

WASHINGTON CANNABUSINESS ASSOCIATION (WaCA)

2015 Legislative Agenda

Priority #1: All cannabis (medical and recreational) must be produced, processed and sold through the i502 system, e.g., licensed and regulated by the Washington State Liquor Control Board. No non-i502 regulated entities or individuals should be allowed to produce, process or sell cannabis or cannabis products.

While Washington was a pioneer with the medical marijuana business, the current state of that business is far from what was intended in the original legislation. In recent years the explosion of dispensaries and grow facilities operate in the grey to black area of existing medical marijuana law. In addition, Washington now has a comprehensive regulatory framework for all cannabis related businesses in the form of i502. It is time to end the grey/black market and fold everything into the modern, well regulated i502 regime.

The current medical cannabis industry is an unregulated, untaxed, untested legacy grey market medical system. It is unsafe for legitimate patients due to the lack of third party testing and independent quality control standards. There is no method of ensuring a product is safe and effective. In a world where medicines of all types are subject to rigorous scrutiny to ensure its safety and efficacy, it is unthinkable that the medical cannabis industry continues to conduct business with no oversight. By example, if a group of individuals wanted to begin producing their own brand of opiates in their basement and sell them to the public, they would be shut down. The same should be true for medical cannabis.

In addition, it is estimated that the vast majority of current medical customers (75-85%) are truly recreational customers merely taking advantage of the unregulated, untaxed, untested legacy grey market medical system. While there is a very short list of scientifically studied medical conditions that support cannabis use, the current laws are too broad (especially the general "pain" condition) and the bar to get a "medical" card is too low. Today anyone who says the words "my back hurts" and pays \$75 can qualify as a "medical marijuana" patient. These people should be purchasing their recreational product through the licensed system and paying their fair share of the taxes.

The specific legislative steps that must be undertaken are:

- Create more rigid standards for obtaining a medical card. Limit the conditions that qualify.
- Raise the bar for who can issue cards and review patients. Require some level of qualification to evaluate true medical needs.
- Create a state managed registry of patients that have a legitimate medical card.
- Allow legitimate medical card holders some level tax exemption from the “sin tax” portion of the i502 taxes.
- Eliminate collective gardens and dispensaries effective July 31, 2015.

Priority #2: Address Financial Barriers

The tax structure created by i502 is cumbersome and complicated. Having three levels of collection is burdensome, causes market inefficiencies and could be simpler. WaCA supports collapsing all excise taxes into one collection point. This would simplify filing and collection of taxes for all, including the state. The same amount of revenue would be realized by the state.

In addition, state excise taxes on Schedule 1 federally controlled drugs are not deductible on federal tax returns. This means that Washington i502 businesses are being double taxed under current laws. While WaCA is working on the federal level to resolve the IRS 280E issues related to this issue, there may be a way for Washington to re-name the excise tax in such a way to enable it to be federally deductible in the short term. WaCA proposes a working group with legislative staff to investigate this option.

One of the biggest barriers for i502 businesses is the lack of banking services available. It has been reported in the news recently that i502 businesses complying with tax requirements had to take bags of cash to the Department of Revenue. This is simply not safe and creates problems at all levels of doing business. While this is largely a federal issue, the State of Washington must take the lead in working resolving this issue.

Priority #3: Allow third party entities to transport product

Current law requires all cannabis products to be transported in vehicles owned by the i502 licensee and driven by employees of the licensee. The transportation and security of highly valuable products is a highly specialized industry – Armored Transport. Current law requires i502 licensees to become experts in a field which is not core to the product and for which there are viable third party vendors who can provide better service at a lower cost. In addition, due to current banking restrictions, the vast majority of transactions between producers, processors and retailers are done with

cash. The transportation and security of that cash adds an additional level of complication and expertise to the i502 licensees that is not in their core competency. By allowing legitimate third parties to transport product, the state could ensure safe, cost effective transportation of cannabis products and the associated revenue.