

FINAL BILL REPORT

SHB 1453

C 79 L 24

Synopsis as Enacted

Brief Description: Providing a tax exemption for medical cannabis patients.

Sponsors: House Committee on Finance (originally sponsored by Representatives Wylie, Chapman and Kloba).

House Committee on Regulated Substances & Gaming

House Committee on Finance

Senate Committee on Labor & Commerce

Senate Committee on Ways & Means

Background:

There is levied and collected a cannabis excise tax equal to 37 percent of the selling price on each retail sale of cannabis concentrates, useable cannabis, and cannabis-infused products. This tax is separate and in addition to general state and local sales and use taxes that apply to retail sales of tangible personal property, and is not part of the total retail price to which general state and local sales and use taxes apply.

The tax must be reflected in the price list or quoted shelf price in the licensed cannabis retail store and in any advertising that includes prices for all cannabis products. All revenues collected from the cannabis excise tax must be deposited each day in the Dedicated Cannabis Account.

Qualifying patients and designated providers who have opted to participate in the Medical Cannabis Authorization Database and be issued a recognition card have an exemption from sales and use taxes on purchases of cannabis products identified by the Department of Health (DOH) as being a compliant cannabis product, but do not have an exemption from the 37 percent cannabis excise tax.

Cannabis products are subject to several mandatory fields of testing pursuant to the rules of the Liquor and Cannabis Board. Additionally, cannabis producers and processors may

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

voluntarily opt to submit their products for additional testing for compliance with another layer of quality assurance standards established by the DOH and, if passing, may be labeled as a DOH "compliant product" bearing a label logo developed by the DOH. For example, heavy metal screening is required for all DOH-compliant product. Heavy metal screening is optional for a non-DOH-compliant product; however, heavy metal limits apply to all products and any product exceeding the provided limits are subject to recall and destruction.

When legislation creates a new tax preference, the new tax preference is required to include a tax preference performance statement and the tax preference expires after 10 years unless another expiration date is specified. However, legislation can exempt a new tax preference from these requirements in order to continue the tax preference indefinitely and to not include a tax preference performance statement.

Summary:

Until June 30, 2029, a tax exemption is provided to qualifying patients and designated providers who hold a recognition card, from the 37 percent cannabis excise tax, on their purchases of cannabis products that are labeled as a Department of Health (DOH)-compliant product and tested in accordance with the DOH's rules.

Each seller making exempt sales must maintain information establishing eligibility for the exemption in the form and manner required by the Liquor and Cannabis Board (LCB). The LCB must provide a separate tax reporting line on the excise tax form for exemption amounts claimed.

A tax preference performance statement is included. The Joint Legislative Audit and Review Committee (JLARC) must review the tax preference and submit a report to the Legislature by December 1, 2028. The review must include an evaluation of any change in the number of qualifying patients or designated providers; any change in the amount, types, or sales of tax-exempt products; and any other information the JLARC deems necessary to evaluate the tax preference.

Votes on Final Passage:

House	85	12	
Senate	36	13	(Senate amended)
House	82	14	(House concurred)

Effective: June 6, 2024