

1 TO THE HONORABLE SENATE:

2 The Committee on Judiciary to which was referred Senate Bill No. 54
3 entitled “An act relating to the regulation of cannabis” respectfully reports that
4 it has considered the same and recommends that the bill be amended by
5 striking out all after the enacting clause and inserting in lieu thereof the
6 following:

7 * * * Title Redesignation * * *

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

9 7. ALCOHOLIC BEVERAGES, CANNABIS, AND TOBACCO

10 * * * Cannabis Generally; Cannabis Control Board * * *

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

12 CHAPTER 31. CANNABIS

13 Subchapter 1. General Provisions

14 § 831. DEFINITIONS

15 As used in this chapter:

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

17 (2)(A) “Cannabis” means all parts of the plant Cannabis sativa L.,

18 except as provided by subdivision (B) of this subdivision (2), whether growing

19 or harvested, and includes:

20 (i) the seeds of the plant;

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

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

3 (B) “Cannabis” does not include:

4 (i) the mature stalks of the plant and fiber produced from the
5 stalks;

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

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

9 (iv) the sterilized seed of the plant that is incapable of
10 germination; or

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

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

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

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

21 § 832. CANNABIS POSSESSED UNLAWFULLY SUBJECT TO

1 SEIZURE AND FORFEITURE

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

4 § 833. CONSUMPTION OF CANNABIS IN A PUBLIC PLACE

5 No person shall consume cannabis in a public place unless specifically
6 authorized by law. Violations shall be punished in accordance with 18 V.S.A.
7 § 4230a.

8 Subchapter 2. Cannabis Control Board

9 § 841. CANNABIS CONTROL BOARD; DUTIES; MEMBERS

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

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

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

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

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

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

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

5 (c) Membership.

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

8 (A) one member who shall be appointed by the Governor and who
9 shall have a background in consumer protection;

10 (B) one member who shall be appointed by the Senate Committee on
11 Committees and who shall have a background in agriculture, horticulture, or
12 plant science;

13 (C) one member who shall be appointed by the Speaker of the House
14 and who shall have a background in systemic social justice and equity issues;

15 (D) one member who shall be appointed by the Treasurer and who
16 shall have a background in business management or corporate structures; and

17 (E) one member who shall be appointed by the Attorney General and
18 who shall have a background in legal or regulatory compliance.

19 (2) Board members shall serve for a term of three years or until a
20 successor is appointed and shall be eligible for reappointment, provided that no
21 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 Commission 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 (h) The Board may establish an advisory committee comprised of members
5 with expertise and knowledge relevant to the Board's mission.

6 § 842. AUTHORITY FOR CRIMINAL BACKGROUND CHECKS

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

13 § 843. CANNABIS REGULATION FUND

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

17 (b) The Fund shall be composed of:

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

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

3 (c) Monies from the fund shall only be appropriated for the purposes of
4 implementation, administration, and enforcement of this chapter and chapters
5 33 (cannabis establishments), chapter 35 (medical cannabis registry), and 37
6 (medical cannabis dispensaries).

7 § 844. FEES

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

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

11 Sec. 3. IMPLEMENTATION OF THE CANNABIS CONTROL BOARD

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

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

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

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

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

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

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

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

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

6 Sec. 4. IMPLEMENTATION OF RULEMAKING BY THE CANNABIS
7 CONTROL BOARD

8 On or before October 15, 2019, the Cannabis Control Board shall initiate
9 rulemaking for cannabis establishments pursuant to 7 V.S.A. § 881 as provided
10 in Sec. 6 of this act, the Medical Cannabis Registry pursuant to 7 V.S.A. § 956
11 as provided in Sec. 8 of this act, and medical cannabis dispensaries pursuant to
12 7 V.S.A. § 974 as provided in Sec. 10 of this act.

13 Sec. 5. CANNABIS CONTROL BOARD; FEES

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

20 (1) Application fees, initial annual license fees, and annual license
21 renewal fees for each type of cannabis establishment license as provided in

1 7 V.S.A. § 909: cultivator, product manufacturer, wholesaler, retailer, and
2 testing laboratory. If the Board establishes tiers within a licensing category, it
3 shall provide a fee recommendation for each tier.

4 (2) Fee for a cannabis establishment identification card as provided in
5 7 V.S.A. § 884.

