16 in this subsection shall continue in effect and shall not be repealed through
17 operation of 1 V.S.A. § 317(e).

18 § 902. LICENSE QUALIFICATIONS AND APPLICATION PROCESS

19 (a) An applicant, principal of an applicant, and person who owns or
20 controls an applicant, who is a natural person:

21 (1) shall be 21 years of age or older; and

1 (2) shall consent to the release of his or her criminal and administrative
2 history records.

3 (b) As part of the application process, each applicant shall submit, in a
4 format prescribed by the Board, an operating plan. The Board shall adopt rules
5 regarding the required components of an application for each type of license.

6 (c) The Board shall obtain a fingerprint-based Vermont criminal history
7 record, an out-of-state criminal history record, a criminal history record from
8 the Federal Bureau of Investigation, and any regulatory records relating to the
9 operation of a business in this State or any other jurisdiction for each of the
10 following who is a natural person:

11 (1) the applicant;

12 (2) each proposed principal;

13 (3) each individual who would control the business.

14 § 903. PRIORITIES

15 (a) The Board shall issue licenses pursuant to this chapter as determined
16 according to a system of priorities adopted by rule by the Board. The system
17 of priorities shall require consideration of criteria, including:

18 (1) whether the applicants, a majority of principals, and those holding
19 majority control of the proposed business are residents of Vermont;

20 (2) whether the applicants have an existing medical cannabis dispensary
21 license in good standing;

1 (3) the geographic distribution of cannabis establishments based on
2 population and market needs;

3 (4) whether the applicants would foster social justice and equity in the
4 cannabis industry by:

5 (A) being a minority or women-owned business or proposing specific
6 plans to recruit, hire, and implement a development ladder for minorities and
7 women; or

8 (B) paying employees a living wage and offering benefits; and

9 (5) whether the project incorporates principles of environmental
10 resiliency or sustainability, including energy efficiency.

11 (b) In an annual license renewal application, a cannabis establishment that
12 was granted a priority license based on this section shall include information
13 demonstrating that it continues to satisfy such criteria.

14 § 904. CULTIVATOR LICENSE

15 (a) A cultivator licensed under this chapter may cultivate, package, label,
16 transport, test, and sell cannabis to a licensed wholesaler, product
17 manufacturer, retailer, or dispensary.

18 (b) Cultivation of cannabis shall occur only in an enclosed, locked facility.

19 (c) Representative samples of each lot or batch of cannabis intended for
20 human consumption shall be tested for safety and potency in accordance with
21 rules adopted by the Board.

1 (d) Each cultivator shall create packaging for its cannabis.

2 (1) Packaging shall include:

3 (A) The name and registration number of the cultivator.

4 (B) The strain of cannabis contained. Cannabis strains shall be either
5 pure breeds or hybrid varieties of cannabis and shall reflect properties of the
6 plant.

7 (C) The potency of the cannabis represented by the percentage of
8 tetrahydrocannabinol and cannabidiol by mass.

9 (D) A “produced on” date reflecting the date that the cultivator
10 finished producing the cannabis.

11 (E) Appropriate warnings as prescribed by the Board in rule.

12 (F) Any additional requirements contained in rules adopted by the
13 Board in accordance with this chapter. Rules shall take into consideration that
14 different labeling requirements may be appropriate depending on whether the
15 cannabis is sold to a wholesaler, product manufacturer, or retailer.

16 (2) Packaging shall not be designed to appeal to persons under 21 years
17 of age.

18 (e)(1) Only unadulterated cannabis shall be offered for sale. If, upon
19 inspection, the Board finds any violative pesticide residue or other
20 contaminants of concern, the Board shall order the cannabis, either
21 individually or in blocks, to be:

- 1 (A) put on stop-sale;
2 (B) treated in a particular manner; or
3 (C) destroyed according to the Board's instructions.

4 (2) Cannabis ordered destroyed or placed on stop-sale shall be clearly
5 separable from salable cannabis. Any order shall be confirmed in writing
6 within seven days. The order shall include the reason for action, a description
7 of the cannabis affected, and any recommended treatment.

8 (3) A person may appeal an order issued pursuant to this section within
9 15 days after receiving the order. The appeal shall be made in writing to the
10 Secretary and shall clearly identify the cannabis affected and the basis for the
11 appeal.

12 § 905. WHOLESALER LICENSE

13 A wholesaler licensed under this chapter may:

14 (1) purchase cannabis from licensed cultivators and cannabis products
15 from licensed product manufacturers;

16 (2) transport, possess, package, and sell cannabis and cannabis products
17 to a licensed product manufacturer, retailer, and dispensary.

18 § 906. PRODUCT MANUFACTURER LICENSE

19 A product manufacturer licensed under this chapter may:

20 (1) purchase cannabis from licensed cultivators and wholesalers and
21 cannabis products from licensed wholesalers and product manufacturers;

1 (2) use cannabis and cannabis products to produce cannabis products;

2 and

3 (3) transport, possess, package, and sell cannabis products to licensed
4 wholesalers, product manufacturers, and retailers.

