

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to
3 which was referred Senate Bill No. 278 entitled “An act relating to cannabis”
4 respectfully reports that it has considered the same and recommends that the
5 bill be amended by striking out all after the enacting clause and inserting in
6 lieu thereof the following:

7 * * * Packaging Limit * * *

8 Sec. 1. 7 V.S.A. § 881 is amended to read:

9 § 881. RULEMAKING; CANNABIS ESTABLISHMENTS

10 (a) The Board shall adopt rules to implement and administer this chapter in
11 accordance with subdivisions ~~(1)-(8)~~ (1)-(8) of this subsection.

12 * * *

13 (3) Rules concerning product manufacturers shall include:

14 (A) requirements that a single package of a cannabis product shall
15 not contain more than ~~100~~ 200 milligrams of THC, except in the case of:

16 * * *

17 * * * Transaction Limit * * *

18 Sec. 2. 7 V.S.A. § 907 is amended to read:

19 § 907. RETAILER LICENSE

20 * * *

1 (b) In a single transaction, a retailer may provide ~~one ounce~~ two ounces of
2 cannabis or the equivalent in cannabis products, or a combination thereof, to a
3 person 21 years of age or older upon verification of a valid government-issued
4 photograph identification card.

5 * * *

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

7 § 4230. CANNABIS

8 (a) Possession and cultivation.

9 (1) No person shall knowingly and unlawfully possess more than ~~one~~
10 ~~ounce~~ two ounces of cannabis or more than ~~five~~ 10 grams of hashish or
11 cultivate more than two mature cannabis plants or four immature cannabis
12 plants. A person who violates this subdivision shall be assessed a civil penalty
13 as follows:

14 * * *

15 (2)(A) No person shall knowingly and unlawfully possess more than
16 two ounces ~~or more~~ of cannabis or ~~ten~~ 10 grams or more of hashish or more
17 than three mature cannabis plants or six immature cannabis plants. For a first
18 offense under this subdivision (2), a person shall be provided the opportunity
19 to participate in the Court Diversion Program unless the prosecutor states on
20 the record why a referral to the Court Diversion Program would not serve the
21 ends of justice. A person convicted of a first offense under this subdivision

1 shall be imprisoned not more than six months or fined not more than \$500.00,
2 or both.

3 * * *

4 Sec. 4. 18 V.S.A. § 4230a is amended to read:

5 § 4230a. CANNABIS POSSESSION BY A PERSON 21 YEARS OF AGE
6 OR OLDER

7 (a)(1) Except as otherwise provided in this section, a person 21 years of age
8 or older who possesses ~~one ounce~~ two ounces or less of cannabis or ~~five~~ 10
9 grams or less of hashish and two mature cannabis plants or fewer or four
10 immature cannabis plants or fewer or who possesses paraphernalia for
11 cannabis use shall not be penalized or sanctioned in any manner by the State or
12 any of its political subdivisions or denied any right or privilege under State
13 law. The ~~one ounce~~ two-ounce limit of cannabis or ~~five~~ 10 grams of hashish
14 that may be possessed by a person 21 years of age or older shall not include
15 cannabis cultivated, harvested, and stored in accordance with section 4230e of
16 this title.

17 * * *

18 * * * Permits; Pilot Programs * * *

19 Sec. 5. 7 V.S.A. § 912 is added to read:

20 § 912. EVENT PERMIT

1 (a) Authorization. The Board may grant event permits to licensed cannabis
2 establishments in good standing. The holder of an event permit is authorized
3 to oversee and administer a commercial event pursuant to this section and
4 procedures adopted by the Board. Notwithstanding section 833 of this title,
5 persons 21 years of age or older may consume cannabis or cannabis products at
6 an event authorized pursuant to this section.