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

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

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

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

14 **Sec. X. BOARD REPORT TO GENERAL ASSEMBLY**

15 On or before January 15, 2020, the Executive Director of the Cannabis
16 Control Board shall submit to the General Assembly the Board's
17 recommendations regarding the following:

18 (1) Resources necessary for implementation of this act for fiscal year
19 2021. The Board shall consider utilization of current expertise and resources
20 within state government and cooperation with other state departments and
21 agencies where there may be an overlap in duties.

1 (2) A proposal to work with the Department of Labor, Agency of
2 Commerce and Community Development, and the Department of Corrections
3 to develop outreach, training and employment programs focused on providing
4 economic opportunities to individuals who historically have been
5 disproportionately impacted by cannabis prohibition or who are reintegrating
6 into the community following a period of incarceration or supervised sentence
7 to now participate in the regulated cannabis system.

8 (3) Information and best practices regarding consumption of cannabis by
9 adults 21 years of age and older in places that are now prohibited, including:

10 (A) consumption of cannabis in a public place as defined in 7 V.S.A.
11 § 831;

12 (B) consideration of a new category of special event licenses that
13 permits a licensee, on either a temporary or annual basis, to allow consumption
14 of cannabis on the premises; and

15 (C) consideration of a new category of social consumption licenses
16 that would permit a licensee to sell and allows on-site consumption of cannabis
17 and cannabis products.

18 Sec. 6. CANNABIS CONTROL BOARD; POSITIONS

19 The following new permanent positions are created in the Cannabis Control
20 Board:

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

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

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

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

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

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

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

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

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

5 (13) “Controls,” “is controlled by,” and “under common control” mean
6 the power to direct, or cause the direction or management and policies of a
7 person, whether through the direct or beneficial ownership of voting securities,
8 by contract, or otherwise. A person who directly or beneficially owns
9 10 percent or more equity interest, or the equivalent thereof, of another person
10 shall be deemed to control the person.

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

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

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

19 (B) Government employees performing their official duties.

20 (C) Contractors performing labor that does not include cannabis
21 cultivation, packaging, or processing. Contractors shall be accompanied by an

1 employee, agent, or owner of the cultivator when they are in areas where
2 cannabis is being grown, processed, packaged, or stored.

3 (D) Registered employees of other cultivators, members of the
4 media, elected officials, and other individuals 21 years of age or older visiting
5 the facility, provided they are accompanied by an employee, agent, or owner of
6 the cultivator.

7 (16) “Municipality” means a town, city, or incorporated village.

8 (17) “Person” shall include any natural person; corporation;
9 municipality; the State of Vermont or any department, agency, or subdivision
10 of the State; and any partnership, unincorporated association, or other legal
11 entity.

12 (18) “Plant canopy” means the square footage dedicated to live plant
13 production and does not include areas such as office space or areas used for the
14 storage of fertilizers, pesticides, or other products.

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

1 (20) “Resident” means a person who is domiciled in Vermont, subject to
2 the following:

3 (A) The process for determining the domicile of an individual shall
4 be the same as that required by rules adopted by the Department of Taxes
5 related to determining domicile for the purpose of the interpretation and
6 administration of 32 V.S.A. § 5401(14).

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

9 § 862. NOT APPLICABLE TO HEMP OR MEDICAL USE OF
10 CANNABIS

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

16 § 863. REGULATION BY LOCAL GOVERNMENT

17 (a)(1) A municipality, by majority vote of those present and voting at an
18 annual or special meeting warned for that purpose, may prohibit the operation
19 of a cannabis establishment or a specific type of cannabis establishment within
20 the municipality. The provisions of this subdivision shall not apply to a

1 cannabis establishment that is operating within the municipality at the time of
2 the vote.

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

6 (b) A municipality that hosts a cannabis establishment may establish a
7 cannabis control commission composed of commissioners who may be
8 members of the municipal legislative body. The local cannabis control
9 commission may administer municipal permits under this subsection for
10 cannabis establishments within the municipality. The commissioners may
11 condition the issuance of a municipal permit upon compliance with any bylaw
12 adopted pursuant to 24 V.S.A. § 4414 or ordinances regulating signs or public
13 nuisances adopted pursuant to 24 V.S.A. § 2291. The commission may
14 suspend or revoke a local control permit for violation of any condition placed
15 upon the issuance of the permit. The Board shall adopt rules relating to a
16 municipality's issuance of a local permit for a cannabis establishment in
17 accordance with this subsection. All applications for and forms of municipal
18 licenses and permits shall be prescribed by the Board.