5 § 907. RETAILER LICENSE

6 (a) A retailer licensed under this chapter may:

7 (1) purchase cannabis from a licensed cultivator or wholesaler and
8 cannabis products from a licensed wholesaler or licensed product
9 manufacturer; and

10 (2) transport, possess, and sell cannabis and cannabis products to the
11 public for consumption off the registered premises.

12 (b) In a single transaction, a retailer may provide one ounce of cannabis or
13 the equivalent in cannabis products, or a combination thereof, to a person 21
14 years of age or older upon verification of a valid government-issued
15 photograph identification card.

16 (c)(1) Packaging shall include:

17 (A) The strain of cannabis contained. Cannabis strains shall be either
18 pure breeds or hybrid varieties of cannabis and shall reflect properties of the
19 plant.

20 (B) The potency of the cannabis represented by the percentage of
21 tetrahydrocannabinol and cannabidiol by mass.

1 (C) A “produced on” date reflecting the date that the cultivator
2 finished producing the cannabis.

3 (D) Appropriate warnings as prescribed by the Board in rule.

4 (E) Any additional requirements contained in rules adopted by the
5 Board in accordance with this chapter.

6 (2) Packaging shall not be designed to appeal to persons under 21 years
7 of age.

8 (d) A retailer shall display a safety information flyer or flyers developed or
9 approved by the Board and supplied to the retailer free of charge. The flyer or
10 flyers shall contain information concerning the methods for administering
11 cannabis, the amount of time it may take for cannabis products to take effect,
12 the risks of driving under the influence of cannabis, the potential risks of
13 cannabis use, the symptoms of problematic usage, and how to receive help for
14 cannabis abuse.

15 (e) Internet sales and delivery of cannabis to customers are prohibited.

16 § 908. TESTING LABORATORY LICENSE

17 (a) A testing laboratory licensed under this chapter may acquire, possess,
18 analyze, test, and transport cannabis samples obtained from a licensed cannabis
19 establishment.

20 (b) Testing may address the following:

21 (1) residual solvents;

- 1 (2) poisons or toxins;
- 2 (3) harmful chemicals;
- 3 (4) dangerous molds, mildew, or filth;
- 4 (5) harmful microbials, such as E. coli or salmonella;
- 5 (6) pesticides; and
- 6 (7) tetrahydrocannabinol and cannabidiol potency.

7 (c) A testing laboratory shall have a written procedural manual made
8 available to employees to follow meeting the minimum standards set forth in
9 rules detailing the performance of all methods employed by the facility used to
10 test the analytes it reports.

11 (d) In accordance with rules adopted pursuant to this chapter, a testing
12 laboratory shall establish a protocol for recording the chain of custody of all
13 cannabis samples.

14 (e) A testing laboratory shall establish, monitor, and document the ongoing
15 review of a quality assurance program that is sufficient to identify problems in
16 the laboratory systems when they occur.

17 (f) A cannabis establishment that is subject to testing requirements under
18 this chapter or rules adopted pursuant to this chapter shall have its cannabis or
19 cannabis products tested by an independent licensed testing laboratory and not
20 a licensed testing laboratory owned or controlled by the license holder of the
21 cannabis establishment.

1 § 909. FEES

2 (a) The Board shall charge and collect license application fees, initial
3 annual license fees, and annual license renewal fees for each type of cannabis
4 establishment license under this chapter. Fees shall be due and payable at the
5 time of license application, annual license, or renewal.

6 (b) Fees shall be deposited in the Cannabis Regulation Fund.

7 Sec. 8. IMPLEMENTATION OF LICENSING CANNABIS

8 ESTABLISHMENTS

9 (a)(1) On or before September 15, 2020, the Board shall begin accepting
10 applications for cultivator licenses and testing laboratory licenses. The initial
11 application period shall remain open for 30 days. The Board may reopen the
12 application process for any period of time at its discretion. During this initial
13 application period, the Board shall give preference to smaller cultivation
14 operations in an effort to encourage small local farmers to enter the market.

15 (2) On or before December 1, 2020, the Board shall begin issuing
16 cultivator and testing laboratory licenses to qualified applicants.

17 (b)(1) On or before November 15, 2020, the Board shall begin accepting
18 applications for product manufacturer licenses and wholesaler licenses. The
19 initial application period shall remain open for 30 days. The Board may
20 reopen the application process for any period of time at its discretion.

1 (2) On or before February 1, 2021, the Board shall begin issuing product
2 manufacturer and wholesaler licenses to qualified applicants.

3 (c)(1) On or before January 15, 2021, the Board shall begin accepting
4 applications for retailer licenses. The initial application period shall remain
5 open for 30 days. The Board may reopen the application process for any
6 period of time at its discretion.

7 (2) On or before April 1, 2021, the Board shall begin issuing retailer
8 licenses to qualified applicants.

