

**Summary of Sections of Senate Committee on Judiciary Amendment
to S.54, An act relating to the regulation of cannabis**

Sec. 1. Title 7 Redesignation (pg. 1)

- New title is “Alcoholic Beverages, Cannabis, and Tobacco”.

Sec. 2. Adding 7 V.S.A. chapter 31 (Cannabis) (pgs. 1–8)

- Affirms the current prohibition on consuming cannabis in a public place.
- Creates an independent commission named the Cannabis Control Board for the purpose of administering a program for licensed cannabis establishments and, starting in 2021, the Vermont Medical Cannabis Registry and licensed medical cannabis dispensaries. The Board is composed of three members who hire an executive director and an administrative assistant.
- Establishes the Cannabis Regulation Fund that will be composed of all application fees, annual license fees, renewal fees, and civil penalties collected by the Board regarding cannabis establishments, the medical registry, and medical dispensaries. Monies in the fund are used solely for implementation, administration, and enforcement of those programs.

Sec. 3. Implementation of the Cannabis Control Board (pg. 8)

- Sets forth initial terms of the members of the Board.

Sec. 4. Implementation of Rulemaking by the Cannabis Control Board (pg. 9)

- Directs the Board to initiate rulemaking for cannabis establishments, the Registry, and dispensaries on or before October 15, 2019.

Sec. 5. Cannabis Control Board; Fees; Report (pgs. 9–11)

- Directs the Board to provide recommendations to the General Assembly on or before January 15, 2020 regarding various fees to be charged and collected with respect to cannabis establishments, the Registry, and dispensaries.
- Directs the Board to report to the General Assembly on or before January 15, 2020 on the following:
 - Required resources necessary for implementation of the act for fiscal year 2021. The Board is required to consider utilization of current expertise and resources within State government and cooperation with other State departments and agencies where there may be an overlap in duties.
 - A proposal to work with DOL, Agency of Commerce, and DOC to develop outreach, training, and employment programs focused on providing economic opportunities to individuals who historically have been disproportionately impacted by cannabis prohibition.
 - The experience of other jurisdictions with regulated cannabis markets that allow licensed retail cannabis establishments to deliver to customers and the advantages and disadvantages of allowing such deliveries in Vermont.

Sec. 6. Creation of Board Positions (pg. 11)

- Creates three full-time board member positions, one executive director position, and one administrative assistant position.

Sec. 6a. Allocation of space (pg. 12)

- Directs BGS to allocate space for the Board no later than September 1, 2019.

Sec. 6b. Appropriation (pg. 12)

- Appropriates \$810,000.00 in FY 2020 from the Cannabis Regulation Fund to the Cannabis Control Board. This appropriation is made in anticipation of receipts in the fund.

Sec. 6c. Contingent Cannabis Regulation Fund Offset (pg. 12)

- To the extent that the Cannabis Regulation Fund has a negative balance at the close of the fiscal year 2022, proceeds in that amount from the tax established 32 V.S.A. § 7901 in fiscal year 2023 will be deposited into the Cannabis Regulation Fund.

Sec. 6d. Auditor of Accounts Report (pg. 12)

- Requires the Auditor of Accounts to report to the General Assembly regarding the organizational structure and membership of the Cannabis Control Board and whether the structure continues to be the most efficient for carrying out the statutory duties of the Board on or before April 1, 2023.

Sec. 7. Adding 7 V.S.A. chapter 33 (Cannabis Establishments) (pgs. 13–37)

- Creates a program for licensing cannabis establishments for the purpose of regulating a legal, commercial cannabis and cannabis-product market.
- Towns may prohibit the operations of cannabis establishments or a particular type of establishment by holding a vote at town meeting or a special election. Towns may establish a cannabis control commission (similar to local liquor control commission) for purpose of administering local permits.
- Restrictions prohibit advertising that is false or deceptive, promotes overconsumption, or is designed to be particularly appealing to persons under 21 years of age. Cannabis establishments would not be permitted to advertise their products via flyers, television, radio, billboards, print, or Internet unless the licensee can show that no more than 30 percent of the audience is reasonably expected to be under 21 years of age.
- Allows five types of licenses: cultivator, product manufacturer, wholesaler, retailer, and testing laboratory. A person may hold a maximum of one type of each license and each license shall entitle the person to only one location.
- The Board is directed to adopt extensive rules regarding numerous issues for each type of license. Topics range from seed to sale tracking, record keeping and security to regulation of consumer safety protections such as restrictions on the use of additives or pesticides, labeling requirements, testing of cannabis and cannabis products, and product information provided to consumers.

- The Board is directed to create a tiered system of licensing for cultivators and special consideration should be given to small cultivators. The Board may establish tiers for other types of licenses.
- Product manufacturers may create and retailers may sell cannabis products, including edibles. Rules address the amount of THC a product can contain, labeling and child-resistant packaging requirements, warnings, and consumer education.
- Applicants must submit to a criminal history record check and check of any regulatory records relating to a business the person operated. The Board is required to adopt rules that set forth standards for determining whether an applicant should be denied a cannabis establishment license because of his or her criminal history record based on factors that demonstrate whether the applicant presently poses a threat to public safety or the proper functioning of the regulated market. Nonviolent drug offenses will not automatically disqualify an applicant.
- The Board is required to issue licenses as determined according to a system of priorities adopted by rule by the Board. The system of priorities require consideration of criteria, including:
 - (1) whether the applicants, a majority of principals, and those holding majority control of the proposed business are residents of Vermont;
 - (2) whether the applicants have an existing medical cannabis dispensary license in good standing;
 - (3) whether the applicants would foster social justice and equity in the cannabis industry by being a minority- or women-owned business;
 - (4) whether the applicants propose specific plans to recruit, hire, and implement a development ladder for minorities, women, or individuals who have historically been disproportionately impacted by cannabis prohibition;
 - (5) whether applicants propose specific plans to pay employees a living wage and offer benefits;
 - (6) whether the project incorporates principles of environmental resiliency or sustainability, including energy efficiency; and
 - (7) the geographic distribution of cannabis establishments based on population and market needs.