19 (c) A municipality shall not:

1 (1) prohibit the operation of a cannabis establishment within the
2 municipality through an ordinance adopted pursuant to 24 V.S.A. § 2291 or a
3 bylaw adopted pursuant to 24 V.S.A. § 4414;

4 (2) execute a host agreement with a cannabis establishment; or

5 (3) exceed the authority granted to it to regulate a cannabis
6 establishment by law.

7 § 864. ADVERTISING

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

9 (1) is deceptive, false or misleading;

10 (2) promotes overconsumption;

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

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

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

15 (b) Cannabis establishments shall not advertise their products via flyers,
16 television, radio, billboards, print, or Internet unless the licensee can show that
17 no more than 30 percent of the audience is reasonably expected to be under 21
18 years of age.

1 (a) The Board shall adopt rules to implement and administer this chapter in
2 accordance with subdivisions (1)–(5) of this subsection.

3 (1) Rules concerning any cannabis establishment shall include:

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

5 (B) qualifications for licensure that are directly and demonstrably
6 related to the operation of a cannabis establishment, including submission of
7 an operating plan and the requirement for a fingerprint-based criminal history
8 record check and regulatory record check pursuant to section 883 of this title;

9 (C) oversight requirements;

10 (D) inspection requirements;

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

13 (F) employment and training requirements;

14 (G) security requirements, including lighting, physical security,
15 video, and alarm requirements;

16 (H) restrictions on advertising, marketing, and signage;

17 (I) health and safety requirements;

18 (J) regulation of additives to cannabis, including those that are toxic
19 or designed to make the product more addictive, more appealing to persons
20 under the age of 21, or to mislead consumers;

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

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

4 (M) sanitary requirements;

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

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

9 (P) requirements for banking and financial transactions; and

10 (Q) policies and procedures for conducting outreach and promoting
11 participation in the regulated cannabis market by diverse groups of individuals,
12 including those who have been disproportionately harmed by cannabis
13 prohibition.

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

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

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

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

1 (iv) procedures and standards for testing cannabis for
2 contaminants and potency and for quality assurance and control;

3 (v) labeling requirements for products sold to retailers that include
4 appropriate warnings concerning the potential risks of consuming cannabis
5 and the need to keep the product away from persons under the age of 21;

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

9 (vii) facility inspection requirements and procedures.

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

14 (3) Rules concerning product manufacturers shall include:

15 (A) requirements that cannabis products are labeled in a manner
16 which states the number of servings of delta-9 tetrahydrocannabinol in the
17 product, measured in servings of a maximum of 10 milligrams per serving,
18 except:

19 (i) cannabis products that are not consumable, including topical
20 preparations; and

1 (ii) cannabis products sold to a dispensary pursuant to 7 V.S.A.
2 chapter 37 and regulations issued pursuant to that chapter;

3 (B) requirements that a single package of a cannabis product shall not
4 contain more than 100 milligrams of THC, except in the case of:

5 (i) cannabis products that are not consumable, including topical
6 preparations; and

7 (ii) cannabis products sold to a dispensary pursuant to 7 V.S.A.
8 chapter 37 and regulations issued pursuant to that chapter;

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

10 (D) requirements for labeling of cannabis products that include the
11 length of time it typically takes for products to take effect and appropriate
12 warnings concerning the potential risks of consuming cannabis and the need to
13 keep the product away from persons under the age of 21;

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

16 (F) a prohibition on:

17 (i) products or packaging that are designed⁸⁴¹ to make the
18 product more appealing to persons under the age of 21; and

19 (ii) the inclusion of nicotine or alcoholic beverages in a cannabis
20 product;

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

3 (4) Rules concerning retailers shall include:

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

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

7 (C) facility inspection requirements and procedures.

8 (5) Rules concerning testing laboratories shall include:

9 (A) procedures and standards for testing cannabis for contaminants
10 and potency and for quality assurance and control;

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

13 (C) procedures for destruction of all cannabis and cannabis products
14 samples.

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

1 § 882. SUSPENSION AND REVOCATION OF LICENSES; CIVIL

2 VIOLATIONS

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

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

10 § 883. 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 cannabis establishment license
17 because of his or her criminal history record based on factors that demonstrate
18 whether the applicant presently poses a threat to public safety or the proper
19 functioning of the regulated market. Nonviolent drug offenses shall not
20 automatically disqualify an applicant.