9 * * * Medical Cannabis Registry * * *

10 Sec. 9. 7 V.S.A. chapter 35 is added to read:

11 CHAPTER 35. MEDICAL CANNABIS REGISTRY

12 § 951. DEFINITIONS

13 As used in this chapter:

14 (1) “Board” means the Cannabis Control Board.

15 (2) “Cannabis” has the same meaning as provided in section 831 of this
16 title.

17 (3) “Cannabis product” has the same meaning as provided in section 831
18 of this title.

19 (4) “Dispensary” means a business organization licensed under chapter
20 37 of this title.

1 (5)(A) “Health care professional” means an individual licensed to
2 practice medicine under 26 V.S.A. chapter 23 or 33, an individual licensed as a
3 naturopathic physician under 26 V.S.A. chapter 81, an individual certified as a
4 physician assistant under 26 V.S.A. chapter 31, or an individual licensed as an
5 advanced practice registered nurse under 26 V.S.A. chapter 28.

6 (B) This definition includes individuals who are professionally
7 licensed under substantially equivalent provisions in New Hampshire,
8 Massachusetts, or New York.

9 (6) “Immature cannabis plant” means a female cannabis plant that has
10 not flowered and that does not have buds that may be observed by visual
11 examination.

12 (7) “Mature cannabis plant” means a female cannabis plant that has
13 flowered and that has buds that may be observed by visual examination.

14 (8) “Qualifying medical condition” means:

15 (A) cancer, multiple sclerosis, positive status for human
16 immunodeficiency virus, acquired immune deficiency syndrome, glaucoma,
17 Crohn’s disease, Parkinson’s disease, or the treatment of these conditions, if
18 the disease or the treatment results in severe, persistent, and intractable
19 symptoms;

1 (B) post-traumatic stress disorder, provided the Department confirms
2 the applicant is undergoing psychotherapy or counseling with a licensed
3 mental health care provider; or

4 (C) another disease, condition, or treatment as determined in writing
5 by a patient's health care professional.

6 (9) "Registry" means the Vermont Medical Cannabis Registry.

7 § 952. REGISTRY

8 (a) The Board shall establish and manage the Vermont Medical Cannabis
9 Registry for the purpose of allowing persons with qualifying medical
10 conditions and their caregivers to obtain privileges regarding cannabis and
11 cannabis product possession, use, cultivation, and purchase.

12 (b) A person who is a registered patient or a registered caregiver on behalf
13 of a patient may:

14 (1) Cultivate no more than two mature and seven immature cannabis
15 plants. Any cannabis harvested from the plants shall not count toward the
16 three-ounce possession limit in subdivision (b)(2) of this section, provided it is
17 stored in an indoor facility on the property where the cannabis was cultivated
18 and reasonable precautions are taken to prevent unauthorized access to the
19 cannabis.

20 (2) Possess no more than three ounces of cannabis.

1 (3) Purchase cannabis and cannabis products at a licensed medical
2 cannabis dispensary. Pursuant to chapter 37 of this title, a dispensary may
3 offer goods and services that are not permitted at a cannabis establishment
4 licensed pursuant to chapter 33 of this title.

5 (c) Individual names and identifying information about patients and
6 caregivers on the Registry are exempt from public inspection and copying
7 under the Public Records Act and shall be kept confidential. Notwithstanding
8 1 V.S.A. § 317(e), the Public Records Act exemption created in this subsection
9 shall continue in effect and shall not be repealed through operation of 1 V.S.A.
10 § 317(e).

11 (d) The Board shall establish an application process through rulemaking.

12 § 953. PATIENTS

13 (a) Pursuant to rules adopted by the Board, a person may register with the
14 Board to obtain the benefits of the Registry as provided in section 952 of this
15 title.

16 (b) An application by a person under 18 years of age shall be signed by
17 both the applicant and the applicant's parent or guardian.

18 § 954. CAREGIVERS

19 (a) Pursuant to rules adopted by the Board, a person may register with the
20 Board as a caregiver of a registered patient to obtain the benefits of the
21 Registry as provided in section 952 of this title.

1 (b)(1) Except as provided in subdivision (2) of this subsection, a caregiver
2 shall serve only one patient at a time, and a patient shall have only one
3 registered caregiver at a time. A patient may serve as a caregiver for one other
4 patient.

5 (2) A patient who is under 18 years of age may have two caregivers.

6 § 955. REGISTRATION; FEES

7 (a) A registration card shall expire one year after the date of issuance. A
8 patient or caregiver may renew the card according to protocols adopted by the
9 Board.

10 (b) The Board shall charge and collect fees for annual registration for
11 patients and caregivers. Fees shall be deposited in the Cannabis Regulation
12 Fund as provided in section 843 of this title.

13 § 956. RULEMAKING

14 The Board shall adopt rules for the administration of this chapter. No rule
15 shall be more restrictive than any rule adopted by the Department of Public
16 Safety pursuant to 18 V.S.A. chapter 86.