7 (b) Eligibility. A licensed cannabis establishment is eligible to apply for an
8 event permit, provided that the establishment submits a fee and application
9 demonstrating to the Board’s satisfaction:

10 (1) that the establishment has received written approval from the local
11 cannabis control commission created pursuant to 7 V.S.A. § 863, or the
12 municipal legislative body if no local cannabis control commission exists,
13 which may include conditions and limitations appropriate to protect the public,
14 manage traffic, and abate nuisance;

15 (2) a security plan to ensure that intoxicated persons or persons under 21
16 years of age cannot access the space subject to the permit, that the premises are
17 secured from diversion or inversion, and that the premises lawfully may be
18 used for the purpose intended;

19 (3) a product sale plan that describes quantities and types of cannabis
20 and cannabis products that will be offered for sale and how the cannabis will

1 be transported, monitored, secured, displayed, and sold in conformity with

2 State law and Board rule;

3 (4) capacity to administer and enforce the required plans, and
4 confirmation that the applicant has secured the services of a county law
5 enforcement agency or private security provider licensed pursuant to 26 V.S.A.
6 chapter 59, if required by the Board;

7 (5) proof of commercially reasonable insurance for the proposed event;
8 and

9 (6) compliance with any other health and safety requirements that the
10 Board may prescribe for the particular event or event location, including limits
11 on attendees or types of products that may be consumed at the event site.

12 (c) Restrictions. Annually, the Board shall issue not more than 10 permits
13 for public events and 10 permits for private events. An event permit shall be
14 valid for a single event not to exceed 24 hours held at a single access-
15 controlled location. An event permit shall not be issued for a location at which
16 alcoholic beverages are sold or furnished for on-premises consumption. A
17 cannabis retailer that holds an event permit shall not conduct sales at the
18 licensed retail location and the permitted event contemporaneously, except for
19 sales conducted from a permitted event location that is contiguous with the
20 licensed retail location. The holder of an event permit shall sell only registered
21 adult-use cannabis and cannabis products at the event.

1 (d) Noncompliance; penalties. Deviation from security and sales plans,
2 product tracking and taxation requirements, or permit terms shall be a violation
3 subject to adverse licensing action consistent with Board rules.

4 (e) Fee. Cannabis establishments shall be assessed a fee of \$500.00 to
5 apply for an event permit, of which 50 percent shall be distributed to the host
6 municipality and 50 percent shall be deposited in the Cannabis Regulation
7 Fund.

8 (f) Procedures. The Board shall adopt procedures pursuant to 3 V.S.A.
9 § 835 to govern the event permits issued pursuant to this section, including
10 application procedures and associated forms, the permittee selection process,
11 security requirements, and event site restrictions. For the permittee selection
12 procedures, the Board shall include a requirement that permits are issued
13 equitably among cannabis establishment license categories.

14 (1) For each procedure proposed to be adopted or amended pursuant to
15 this section, the Board shall publish the proposed procedure on the Board's
16 website and hold not fewer than two public hearings at which members of the
17 public may seek additional information or submit oral or written comments
18 concerning the proposed procedure.

19 (2) The Board shall not be required to initiate rulemaking pursuant to
20 3 V.S.A. § 831(c) in relation to a procedure adopted pursuant to this section. A
21 procedure adopted pursuant to this section shall have the force of law and be

1 binding on all persons who apply for and hold an event permit pursuant to this
2 section.

3 Sec. 6. 7 V.S.A. § 913 is added to read:

4 § 913. DELIVERY PERMIT

5 (a) Authorization. The Board may grant delivery permits to tier 1 and tier
6 2 cultivators and tier 1 and tier 2 manufacturers licensed under this chapter.

7 (b) Permit terms and restrictions. The Board may grant not more than 15
8 delivery permits annually. The holder of a delivery permit may deliver
9 cannabis and cannabis products sold from the licensed premises for
10 consumption off the premises to an individual who is 21 years of age or older,
11 provided:

12 (1) Deliveries shall only be made by the permit holder or an employee
13 or agent of the permit holder.

14 (2) Deliveries shall only occur between the hours of 9:00 a.m. and 5:00
15 p.m.

16 (3) Deliveries shall only be made to a physical address located in
17 Vermont.

18 (4) An employee or agent of a delivery permit holder shall not be
19 permitted to make deliveries pursuant to the permit unless the employee has
20 completed a training program approved by the Cannabis Control Board.

(5) Cannabis and cannabis products delivered pursuant to a delivery permit shall be for personal use and not for resale.