1 § 884. CANNABIS ESTABLISHMENT IDENTIFICATION CARD

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

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

8 (2) The Board shall adopt rules that set forth standards for determining
9 whether a person should be denied a cannabis establishment identification card
10 because of his or her criminal history record based on factors that demonstrate
11 whether the applicant presently poses a threat to public safety or the proper
12 functioning of the regulated market. Nonviolent drug offenses shall not
13 automatically disqualify an applicant.

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 Subchapter 3. Licenses

2 § 901. GENERAL PROVISIONS

3 (a) Except as otherwise permitted by law, a person shall not engage in the
4 cultivation, preparation, processing, packaging, transportation, testing, or sale
5 of cannabis or cannabis products without obtaining a license from the Board.

6 (b) All licenses shall expire at midnight on April 30 of each year, beginning
7 no earlier than 10 months after the original license was issued to the cannabis
8 establishment.

9 (c) Applications for licenses and renewals shall be submitted on forms
10 provided by the Board and shall be accompanied by the fees provided for in
11 section 909 of this title.

12 (d)(1) There shall be five types of licenses available:

13 (A) a cultivator license;

14 (B) a wholesaler license;

15 (C) a product manufacturer license;

16 (D) a retailer license; and

17 (E) a testing laboratory license.

18 (2) The Board shall develop tiers for cultivator licenses based on the
19 plant canopy size of the cultivation operation or plant count for breeding stock
20 and may develop tiers for other licenses as appropriate.

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)(1) The following records shall be exempt from public inspection and
13 copying under the Public Records Act and shall be confidential:

14 (A) Any record in an application for a license relating to security,
15 public safety, transportation or trade secrets.

16 (B) Any licensee record relating to security, public safety,
17 transportation, trade secrets, or employees.

18 (2) Notwithstanding 1 V.S.A. § 317(e), the Public Records Act
19 exemption created in this subsection shall continue in effect and shall not be
20 repealed through operation of 1 V.S.A. § 317(e).

1 § 902. LICENSE QUALIFICATIONS AND APPLICATION PROCESS

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

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

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

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

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

15 (1) the applicant;

16 (2) each proposed principal;

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

18 § 903. PRIORITIES

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

1 (1) whether the applicants, a majority of principals, and those holding
2 majority control of the proposed business are residents of Vermont **or members**
3 **of the Abenaki community;**

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

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

8 (A) being a minority or women-owned business or proposing specific
9 plans to recruit, hire, and implement a development ladder for minorities,
10 women, **or individuals who have historically been disproportionately impacted**
11 **by cannabis prohibition or who are reintegrating into the community following**
12 **a period of incarceration or supervised sentence; or**

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

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

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

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

1 § 904. CULTIVATOR LICENSE

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

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

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

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

10 (1) Packaging shall include:

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

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

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

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

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

20 (F) Any additional requirements contained in rules adopted by the
21 Board in accordance with this chapter. Rules shall take into consideration that

1 different labeling requirements may be appropriate depending on whether the
2 cannabis is sold to a wholesaler, product manufacturer, or retailer.

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

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

9 (A) put on stop-sale;

10 (B) treated in a particular manner; or

11 (C) destroyed according to the Board's instructions.

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

16 (3) A person may appeal an order issued pursuant to this section within
17 15 days after receiving the order. The appeal shall be made in writing to the
18 Secretary and shall clearly identify the cannabis affected and the basis for the
19 appeal.

20 § 905. WHOLESALER LICENSE

21 A wholesaler licensed under this chapter may:

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

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

5 § 906. PRODUCT MANUFACTURER LICENSE

6 A product manufacturer licensed under this chapter may:

7 (1) purchase cannabis from licensed cultivators and wholesalers and
8 cannabis products from licensed wholesalers and product manufacturers;

9 (2) use cannabis and cannabis products to produce cannabis products;
10 and

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

13 § 907. RETAILER LICENSE

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

15 (1) purchase cannabis from a licensed cultivator or wholesaler and
16 cannabis products from a licensed wholesaler or licensed product
17 manufacturer; and

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

20 (b) In a single transaction, a retailer may provide one ounce of cannabis or
21 the equivalent in cannabis products, or a combination thereof, to a person 21

1 years of age or older upon verification of a valid government-issued
2 photograph identification card.

3 (c)(1) Packaging shall include:

4 (A) 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 (B) The potency of the cannabis represented by the percentage of
8 tetrahydrocannabinol and cannabidiol by mass.