17 Sec. 10. IMPLEMENTATION OF MEDICAL CANNABIS REGISTRY

18 (a) On January 1, 2021, patients and caregivers who are on the Department
19 of Public Safety's Medical Marijuana Registry pursuant to 18 V.S.A.
20 chapter 86 shall transfer to the Cannabis Control Board's Medical Cannabis
21 Registry pursuant to 7 V.S.A. chapter 35. At such time, those patients and

1 caregivers will be entitled to the privileges afforded registrants under 7 V.S.A.
2 chapter 35 and rules adopted by the Board pursuant to 7 V.S.A. chapter 35.

3 (b) The registration card of a patient of caregiver who transfers to the new
4 Registry shall expire on the date of the registration card and a patient or
5 caregiver who wishes to continue participation on the Registry shall renew the
6 registration card under rules adopted by the Board.

7 Sec. 11. REPEAL

8 18 V.S.A. chapter 86 (Therapeutic use of cannabis) is repealed.

9 * * * Medical Cannabis Dispensaries * * *

10 Sec. 12. 7 V.S.A. chapter 37 is added to read:

11 CHAPTER 37. MEDICAL CANNABIS DISPENSARIES

12 § 971. INTENT; PURPOSE

13 (a) It is the intent of the General Assembly to provide a well-regulated
14 system of licensed medical cannabis dispensaries for the purpose of providing
15 cannabis, cannabis products, and related services to patients and caregivers
16 who are registered on the Medical Cannabis Registry pursuant to chapter 35 of
17 this title. Vermont first authorized dispensaries in 2011, and it is the intent of
18 the General Assembly that dispensaries continue to provide unique goods and
19 services to registered patients and caregivers for therapeutic purposes in a
20 market that also allows cannabis establishments licensed pursuant to
21 chapter 33 of this title.

1 (b) A dispensary licensed pursuant to this chapter may engage in practices
2 that are not permitted for a cannabis establishment. As such, a dispensary
3 may:

4 (1) be vertically integrated under one license;

5 (2) sell tax-free cannabis and cannabis products to patients and
6 caregivers;

7 (3) deliver cannabis and cannabis products to patients and caregivers;

8 (4) allow patients and caregivers to purchase cannabis and cannabis
9 products without leaving their vehicles;

10 (5) produce and sell cannabis and cannabis products that have a higher
11 THC content than is permitted for a cannabis establishment;

12 (6) produce and sell cannabis products that may not otherwise be
13 permitted for a cannabis establishment, but that would be appropriate for use
14 by a patient as determined by the Board through rulemaking; and

15 (7) sell larger quantities of cannabis and cannabis products than is
16 permitted for a cannabis establishment.

17 § 972. DEFINITIONS

18 As used in this chapter:

19 (1) “Board” means the Cannabis Control Board.

20 (2) “Cannabis” has the same meaning as provided in section 831 of this
21 title.

1 (3) “Cannabis product” has the same meaning as provided in section 831
2 of this title.

3 (4) “Dispensary” means a business organization licensed under this
4 chapter.

5 (5) “Registry” means the Vermont Medical Cannabis Registry.

6 § 973. DISPENSARY LICENSE

7 A dispensary licensed pursuant to this chapter may:

8 (1) cultivate, package, label, test, and transport cannabis;

9 (2) produce, package, label, test, and transport cannabis products;

10 (3) sell and deliver cannabis and cannabis products to patients and
11 caregivers registered under chapter 35 of this title;

12 (4) acquire, purchase, or borrow cannabis, cannabis products, and
13 services from another licensed Vermont medical cannabis dispensary or give,
14 sell, or lend cannabis, cannabis products, and services to another licensed
15 Vermont medical cannabis dispensary; and

16 (5) purchase cannabis and cannabis products from a cannabis
17 establishment licensed pursuant to chapter 33 of this title.

18 § 974. RULEMAKING

19 (a) The Board shall adopt rules to implement and administer this chapter.

20 In adoption of rules, the Board shall strive for consistency with rules adopted
21 for cannabis establishments pursuant to chapter 33 of this title where

1 appropriate. No rule shall be more restrictive than any rule adopted by the
2 Department of Public Safety pursuant to 18 V.S.A. chapter 86.