Sec. 8. Implementation of Licensing of Cannabis Establishments (pgs. 38–39)

- Creates a timeline for the Board to begin accepting and issuing licenses.
- Board begins accepting first applications for cultivators and testing laboratories on or before September 15, 2020 and begins issuing retailer licenses on or before April 1, 2021.
- The initial application periods are open only for 30 days, but the Board may reopen the application process for any period of time at its discretion.
- During this initial application period, the Board must give preference to smaller cultivation operations in an effort to encourage small local farmers to enter the market.

Sec. 9. Adding 7 V.S.A. chapter 35 (Medical Cannabis Registry) (pgs. 38–42)

- Creates a new chapter for the Registry in contemplation of the existence of a legal landscape where any person 21 years of age or older may possess cannabis and purchase it from a licensed cannabis establishment.

Sec. 10. Implementation of Medical Cannabis Registry (pgs. 42–43)

- On January 1, 2021, patients and caregivers who are on the Department of Public Safety's Medical Marijuana Registry will transfer to the Board's. At such time, those patients and caregivers will be entitled to the privileges afforded registrants under the new statutes and rules.

Sec. 11. Repeal of 18 V.S.A. chapter 86 (Therapeutic Use of Cannabis) (pg. 43)

- Repeals current laws on medical cannabis.

Sec. 12. Adding 7 V.S.A. chapter 37 (Medical Cannabis Dispensaries) (pgs. 43–51)

- Creates a new chapter for regulation of dispensaries in contemplation of the existence of a legal landscape where any person 21 years of age or older may possess cannabis and purchase it from a licensed cannabis establishment.

Sec. 13. Implementation of Medical Cannabis Dispensaries (pgs. 51–52)

- On January 1, 2021, regulation of medical marijuana dispensaries that are registered pursuant to current law shall transfer from the Department of Public Safety to the Cannabis Control Board. At such time, those registered dispensaries shall operate pursuant to the new statutes and rules. The registration certificate of a dispensary that transfers to the Board will expire on the date of issue of the certificate and a dispensary that wishes to continue operating as a dispensary must apply to the Board for a dispensary license pursuant to the new statutes and rules.

Sec. 14. Creation of Excise and Local Option Tax (pgs. 52–61)

- Creates a 16 percent cannabis excise tax on retail sales of cannabis and cannabis products (including food and beverages) to be paid by the purchaser to the retailer and held in trust for the State.
- Creates a two percent cannabis local option tax on retail sales of cannabis and cannabis products (including food and beverages) to be paid by the purchaser to the retailer. Can be adopted by any municipality that has not prohibited the retail sale of cannabis and cannabis products.
- Cannabis and cannabis product sales for resale and sales made by a dispensary to a registered qualifying patient or caregiver are exempt from both the cannabis excise tax and the cannabis local option tax.
- The full retail purchase price of a bundled transaction containing cannabis or cannabis products is subject to the cannabis excise tax and cannabis local option tax unless the retailer can identify by reasonable and verifiable standards the portion of the bundled transaction that is not subject to the two taxes.
- The Department of Taxes may prohibit the payment of tax returns in cash.

Sec. 14a. Disclosure of Registered Tax Collectors (pg. 61)

- Permits the Department of Taxes to disclose which cannabis retailers have been granted a cannabis retail tax license by the Department of Taxes.

Sec. 15. Sales Tax Exemption (pg. 61)

- Excludes cannabis and cannabis products from the definition of food and food ingredients.

Sec. 16. Sales Tax Exemption (pg. 62)

- Exempts all sales of cannabis and cannabis products from the six percent sales and use tax.

Sec. 17. Tax Expenditure (pg. 62)

- Provides the statutory purpose of the six percent sales and use tax exemption for cannabis and cannabis-infused products as required pursuant to 32 V.S.A. § 312.

Sec. 17a. Meals and Rooms Tax Expenditure (pgs. 62–63)

- Excludes cannabis and cannabis products from the definition of taxable meal for purposes of the meals and rooms tax.

Sec. 17b. Meals and Rooms Tax Expenditure (pg. 63)

- Provides the statutory purpose of the meals and rooms tax exemption for cannabis and cannabis products as required pursuant to 32 V.S.A. § 312.

Sec. 18 Income Tax Deduction (pgs. 63–65)

- Decreases both Vermont net income and taxable income by any federal deductions that the taxpayer would have been allowed for the authorized cultivation, testing, processing, or sale of cannabis or cannabis products but for federal law.

Sec. 19. Cannabis “Gifting” (pgs. 65–66)

- Clarifies that a person 21 years of age or older may dispense an ounce or less of cannabis to another person 21 years of age or older provided the person does not promote or advertise the gifting.

Sec. 20. Cross-reference to Definition of “Public Place” (pgs. 66–67)

- References the definition in the new Cannabis chapter.

Sec. 21. Statutory Revision Authority (pg. 67)

- Directs the Office of Legislative Council to replace “marijuana” with “cannabis” throughout the statutes as needed for consistency with the act, as long as the revisions have no other effect on the meaning of the affected statutes.

Sec. 22. Effective Dates (pgs. 67–68)

- Generally, the sections on cannabis gifting and statutory revision begin on passage; sections creating the Board and beginning the Board’s rulemaking authority begin July 1, 2019; sections moving Registry and dispensaries to Board and tax provisions for new commercial sales begin January 1, 2021.