(c) Fee. A cannabis establishment shall pay an annual fee of \$100.00 when applying for or renewing a delivery permit.

(d) Procedures. The Board shall adopt procedures pursuant to 3 V.S.A. § 835 to govern the delivery permits issued pursuant to this section, including any application procedures and associated forms, the permittee selection process, permit restrictions, and storage and security requirements.

(1) For each procedure proposed to be adopted or amended pursuant to this section, the Board shall publish the proposed procedure on the Board's website and hold not fewer than two public hearings at which members of the public may seek additional information or submit oral or written comments concerning the proposed procedure.

(2) The Board shall not be required to initiate rulemaking pursuant to 3 V.S.A. § 831(c) in relation to a procedure adopted pursuant to this section. A procedure adopted pursuant to this section shall have the force of law and be binding on all persons who apply for and hold a delivery permit pursuant to this section.

Sec. 7. 32 V.S.A. § 7902 is amended to read:

§ 7902. CANNABIS EXCISE TAX

* * *

1 (b) The tax imposed by this section shall be paid by the purchaser to the
2 retailer or ~~integrated licensee~~ holder of an event or delivery permit. Each
3 retailer or ~~integrated licensee~~ permit holder shall collect from the purchaser the
4 full amount of the tax payable on each taxable sale.

5 * * *

6 Sec. 8. 32 V.S.A. § 7904 is amended to read:

7 § 7904. RETURNS; RECORDS

8 (a) Any retailer or ~~integrated licensee~~ holder of an event or delivery permit
9 required to collect the tax imposed by this chapter shall, on or before the 25th
10 day of every month, return to the Department of Taxes, under oath of a person
11 with legal authority to bind the retailer or ~~integrated licensee~~ permit holder, a
12 statement containing its name and place of business, the total amount of sales
13 subject to the cannabis excise tax made in the preceding month, and any
14 information required by the Department of Taxes, along with the total tax due.
15 Retailers and ~~integrated licensees~~ permit holders shall not remit the tax
16 collected to the Department of Taxes in cash absent the issuance of a waiver by
17 the Commissioner of Taxes, and the Commissioner may require that returns be
18 submitted electronically.

19 (b) Every retailer and ~~integrated licensee~~ permit holder shall maintain, for
20 not less than three years, accurate records showing all transactions subject to

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

3 Sec. 9. 32 V.S.A. § 7906 is amended to read:

4 § 7906. LICENSE

5 (a) Any retailer or ~~integrated licensee~~ holder of an event or delivery permit
6 required to collect tax imposed by this chapter must apply for and receive a
7 cannabis retail tax license from the Commissioner for each place of business
8 within the State where ~~he or she~~ the retailer or permit holder sells cannabis or
9 cannabis products prior to commencing business. The Commissioner shall
10 issue without charge a license, or licenses, empowering the retailer or
11 ~~integrated licensee~~ permit holder to collect the cannabis excise tax, provided
12 that a retailer's or ~~integrated licensee's~~ permit holder's application is properly
13 submitted and the retailer or ~~integrated licensee~~ permit holder is otherwise in
14 compliance with applicable laws, rules, and provisions.

15 * * *

16 Sec. 10. CANNABIS CONTROL BOARD; RULES AND REPORT

17 (a) On or before July 1, 2027, the Cannabis Control Board shall initiate
18 rulemaking pursuant to 3 V.S.A. chapter 25 to adopt rules governing the
19 permits established in Secs. 7 and 8 of this act.

20 (b) On or before November 15, 2027, the Cannabis Control Board shall
21 submit a written report to the House Committee on Government Operations

1 and Military Affairs and the Senate Committee on Economic Development,
2 Housing and General Affairs concerning the permits established in Secs. 7 and
3 8 of this act. The report shall include a concise assessment of the benefits,
4 challenges, and administrative viability of the permit programs. The Board
5 may recommend best practices for security, inventory tracking, tax
6 enforcement, permit administration, local government coordination, and
7 optimizing market access for small cultivators. The Board shall recommend
8 updates to the statutes governing event permits and delivery permits, including
9 whether either statute should be repealed on the date set by this act.