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

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

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

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

16 (d) A retailer shall display a safety information flyer or flyers developed or
17 approved by the Board and supplied to the retailer free of charge. The flyer or
18 flyers shall contain information concerning the methods for administering
19 cannabis, the amount of time it may take for cannabis products to take effect,
20 the risks of driving under the influence of cannabis, the potential risks of

1 cannabis use, the symptoms of problematic usage, and how to receive help for
2 cannabis abuse.

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

4 § 908. TESTING LABORATORY LICENSE

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

8 (b) Testing may address the following:

9 (1) residual solvents;

10 (2) poisons or toxins;

11 (3) harmful chemicals;

12 (4) dangerous molds, mildew, or filth;

13 (5) harmful microbials, such as E. coli or salmonella;

14 (6) pesticides; and

15 (7) tetrahydrocannabinol and cannabidiol potency.

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

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

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

7 (f) A cannabis establishment that is subject to testing requirements under
8 this chapter or rules adopted pursuant to this chapter shall have its cannabis or
9 cannabis products tested by an independent licensed testing laboratory and not
10 a licensed testing laboratory owned or controlled by the license holder of the
11 cannabis establishment.

12 § 909. FEES

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

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

18 Sec. 8. IMPLEMENTATION OF LICENSING CANNABIS

19 ESTABLISHMENTS

20 (a)(1) On or before September 15, 2020, the Board shall begin accepting
21 applications for cultivator licenses and testing laboratory licenses. The initial

1 application period shall remain open for 30 days. The Board may reopen the
2 application process for any period of time at its discretion. During this initial
3 application period, the Board shall give preference to smaller cultivation
4 operations in an effort to encourage small local farmers to enter the market.

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

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

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

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

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

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

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

6 (8) “Qualifying medical condition” means:

7 (A) cancer, multiple sclerosis, positive status for human
8 immunodeficiency virus, acquired immune deficiency syndrome, glaucoma,
9 Crohn’s disease, Parkinson’s disease, or the treatment of these conditions, if
10 the disease or the treatment results in severe, persistent, and intractable
11 symptoms;

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

15 (C) a disease or medical condition or its treatment that is chronic,
16 debilitating, and produces one or more of the following intractable symptoms:
17 cachexia or wasting syndrome; chronic pain; severe nausea; or seizures.

18 (9) “Registry” means the Vermont Medical Cannabis Registry.

19 § 952. REGISTRY

20 (a) The Board shall establish and manage the Vermont Medical Cannabis
21 Registry for the purpose of allowing persons with qualifying medical

1 conditions and their caregivers to obtain privileges regarding cannabis and
2 cannabis product possession, use, cultivation, and purchase.

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

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

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

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

16 (c)(1) Individual names and identifying information about patients and
17 caregivers on the Registry are exempt from public inspection and copying
18 under the Public Records Act and shall be kept confidential. Notwithstanding
19 1 V.S.A. § 317(e), the Public Records Act exemption created in this subsection
20 shall continue in effect and shall not be repealed through operation of 1 V.S.A.
21 § 317(e).

1 (2) In response to a person-specific or property-specific inquiry by a law
2 enforcement officer or agency made in the course of a bona fide investigation
3 or prosecution, the Board may verify the identities and registered property
4 addresses of the registered patient and the patient's registered caregiver. The
5 law enforcement officer or agency shall keep confidential any identities and
6 addresses received pursuant to this subdivision.

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

8 § 953. PATIENTS

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

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

14 § 954. CAREGIVERS

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

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

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

2 § 955. REGISTRATION; FEES

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

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

9 § 956. RULEMAKING

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

13 Sec. 10. IMPLEMENTATION OF MEDICAL CANNABIS REGISTRY

14 (a) On January 1, 2021, patients and caregivers who are on the Department
15 of Public Safety’s Medical Marijuana Registry pursuant to 18 V.S.A.
16 chapter 86 shall transfer to the Cannabis Control Board’s Medical Cannabis
17 Registry pursuant to 7 V.S.A. chapter 35. At such time, those patients and
18 caregivers will be entitled to the privileges afforded registrants under 7 V.S.A.
19 chapter 35 and rules adopted by the Board pursuant to 7 V.S.A. chapter 35.

20 (b) The registration card of a patient of caregiver who transfers to the new
21 Registry shall expire on the date of the registration card and a patient or

1 caregiver who wishes to continue participation on the Registry shall renew the
2 registration card under rules adopted by the Board.