3 (b) Rules shall include:

4 (1) the form and content of license and renewal applications;

5 (2) qualifications for licensure that are directly and demonstrably related
6 to the operation of a dispensary, including submission of an operating plan and
7 the requirement for a fingerprint-based criminal history record check and
8 regulatory record check pursuant to section 975 of this title;

9 (3) oversight requirements;

10 (4) inspection requirements;

11 (5) records to be kept by licensees and the required availability of the
12 records;

13 (6) employment and training requirements, including requiring that each
14 employee have an identification badge;

15 (7) security requirements, including lighting, physical security, video,
16 and alarm requirements;

17 (8) guidelines on advertising, marketing, and signage;

18 (9) health and safety requirements;

19 (10) procedures for suspension and revocation of a license;

20 (11) requirements for banking and financial transactions;

- 1 (12) procedures for the renewal of a license, which shall allow renewal
2 applications to be submitted up to 90 days prior to the expiration of the
3 cannabis establishment's license;
- 4 (13) restrictions on the use of pesticides that are injurious to human
5 health;
- 6 (14) standards for both the indoor and outdoor cultivation of cannabis,
7 including environmental protection requirements;
- 8 (15) regulation of additives to cannabis, prohibiting those that are toxic
9 or designed to make the product more addictive, more appealing to children, or
10 to mislead patients and caregivers;
- 11 (16) a prohibition on the inclusion of nicotine or alcoholic beverages in
12 a cannabis product;
- 13 (17) requirements for opaque, child-resistant packaging of cannabis and
14 cannabis products;
- 15 (18) labeling requirements for products sold to patients and caregivers
16 that include:
- 17 (A) requirements that products are clearly identifiable with a standard
18 symbol indicating that it is cannabis; and
- 19 (B) appropriate warnings concerning the potential negative
20 consequences of consuming cannabis and the need to keep the product away
21 from children;

1 (19) labeling requirements for cannabis products sold to patients and
2 caregivers that include:

3 (A) requirements that cannabis products are clearly identifiable with
4 a standard symbol indicating that it contains cannabis;

5 (B) identification of the amount of tetrahydrocannabinol and
6 cannabidiol that constitutes a single serving; and

7 (C) the length of time it typically takes for products to take effect and
8 appropriate warnings concerning the potential negative consequences of
9 consuming cannabis and the need to keep the product away from children;

10 (20) limitations to a specific number of servings for each individual
11 package of edible cannabis products with the exception of infused oils,
12 powders, and liquids;

13 (21) procedures and standards for testing cannabis for contaminants and
14 potency and for quality assurance and control;

15 (22) regulation of the storage and transportation of cannabis and
16 cannabis products;

17 (23) pricing guidelines with a goal of ensuring cannabis and cannabis
18 products are sufficiently affordable to patients and caregivers;

19 (24) regulation of visits to the establishments, including the number of
20 visitors allowed at any one time and record keeping concerning visitors;

1 (25) requirements for the dissemination of educational materials to
2 consumers who purchase cannabis and cannabis products;

3 (26) requirements for verification of a customer's Registry status;

4 (27) restrictions that cannabis and cannabis products shall be stored
5 behind a counter or other barrier to ensure a customer does not have direct
6 access to the cannabis or cannabis product;

7 (28) reporting requirements, including requirements for chain-of-
8 custody record keeping for testing samples; and

9 (29) procedures for destruction of all testing samples.

10 § 975. CRIMINAL BACKGROUND RECORD CHECKS; APPLICANTS

11 (a) The Board shall obtain from the Vermont Crime Information Center a
12 copy of a license applicant's fingerprint-based Vermont criminal history
13 records, out-of-state criminal history records, and criminal history records from
14 the Federal Bureau of Investigation.

15 (b) The Board shall adopt rules that set forth standards for determining
16 whether an applicant should be denied a medical cannabis dispensary license
17 because of his or her criminal history record. Nonviolent drug offenses shall
18 not automatically disqualify a candidate.

19 § 976. DISPENSARY IDENTIFICATION CARD

20 (a) Every owner, principal, and employee of a medical cannabis dispensary
21 shall obtain an identification card issued by the Board.

1 (b)(1) Prior to issuing the identification card, the Board shall obtain from
2 the Vermont Crime Information Center a copy of the person's fingerprint-
3 based Vermont criminal history records, out-of-state criminal history records,
4 and criminal history records from the Federal Bureau of Investigation.

5 (2) The Board shall adopt rules that set forth standards for determining
6 whether an applicant should be denied a medical cannabis dispensary
7 identification card because his or her criminal history record. Nonviolent drug
8 offenses shall not automatically disqualify a candidate.

9 (c) Once an identification card application has been submitted, a person
10 may serve as an employee of a dispensary pending the background check,
11 provided the person is supervised in his or her duties by someone who is a
12 cardholder. The Board shall issue a temporary permit to the person for this
13 purpose, which shall expire upon the issuance of the identification card or
14 disqualification of the person in accordance with this section.

15 (d) An identification card shall expire one year after its issuance or upon
16 the expiration of the dispensary's license, whichever occurs first.

17 § 977. FEES

18 (a) The Board shall charge and collect the following fees for dispensaries:

19 (1) application fees;

20 (2) annual license fees; and

21 (3) annual renewal fees.

1 (b) Fees shall be deposited in the Cannabis Regulation Fund as provided in
2 section 843 of this title.