10 * * * Municipal Authority * * *

11 Sec. 11. 7 V.S.A. § 863 is amended to read:

12 § 863. REGULATION BY LOCAL GOVERNMENT

13 (a)(1) Prior to a cannabis retailer ~~or the retail portion of an integrated~~
14 ~~licensee~~ operating within a municipality, the municipality shall affirmatively
15 permit the operation of ~~such~~ cannabis establishments by majority vote of those
16 present and voting by Australian ballot at an annual or special meeting warned
17 for that purpose. ~~A municipality may place retailers or integrated licensees, or~~
18 ~~both, on the ballot for approval.~~ A proposal to hold a vote pursuant to this
19 subsection may be made by the legislative body of the municipality or by
20 petition of five percent of the voters of the municipality.

1 (2) A vote to permit the operation of a licensed cannabis retailer or
2 ~~integrated licensee~~ within the municipality shall remain in effect until
3 rescinded by majority vote of those present and voting by Australian ballot at a
4 subsequent annual or special meeting warned for that purpose. A rescission of
5 the permission to operate a licensed cannabis retailer or ~~integrated licensee~~
6 within the municipality under this subdivision shall not apply to a licensed
7 cannabis retailer or ~~integrated licensee~~ that is operating within the municipality
8 at the time of the vote.

9 (b)(1) A municipality that hosts any cannabis establishment may establish a
10 cannabis control commission composed of commissioners who may be
11 members of the municipal legislative body.

12 (2) The local cannabis control commission may issue and administer
13 local control licenses under this subsection for cannabis establishments within
14 the municipality but shall not assess a fee for a local control license issued to a
15 cannabis establishment. The commissioners may condition the issuance of a
16 local control license upon compliance with any bylaw adopted pursuant to 24
17 V.S.A. § 4414 or ~~upon~~ ordinances regulating signs or public nuisances adopted
18 pursuant to 24 V.S.A. § 2291, except that ordinances may not regulate public
19 nuisances as applied to:

20 (A) indoor cultivators;

21 (B) tier 1 manufacturers;

(C) outdoor cultivators that are regulated in the same manner as the Required Agricultural Practices under subdivision 869(f)(2) of this title.

(3) The commission may suspend or revoke a local control license for a violation of any condition placed upon the license.

(4) The Board shall adopt rules relating to a municipality's issuance of a local control license in accordance with this subsection and the local commissioners shall administer the rules furnished to them by the Board as necessary to carry out the purposes of this section.

* * *

(d) A municipality shall not:

(1) ~~prohibit adopt an ordinance or bylaw that completely prohibits the~~
operation of a cannabis establishment establishments within the municipality
~~through an ordinance adopted pursuant to 24 V.S.A. § 2291 or a bylaw adopted~~
~~pursuant to 24 V.S.A. § 4414, or regulate a cannabis establishment~~
establishments in a manner that has the effect of completely prohibiting the
operation of a cannabis establishment establishments within the municipality;

* * *

* * * Distribution of Local License Fees to Municipalities * * *

Sec. 12. 7 V.S.A. § 846 is amended to read:

§ 846. FEES; AUTHORITY

* * *

1 (c) Distribution to municipalities. After reduction for costs of
2 administration and collection, the Board shall pay local license fees on a
3 ~~quarterly~~ an annual basis to the municipality for which the fees were collected.

4 * * * Two-Year Employee Identification Cards * * *

5 Sec. 13. 7 V.S.A. § 910 is amended to read:

6 § 910. CANNABIS ESTABLISHMENT FEE SCHEDULE

7 The following fees shall apply to each person or product licensed by the
8 Board:

9 * * *

10 (8) Employees. Cannabis establishments licensed by the Board shall be
11 assessed ~~an annual~~ a biennial licensing fee of ~~\$50.00~~ \$100.00 for each
12 employee. Employee licenses shall be valid for two years.

13 (9) Products. Cannabis establishments licensed by the Board shall be
14 assessed an annual product licensing fee of \$50.00 for every type of cannabis
15 and cannabis product that is sold in accordance with this chapter. The Board
16 may issue longer product registrations, prorated at the same cost per year, for
17 products it deems low-risk and shelf-stable. The products may be defined and
18 distinguished in readily accessible published guidance.