3 Sec. 11. REPEAL

4 18 V.S.A. chapter 86 (Therapeutic use of cannabis) is repealed.

5 * * * Medical Cannabis Dispensaries * * *

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

7 CHAPTER 37. MEDICAL CANNABIS DISPENSARIES

8 § 971. INTENT; PURPOSE

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

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

21 (1) be vertically integrated under one license;

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

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

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

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

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

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

13 § 972. DEFINITIONS

14 As used in this chapter:

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

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

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

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

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

2 § 973. DISPENSARY LICENSE

3 (a) A dispensary licensed pursuant to this chapter may:

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

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

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

8 (4) acquire, purchase, or borrow cannabis, cannabis products, and
9 services from another licensed Vermont medical cannabis dispensary or give,
10 sell, or lend cannabis, cannabis products, and services to another licensed
11 Vermont medical cannabis dispensary; and

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

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

20 § 974. RULEMAKING

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

2 In adoption of rules, the Board shall strive for consistency with rules adopted

3 for cannabis establishments pursuant to chapter 33 of this title where

4 appropriate. No rule shall be more restrictive than any rule adopted by the

5 Department of Public Safety pursuant to 18 V.S.A. chapter 86.

6 (b) Rules shall include:

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

8 (2) qualifications for licensure that are directly and demonstrably related

9 to the operation of a dispensary, including submission of an operating plan and

10 the requirement for a fingerprint-based criminal history record check and

11 regulatory record check pursuant to section 975 of this title;

12 (3) oversight requirements;

13 (4) inspection requirements;

14 (5) records to be kept by licensees and the required availability of the

15 records;

16 (6) employment and training requirements, including requiring that each

17 employee have an identification badge;

18 (7) security requirements, including lighting, physical security, video,

19 and alarm requirements;

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

21 (9) health and safety requirements;

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

1 (B) appropriate warnings concerning the potential negative
2 consequences of consuming cannabis and the need to keep the product away
3 from persons under the age of 21;

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

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

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

10 (C) the length of time it typically takes for products to take effect and
11 appropriate warnings concerning the potential negative consequences of
12 consuming cannabis and the need to keep the product away from persons under
13 the age of 21;

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

17 (21) procedures and standards for testing cannabis for contaminants and
18 potency and for quality assurance and control;

19 (22) regulation of the storage and transportation of cannabis and
20 cannabis products;

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

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

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

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

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

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

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

14 § 975. CRIMINAL BACKGROUND RECORD CHECKS; APPLICANTS

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

19 (b) The Board shall adopt rules that set forth standards for determining
20 whether an applicant should be denied a medical cannabis dispensary license
21 because of his or her criminal history record based on factors that demonstrate

1 whether the applicant presently poses a threat to public safety or the proper
2 functioning of the regulated market. Nonviolent drug offenses shall not
3 automatically disqualify a candidate.

4 § 976. DISPENSARY IDENTIFICATION CARD

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

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

11 (2) The Board shall adopt rules that set forth standards for determining
12 whether a person should be denied a medical cannabis dispensary
13 identification card because his or her criminal history record based on factors
14 that demonstrate whether the applicant presently poses a threat to public safety
15 or the proper functioning of the regulated market. Nonviolent drug offenses
16 shall not automatically disqualify a candidate.

17 (c) Once an identification card application has been submitted, a person
18 may serve as an employee of a dispensary pending the background check,
19 provided the person is supervised in his or her duties by someone who is a
20 cardholder. The Board shall issue a temporary permit to the person for this

1 purpose, which shall expire upon the issuance of the identification card or
2 disqualification of the person in accordance with this section.

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

5 § 977. FEES

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

7 (1) application fees;

8 (2) annual license fees; and

9 (3) annual renewal fees.

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

12 **Sec. 13. IMPLEMENTATION OF MEDICAL CANNABIS REGISTRIES**

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

18 (b) The registration certificate of a dispensary that transfers to the Board
19 shall expire on the date of issue of the certificate and a dispensary that wishes
20 to continue operating as a dispensary shall apply to the Board for a dispensary

1 license pursuant to 7 V.S.A. chapter 37 and the rules adopted by the Board
2 pursuant to chapter 37.