3 Sec. 13. IMPLEMENTATION OF MEDICAL CANNABIS REGISTRIES

4 (a) On January 1, 2021, regulation of medical marijuana dispensaries that
5 are registered pursuant to 18 V.S.A. chapter 86 shall transfer from the
6 Department of Public Safety to the Cannabis Control Board. At such time,
7 those registered dispensaries shall operate pursuant to 7 V.S.A. chapter 37 and
8 the rules adopted by the Board pursuant to chapter 37.

9 (b) The registration certificate of a dispensary that transfers to the Board
10 shall expire on the date of issue of the certificate and a dispensary that wishes
11 to continue operating as a dispensary shall apply to the Board for a dispensary
12 license pursuant to 7 V.S.A. chapter 37 and the rules adopted by the Board
13 pursuant to chapter 37.

14 * * * Creation of Excise and Local Option Tax * * *

15 Sec. 14. 32 V.S.A. chapter 207 is added to read:

16 CHAPTER 207. CANNABIS TAXES

17 § 7901. CANNABIS EXCISE TAX

18 (a) There is imposed a cannabis excise tax equal to 10 percent of the sales
19 price, as that term is defined in subdivision 9701(4) of this title, of each retail
20 sale in this State of cannabis and cannabis products, including food or
21 beverages, as defined under 7 V.S.A. § 831.

1 (b) The tax imposed by this section shall be paid by the purchaser to the
2 retailer. Each retailer shall collect from the purchaser the full amount of the
3 tax payable on each taxable sale.

4 (c) The tax imposed by this section is separate from and in addition to the
5 cannabis local option tax authorized under section 7902 of this title. The tax
6 imposed by this section shall not be part of the sales price to which the
7 cannabis local option tax applies. The cannabis excise tax shall be separately
8 itemized from the cannabis local option tax on the receipt provided to the
9 purchaser.

10 (d) The following sales shall be exempt from the tax imposed under this
11 section:

12 (1) sales under any circumstances in which the State is without power to
13 impose the tax;

14 (2) sales made by any dispensary as authorized under 7 V.S.A.
15 chapter 37, provided that the cannabis or cannabis product is sold only to
16 registered qualifying patients directly or through their registered caregivers;
17 and

18 (3) sales for resale.

19 § 7902. CANNABIS LOCAL OPTION TAX

20 (a) Notwithstanding 24 V.S.A. § 138, any municipality may collect a
21 cannabis local option tax equal to one percent of the sales price, as that term is

1 defined in subdivision 9701(4) of this title, on each retail sale in the
2 municipality of cannabis and cannabis products, including food and beverages,
3 as defined under 7 V.S.A. § 831.

4 (b) The cannabis local option tax may be adopted by a municipality that
5 has:

6 (1) not prohibited the retail sale of cannabis and cannabis products
7 within the municipality pursuant to 7 V.S.A. § 863(c) or 24 V.S.A. §§ 2291
8 and 4414; and

9 (2) provided notice of the imposition to the Department of Taxes at least
10 90 days prior to the first day of the tax quarter when the cannabis local option
11 tax will be collected.

12 (c) The tax imposed by this section shall be paid by the purchaser to the
13 retailer. Each retailer shall collect from the purchaser the full amount of the
14 tax payable on each taxable sale.

15 (d) The tax imposed by this section is separate from and in addition to the
16 cannabis excise tax authorized under section 7901 of this title. The tax
17 imposed by this section shall not be part of the sales price to which the
18 cannabis excise tax applies. The cannabis local option tax shall be separately
19 itemized from the cannabis excise tax on the receipt provided to the purchaser.

20 (e) The following sales shall be exempt from the tax imposed under this
21 section:

1 (1) sales under any circumstances in which the State is without power to
2 impose the tax;

3 (2) sales made by any dispensary as authorized under 7 V.S.A.
4 chapter 37, provided that the cannabis or cannabis product is sold only to
5 registered qualifying patients directly or through their registered caregivers;
6 and

7 (3) sales for resale.

8 (f) Any tax imposed under the authority of this section shall be collected
9 and administered by the Department of Taxes, in accordance with State law
10 governing such State tax or taxes, and provided to the municipality in which
11 they were collected on a quarterly basis.

12 (g) As used in this section, “municipality” means a city, town, or
13 incorporated village.

14 (h) Nothing in this section shall affect the validity of any existing provision
15 of law or municipal charter authorizing a municipality to impose a local option
16 tax on anything not subject to the cannabis local option tax.

17 § 7903. LIABILITY FOR TAXES

18 (a) Any tax collected in accordance with this chapter shall be deemed to be
19 held by the retailer in trust for the State of Vermont. Any tax collected under
20 this chapter shall be accounted for separately so as clearly to indicate the

1 amount of tax collected and that the same are the property of the State of
2 Vermont.

3 (b) Every retailer required to collect and remit tax under this chapter to the
4 Commissioner shall be personally and individually liable for the amount of
5 such tax together with such interest and penalty as has accrued under this title.
6 If the retailer is a corporation or other entity, the personal liability shall extend
7 to any officer or agent of the corporation or entity who as an officer or agent of
8 the same has the authority to collect and remit tax to the Commissioner of
9 Taxes as required in this chapter.