19 * * *

20 * * * Repeal of Integrated License Provisions * * *

21 Sec. 14. 7 V.S.A. § 861 is amended to read:

§ 861. DEFINITIONS

As used in this chapter:

* * *

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

* * *

(24) ~~“Integrated licensee” means a person licensed by the Board to engage in the activities of a cultivator, wholesaler, product manufacturer, retailer, and testing laboratory in accordance with this chapter.~~ [Repealed.]

* * *

Sec. 15. 7 V.S.A. § 866 is amended to read:

§ 866. YOUTH

* * *

(c) The Board, in consultation with the Department of Health, shall adopt rules in accordance with section 881 of this title to:

* * *

(3) require that cannabis products sold by licensed retailers ~~and integrated licensees~~ are contained in child-resistant packaging; and

(4) require that cannabis and cannabis products sold by licensed retailers and integrated licensees are packaged with labels that clearly indicate that the contents of the package contain cannabis and should be kept away from persons under 21 years of age.

* * *

Sec. 16. 7 V.S.A. § 881 is amended to read:

§ 881. RULEMAKING; CANNABIS ESTABLISHMENTS

(a) The Board shall adopt rules to implement and administer this chapter in accordance with subdivisions ~~(1)–(8)~~ (1)–(8) of this subsection.

* * *

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

* * *

(v) labeling requirements for cannabis sold to retailers and integrated licensees, including health warnings developed in consultation with the Department of Health;

* * *

~~(7) Rules concerning integrated licensees shall include the provisions provided in subdivisions (1) (6) of this subsection and any additional provisions the Board deems appropriate for safe regulation of integrated licensees in accordance with this chapter. [Repealed.]~~

(8) Rules concerning propagators shall include:

* * *

(E) labeling requirements for cannabis sold to retailers and integrated licensees;

* * *

Sec. 17. 7 V.S.A. § 901 is amended to read:

§ 901. GENERAL PROVISIONS

* * *

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

* * *

(E) a retailer license; and

(F) a testing laboratory license; and

~~(G) an integrated license.~~

* * *

(3)(A) Except as provided in subdivisions (B) and (C) of this subdivision (3), an applicant and its affiliates may obtain a maximum of one type of each type of license as provided in subdivisions (1)(A)–(F) of this subsection (d). Each license shall permit only one location of the establishment.

~~(B) An applicant and its affiliates that control a dispensary registered on April 1, 2022 may obtain one integrated license provided in subdivision (1)(G) of this subsection (d) or a maximum of one of each type of license~~

1 ~~provided in subdivisions (1)(A)–(F) of this subsection (d). An integrated~~
2 ~~licensee may not hold a separate cultivator, propagator, wholesaler, product~~
3 ~~manufacturer, retailer, or testing laboratory license, and no applicant or its~~
4 ~~affiliates that control a dispensary shall hold more than one integrated license.~~
5 ~~An integrated license shall permit only one location for each of the types of~~
6 ~~activities permitted by the license: cultivation, propagator, wholesale~~
7 ~~operations, product manufacturing, retail sales, and testing. [Repealed.]~~

8 * * *

9 (e) A dispensary that obtains a retailer license ~~or an integrated license~~
10 pursuant to this chapter shall maintain the dispensary and retail operations in a
11 manner that protects patient and caregiver privacy in accordance with rules
12 adopted by the Board.

13 * * *

14 Sec. 18. 7 V.S.A. § 904 is amended to read:

15 § 904. CULTIVATOR LICENSE

16 (a) A cultivator licensed under this chapter may:

17 (1) cultivate, process, package, label, transport, test, and sell cannabis to
18 a licensed wholesaler, product manufacturer, retailer, ~~integrated licensee~~, and
19 dispensary;

20 * * *

1 (a)(1) The Board shall adopt rules to implement and administer this
2 chapter. In adoption of rules, the Board shall strive for consistency with rules
3 adopted for cannabis establishments pursuant to chapter 33 of this title where
4 appropriate.