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

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

5 CHAPTER 207. CANNABIS TAXES

6 § 7901. CANNABIS EXCISE TAX

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

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

14 (c) The tax imposed by this section is separate from and in addition to the
15 cannabis local option tax authorized under section 7902 of this title. The tax
16 imposed by this section shall not be part of the sales price to which the
17 cannabis local option tax applies. The cannabis excise tax shall be separately
18 itemized from the cannabis local option tax on the receipt provided to the
19 purchaser.

20 (d) 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 § 7902. CANNABIS LOCAL OPTION TAX

9 (a) Notwithstanding 24 V.S.A. § 138, any municipality may collect a
10 cannabis local option tax not to exceed two percent of the sales price, as that
11 term is defined in subdivision 9701(4) of this title, on each retail sale in the
12 municipality of cannabis and cannabis products, including food and beverages,
13 as defined under 7 V.S.A. § 831.

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

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

19 (2) provided notice of the imposition and the amount to the Department
20 of Taxes at least 90 days prior to the first day of the tax quarter when the
21 cannabis local option tax will be collected.

1 (c) 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 (d) The tax imposed by this section is separate from and in addition to the
5 cannabis excise tax authorized under section 7901 of this title. The tax
6 imposed by this section shall not be part of the sales price to which the
7 cannabis excise tax applies. The cannabis local option tax shall be separately
8 itemized from the cannabis excise tax on the receipt provided to the purchaser.

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

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

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

17 (3) sales for resale.

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

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

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

6 § 7903. LIABILITY FOR TAXES

7 (a) Any tax collected in accordance with this chapter shall be deemed to be
8 held by the retailer in trust for the State of Vermont. Any tax collected under
9 this chapter shall be accounted for separately so as clearly to indicate the
10 amount of tax collected and that the same are the property of the State of
11 Vermont.

12 (b) Every retailer required to collect and remit tax under this chapter to the
13 Commissioner shall be personally and individually liable for the amount of
14 such tax together with such interest and penalty as has accrued under this title.
15 If the retailer is a corporation or other entity, the personal liability shall extend
16 to any officer or agent of the corporation or entity who as an officer or agent of
17 the same has the authority to collect and remit tax to the Commissioner of
18 Taxes as required in this chapter.

19 (c) A retailer shall have the same rights in collecting tax from his or her
20 purchaser or regarding nonpayment of tax by the purchaser as if the tax or
21 taxes were a part of the purchase price of cannabis or cannabis products and

1 payable at the same time; provided, however, if the retailer required to collect
2 tax has failed to remit any portion of the tax or taxes to the Commissioner of
3 Taxes, the Commissioner of Taxes shall be notified of any action or
4 proceeding brought by the retailer to collect tax and shall have the right to
5 intervene in such action or proceeding.

6 (d) A retailer required to collect tax may also refund or credit to the
7 purchaser any tax erroneously, illegally, or unconstitutionally collected. No
8 cause of action that may exist under State law shall accrue against the retailer
9 for tax collected unless the purchaser has provided written notice to a retailer
10 and the retailer has had 60 days to respond.

11 § 7904. RETURNS; RECORDS

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

20 (b) Every retailer shall maintain, for not less than three years, accurate
21 records showing all transactions subject to tax liability under this chapter.

1 The records are subject to inspection by the Department of Taxes at all
2 reasonable times during normal business hours.

3 § 7905. BUNDLED TRANSACTIONS

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

8 (b) If the selling price is attributable to products that are taxable and
9 products that are not taxable under this chapter, the portion of the price
10 attributable to the products that are nontaxable are subject to the tax imposed
11 by this chapter unless the retailer can identify by reasonable and verifiable
12 standards the portion that is not subject to tax from its books and records that
13 are kept in the regular course of business, and any discounts applied to the
14 bundle must be attributed to the products that are nontaxable under this
15 chapter.

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

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

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

1 § 7906. LICENSE

2 (a) Any retailer required to collect tax imposed by this chapter must apply
3 for and receive a cannabis retail tax license from the Commissioner for each
4 place of business within the State where he or she sells cannabis or cannabis
5 products prior to commencing business. The Commissioner shall issue
6 without charge a license, or licenses, empowering the retailer to collect the
7 cannabis excise tax and cannabis local option tax, where applicable, provided
8 that a retailer’s application is properly submitted and the retailer is otherwise in
9 compliance with applicable laws, rules, and provisions.