10 (c) A retailer shall have the same rights in collecting tax from his or her
11 purchaser or regarding nonpayment of tax by the purchaser as if the tax or
12 taxes were a part of the purchase price of cannabis or cannabis products and
13 payable at the same time; provided, however, if the retailer required to collect
14 tax has failed to remit any portion of the tax or taxes to the Commissioner of
15 Taxes, the Commissioner of Taxes shall be notified of any action or
16 proceeding brought by the retailer to collect tax and shall have the right to
17 intervene in such action or proceeding.

18 (d) A retailer required to collect tax may also refund or credit to the
19 purchaser any tax erroneously, illegally, or unconstitutionally collected. No
20 cause of action that may exist under State law shall accrue against the retailer

1 for tax collected unless the purchaser has provided written notice to a retailer
2 and the retailer has had 60 days to respond.

3 § 7904. RETURNS; RECORDS

4 (a) Any retailer required to collect tax imposed by this chapter shall, on or
5 before the 15th day of every month, return to the Department of Taxes, under
6 oath of a person with legal authority to bind the retailer, a statement containing
7 its name and place of business, the total amount of sales subject to the cannabis
8 excise tax and cannabis local option tax, if applicable, made in the preceding
9 month, and any information required by the Department of Taxes, along with
10 the total tax due. The Commissioner of Taxes may require that returns be
11 submitted electronically.

12 (b) Every retailer shall maintain, for not less than three years, accurate
13 records showing all transactions subject to tax liability under this chapter.
14 The records are subject to inspection by the Department of Taxes at all
15 reasonable times during normal business hours.

16 § 7905. BUNDLED TRANSACTIONS

17 (a) Except as provided in subsection (b) of this section, a retail sale of a
18 bundled transaction that includes cannabis or a cannabis product is subject to
19 the cannabis excise tax and cannabis local option tax, where applicable,
20 imposed by this chapter on the entire selling price of the bundled transaction.

1 (b) If the selling price is attributable to products that are taxable and
2 products that are not taxable under this chapter, the portion of the price
3 attributable to the products that are nontaxable are subject to the tax imposed
4 by this chapter unless the retailer can identify by reasonable and verifiable
5 standards the portion that is not subject to tax from its books and records that
6 are kept in the regular course of business, and any discounts applied to the
7 bundle must be attributed to the products that are nontaxable under this
8 chapter.

9 (c) As used in this section, “bundled transaction” means:

10 (1) the retail sale of two or more products where the products are
11 otherwise distinct and identifiable, are sold for one nonitemized price, and at
12 least one of the products is or contains cannabis; or

13 (2) cannabis or a cannabis product that is provided free of charge with
14 the required purchase of another product.

15 § 7906. LICENSE

16 (a) Any retailer required to collect tax imposed by this chapter must apply
17 for and receive a cannabis retail tax license from the Commissioner for each
18 place of business within the State where he or she sells cannabis or cannabis
19 products prior to commencing business. The Commissioner shall issue
20 without charge a license, or licenses, empowering the retailer to collect the
21 cannabis excise tax and cannabis local option tax, where applicable, provided

1 that a retailer's application is properly submitted and the retailer is otherwise in
2 compliance with applicable laws, rules, and provisions.

3 (b) Each cannabis retail tax license shall state the place of business to
4 which it is applicable and be prominently displayed in the place of business.
5 The licenses shall be nonassignable and nontransferable and shall be
6 surrendered to the Commissioner immediately upon the registrant ceasing to
7 do business in the place named. A cannabis retail tax license shall be separate
8 and in addition to any licenses required by sections 9271 (meals and rooms
9 tax) and 9707 (sales and use tax) of this title.

10 (c) The Cannabis Control Board may require the Commissioner of Taxes to
11 suspend or revoke the tax licenses issued under this section for any retailer that
12 fails to comply with 7 V.S.A. chapter 33 or any rules adopted by the Board.

13 § 7907. APPLICABILITY OF SALES AND USE TAX PROVISIONS

14 To the extent not inconsistent with this chapter, the provisions for the
15 assessment, collection, enforcement, and appeals of the sales and use tax in
16 chapter 233 of this title shall apply to the taxes imposed by this chapter.

17 § 7908. STATUTORY PURPOSES

18 (a) The statutory purpose of the exemptions for cannabis and cannabis
19 products as defined under 7 V.S.A. § 831 sold by any dispensary as authorized
20 under 7 V.S.A. chapter 37 in subdivisions 7901(d)(2) and 7902(e)(2) of this

1 title is to lower the cost of medical products in order to support the health and
2 welfare of Vermont residents.

3 (b) The statutory purpose of the exemptions for sales for resale of cannabis
4 and cannabis products as defined under 7 V.S.A. § 831 in subdivisions
5 7901(d)(3) and 7902(e)(3) of this title is to avoid double taxation.