5 (2) Rules shall include:

6 * * *

7 (U) labeling requirements for cannabis sold to retailers ~~and integrated~~
8 ~~licensees~~, including health warnings developed in consultation with the
9 Department of Health;

10 * * *

11 Sec. 22. 7 V.S.A. § 987 is amended to read:

12 § 987. CANNABIS BUSINESS DEVELOPMENT FUND

13 (a) There is established the Cannabis Business Development Fund, which
14 shall be managed in accordance with 32 V.S.A. chapter 7, subchapter 5.

15 (b) The Fund shall comprise:

16 (1) ~~a one-time contribution of \$50,000.00 per integrated license to be~~
17 ~~made on or before October 15, 2022; and [Repealed.]~~

18 * * *

19 * * * CBDF Grants for Cultivators, Manufacturers, and Economic

20 Empowerment Businesses * * *

21 Sec. 23. 7 V.S.A. § 987 is amended to read:

§ 987. CANNABIS BUSINESS DEVELOPMENT FUND

* * *

(c) The Fund shall be used for the following purposes:

(1) to provide low-interest rate loans and grants to:

(A) social equity applicants to pay for ordinary and necessary expenses to start and operate a licensed cannabis establishment; and

(B) tier 1 cultivators, tier 1 manufacturers, and businesses granted economic empowerment status by the Board;

* * *

* * * Household Income; Cannabis Business Expenses Deduction * * *

Sec. 24. 32 V.S.A. § 6061 is amended to read:

§ 6061. DEFINITIONS

As used in this chapter unless the context requires otherwise:

* * *

(5) “Modified adjusted gross income” means “federal adjusted gross income”:

* * *

(F) With the inclusion of any federal deduction or credit that the claimant 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.

* * *

* * * Outdoor Cannabis Cultivation; Use Value Appraisal Program * * *

Sec. 25. 7 V.S.A. § 869 is amended to read:

§ 869. CULTIVATION OF CANNABIS; ENVIRONMENTAL AND LAND
USE STANDARDS; REGULATION OF CULTIVATION

* * *

(f) Notwithstanding subsection (a) of this section, a cultivator licensed under this chapter who ~~initiates cultivation of~~ cultivates cannabis outdoors ~~on a parcel of land~~ as defined in rule by the Cannabis Control Board pursuant to section 881 of this chapter shall:

* * *

(3) be eligible to enroll in the Use Value Appraisal Program under 32 V.S.A. chapter 124 for the cultivation of cannabis;

(4) be exempt under 32 V.S.A. § 9741(3), (25), and (50) from the tax on retail sales imposed under 32 V.S.A. § 9771; and

* * *

Sec. 26. 32 V.S.A. § 3102 is amended to read:

§ 3102. CONFIDENTIALITY OF TAX RECORDS

* * *

(e) The Commissioner may, in the Commissioner's discretion and subject to such conditions and requirements as the Commissioner may provide,

1 including any confidentiality requirements of the Internal Revenue Service,
2 disclose a return or return information:

3 * * *

4 (25) To the Cannabis Control Board for the purposes of administering
5 the Cannabis Excise Tax under chapter 207 of this title, the Sales and Use Tax
6 under chapter 233 of this title, and the exemptions to those taxes.

7 * * *

8 * * * Cannabis Cultivator Cooperatives * * *

9 Sec. 27. 7 V.S.A. § 904c is added to read:

10 § 904c. CANNABIS CULTIVATOR COOPERATIVE CORPORATIONS

11 Licensed cannabis cultivators may form a cannabis cultivator cooperative
12 corporation pursuant to 11 V.S.A. chapter 7 in the same manner as other
13 associations or persons engaged in the production of the agricultural or
14 handcraft products.

15 Sec. 28. APPROPRIATIONS

16 (a) In fiscal year 2027, the sum of \$1,000,000.00 is transferred from the
17 General Fund to the Cannabis Business Development Fund.

18 (b) In fiscal year 2027, the sum of \$1,680,000.00 is appropriated to the
19 Vermont Land Access and Opportunity Board.

20 * * * Repeals * * *

21 Sec. 29. REPEALS