10 (b) Each cannabis retail tax license shall state the place of business to
11 which it is applicable and be prominently displayed in the place of business.
12 The licenses shall be nonassignable and nontransferable and shall be
13 surrendered to the Commissioner immediately upon the registrant ceasing to
14 do business in the place named. A cannabis retail tax license shall be separate
15 and in addition to any licenses required by sections 9271 (meals and rooms
16 tax) and 9707 (sales and use tax) of this title.

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

1 § 7907. APPLICABILITY OF SALES AND USE TAX PROVISIONS

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

5 § 7908. STATUTORY PURPOSES

6 (a) The statutory purpose of the exemptions for cannabis and cannabis
7 products as defined under 7 V.S.A. § 831 sold by any dispensary as authorized
8 under 7 V.S.A. chapter 37 in subdivisions 7901(d)(2) and 7902(e)(2) of this
9 title is to lower the cost of medical products in order to support the health and
10 welfare of Vermont residents.

11 (b) The statutory purpose of the exemptions for sales for resale of cannabis
12 and cannabis products as defined under 7 V.S.A. § 831 in subdivisions
13 7901(d)(3) and 7902(e)(3) of this title is to avoid double taxation.

14 * * * Sales Tax Exemption * * *

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

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

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

* * *

(ii) decreased by:

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

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

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

* * *

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

* * *

(C) Decreased by the following exemptions and deductions:

* * *

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

1 ~~product, tobacco product, or tobacco substitute as defined in 7 V.S.A. § 1001 is~~
2 ~~prohibited by law~~ has the same meaning as provided by 7 V.S.A. § 831.

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

4 § 4230. ~~MARIJUANA~~ CANNABIS

5 * * *

6 (b) Selling or dispensing.

7 (1) A person knowingly and unlawfully selling ~~marijuana~~ cannabis or
8 hashish shall be imprisoned not more than two years or fined not more than
9 \$10,000.00, or both.

10 (2) A person knowingly and unlawfully selling or dispensing more than
11 one ounce of ~~marijuana~~ cannabis or five grams or more of hashish shall be
12 imprisoned not more than five years or fined not more than \$100,000.00, or
13 both.

14 (3) A person knowingly and unlawfully selling or dispensing one pound
15 or more of ~~marijuana~~ cannabis or 2.8 ounces or more of hashish shall be
16 imprisoned not more than 15 years or fined not more than \$500,000.00, or
17 both.

18 (4) A person 21 years of age or older may dispense one ounce or less of
19 cannabis or five grams or less of hashish to another person who is 21 years of
20 age or older provided that the dispensing is not advertised or promoted to the
21 public.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

* * *

Sec. 21. STATUTORY REVISION AUTHORITY

When preparing the Vermont Statutes Annotated for publication, the Office of Legislative Council shall replace “marijuana” with “cannabis” throughout the statutes as needed for consistency with this act, as long as the revisions have no other effect on the meaning of the affected statutes.

* * * Effective Dates * * *

Sec. 22. EFFECTIVE DATES

(a) This section and Secs. 20 (cannabis dispensing) and 21 (statutory revision authority) shall take effect on passage.

(b) The following shall take effect July 1, 2019:

(1) Secs. 1 (Title 7 redesignation), 2 (cannabis chapter), 3 (implementation of the Cannabis Control Board), 4 (implementation of rulemaking by the Cannabis Control Board, 5 (Cannabis Control Board; fees), 6 (creation of Board positions), 6a (space allocation); 7 (cannabis establishments chapter), 8 (implementation of licensing of cannabis establishments), and 19 (public place definition).

(2) In Sec. 9 (Medical Cannabis Registry chapter), 7 V.S.A. § 956 (rulemaking) and in Sec. 12 (Medical Cannabis Dispensaries), 7 V.S.A. § 974 (rulemaking).

1 (c) Secs. 10 (implementation of Medical Cannabis Registry) and
2 13 (implementation of medical cannabis dispensaries) shall take effect July 1,
3 2020.

4 (d) The following shall take effect January 1, 2021:

5 (1) Sec. 9 (Medical Cannabis Registry chapter), except for 7 V.S.A.
6 § 956 (rulemaking) and Sec. 12 (Medical Cannabis Dispensaries), except for
7 7 V.S.A. § 974 (rulemaking).

8 (2) Secs. 11 (Repeal), 14 (creation of excise and local option tax),
9 15 (sales tax exemption), 16 (tax exemption), 17 (tax expenditure), and
10 18 (income tax deduction).

11

12

13

14

15

16

17

18 (Committee vote: _____)

19

20

Senator _____

21

FOR THE COMMITTEE