6 * * * Sales Tax Exemption * * *

7 Sec. 15. 32 V.S.A. § 9701(31) is amended to read:

8 (31) “Food and food ingredients” means substances, whether in liquid,
9 concentrated, solid, frozen, dried, or dehydrated form, that are sold for
10 ingestion or chewing by humans and are consumed for their taste or nutritional
11 value. “Food and food ingredients” does not include alcoholic beverages,
12 tobacco, cannabis as defined under 7 V.S.A. § 831, or soft drinks.

13 Sec. 16. 32 V.S.A. § 9741(53) is added to read:

14 (53) Cannabis and cannabis products as defined under 7 V.S.A. § 831.

15 * * * Tax Expenditure * * *

16 Sec. 17. 32 V.S.A. § 9706(mm) is added to read:

17 (mm) The statutory purpose of the exemption for cannabis and cannabis
18 products as defined under 7 V.S.A. § 831 in subdivision 9741(53) of this title
19 is to lower the cost of medical products sold by any dispensary as authorized
20 under 7 V.S.A. chapter 37 in order to support the health and welfare of

1 Vermont residents and avoid double taxation on cannabis and cannabis
2 products that are not sold as a medical product.

3 * * * Income Tax Deduction * * *

4 Sec. 18. 32 V.S.A. § 5811 is amended to read:

5 § 5811. DEFINITIONS

6 The following definitions shall apply throughout this chapter unless the
7 context requires otherwise:

8 * * *

9 (18) “Vermont net income” means, for any taxable year and for any
10 corporate taxpayer:

11 (A) the taxable income of the taxpayer for that taxable year under the
12 laws of the United States, without regard to 26 U.S.C. § 168(k) of the Internal
13 Revenue Code, and excluding income which under the laws of the United
14 States is exempt from taxation by the states:

15 * * *

16 (ii) decreased by:

17 (I) the “gross-up of dividends” required by the federal Internal
18 Revenue Code to be taken into taxable income in connection with the
19 taxpayer’s election of the foreign tax credit; ~~and~~

1 (II) the amount of income which results from the required
2 reduction in salaries and wages expense for corporations claiming the Targeted
3 Job or WIN credits; and

4 (III) any federal deduction that the taxpayer would have been
5 allowed for the cultivation, testing, processing, or sale of cannabis or cannabis
6 products as authorized under 7 V.S.A. chapter 33 or 37, but for 26 U.S.C.
7 § 280E.

8 * * *

9 (21) “Taxable income” means, in the case of an individual, federal adjusted
10 gross income determined without regard to 26 U.S.C. § 168(k) and:

11 * * *

12 (C) Decreased by the following exemptions and deductions:

13 * * *

14 (iii) an additional deduction of \$1,000.00 for each federal deduction
15 under 26 U.S.C. § 63(f) that the taxpayer qualified for and received; ~~and~~

16 (iv) the dollar amounts of the personal exemption allowed under
17 subdivision (i) of this subdivision (21)(C), the standard deduction allowed
18 under subdivision (ii) of this subdivision (21)(C), and the additional deduction
19 allowed under subdivision (iii) of this subdivision (21)(C) shall be adjusted
20 annually for inflation by the Commissioner of Taxes beginning with taxable
21 year 2018 by using the Consumer Price Index and the same methodology as

1 used for adjustments under 26 U.S.C. § 1(f)(3); provided, however, that as
2 used in this subdivision, “consumer price index” means the last Consumer
3 Price Index for All Urban Consumers published by the U.S. Department of
4 Labor; and

5 (v) any federal deduction that the taxpayer would have been allowed
6 for the cultivation, testing, processing, or sale of cannabis or cannabis products
7 as authorized under 7 V.S.A. chapter 33 or 37, but for 26 U.S.C. § 280E.

8 * * *

9 * * * Miscellaneous Cannabis Provisions * * *

10 Sec. 19. 18 V.S.A. § 4230a(a)(2)(A) is amended to read:

11 (2)(A) A person shall not consume ~~marijuana~~ cannabis in a public place.
12 “Public place” ~~means any street, alley, park, sidewalk, public building other~~
13 ~~than individual dwellings, any place of public accommodation as defined in 9~~
14 ~~V.S.A. § 4501, and any place where the use or possession of a lighted tobacco~~
15 ~~product, tobacco product, or tobacco substitute as defined in 7 V.S.A. § 1001 is~~
16 ~~prohibited by law~~ has the same meaning as provided by 7 V.S.A. § 831.

17 Sec. 20. 18 V.S.A. § 4230 is amended to read:

18 § 4230. ~~MARIJUANA~~ CANNABIS

19 * * *

20 (b) Selling or dispensing.

- 1 (2) Secs. 11 (Repeal), 14 (creation of excise and local option tax),
- 2 15 (sales tax exemption), 16 (tax exemption), 17 (tax expenditure), and
- 3 18 (income tax deduction).