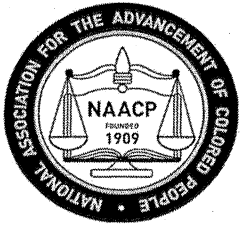


**CALIFORNIA STATE CONFERENCE OF THE NATIONAL  
ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE**

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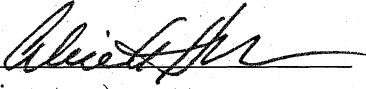


**Alice A. Huffman**  
*President*

I, Alice Huffman, request for the Attorney General to prepare a circulating title and summary of the chief purpose and points of the proposed initiative drafted by the California State Conference of the NAACP.

**Gwen Moore**  
*1<sup>st</sup> Vice President*

**Rick Callender**  
*2<sup>nd</sup> Vice President*

  
(Signature)

**RECEIVED**  
JUL 10 2015

**Paulette Simpson Gipson**  
*3<sup>rd</sup> Vice President*

7/2/15  
(Date)

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**Freddye Davis**  
*Area Director West*



# THE CALIFORNIA HAWAII NAACP

## DRAFT CANNABIS 2016 INITIATIVE PROPOSAL

### Section 1: Name

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This Act shall be known as the "Community Restoration Act of 2016 to Regulate, Control and Tax Cannabis."

### Section 2: Findings, Intent and Purposes

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This Act, adopted by the People of the State of California, makes the following Findings and Statement of Intent and Purpose:

#### A. Findings

1. California's laws criminalizing cannabis (marijuana) have failed and need to be reformed. Despite spending decades arresting millions of non-violent cannabis consumers, California has failed to control cannabis or reduce its availability.
2. According to surveys, roughly 100 million Americans (around 1/3 of the country's population) acknowledge that they have used cannabis. Cannabis consumption is simply a fact of life for a large percentage of Americans.
3. Despite having some of the strictest cannabis laws in the world, the United States has the largest number of cannabis consumers. The percentage of U.S. citizens who consume cannabis is double that of the percentage of people who consume cannabis in the Netherlands, a country where the selling and adult possession of cannabis is allowed.
4. According to The National Research Council's recent study of the 11 U.S. states where cannabis was decriminalized, there is little apparent relationship between severity of sanctions and the rate of consumption.
5. Cannabis has fewer harmful effects than either alcohol or cigarettes, which are both legal for adult consumption. Cannabis is not physically addictive, does not have long term toxic effects on the body, and does not cause its consumers to become violent.
6. There is an estimated \$15 billion in illegal cannabis transactions in California each year. Taxing and regulating cannabis, like alcohol and cigarettes, will generate billions of dollars in

annual revenues for California to fund what matters most to Californians: jobs, health care, schools and libraries, roads, and the rebuilding of the urban core.

7. California wastes millions of dollars each year targeting, arresting, trying, convicting, and imprisoning non-violent citizens for cannabis related offenses. This money would be better used to combat violent crimes and gangs, provide health services for the addicted, investigate, interdict and prosecute major drug traffickers.
8. The illegality of cannabis enables the continuation of an out-of-control criminal market, which in turn spawns other illegal and often violent activities by drug lords profiting from illegal sales and addiction to support domestic and foreign criminal enterprises. Establishing legal, regulated sales outlets would put dangerous street dealers and drug lords out of business which would once again make urban communities a safer place to reside.
9. The war on drugs has not targeted the major foreign producers and importers but rather has disproportionately targeted poor and minority recreational cannabis users in urban communities, resulting in criminal records, imprisonment and financial penalties not imposed upon cannabis users in majority communities, and resulting in a cycle of unemployment, poverty, family breakup and other disparate impacts on minority citizens due to criminal records.

## **B. Purposes**

1. Reform California's cannabis laws in a way that will benefit the state.
2. Regulate cannabis like alcohol: Allow adults to possess and consume cannabis.
3. Implement a legal regulatory framework to give California more control over the cultivation, processing, transportation, distribution, and sales of cannabis.
4. Implement a legal regulatory framework to better police and prevent access to and consumption of cannabis by minors in California.
5. Put dangerous, underground street dealers out of business, so their influence in communities will fade
6. Provide easier, safer access for patients who need cannabis for medical purposes.
7. Impose a state tax that will create a restoration fund and provide a legal framework to ensure that if a city decides not to tax and regulate the sale of cannabis, that buying and selling cannabis within that city's limits remain illegal, but that the city's citizens still have the right to possess and consume small amounts, except as permitted under Health and Safety Sections 11362.5 and 11362.7 through 11362.9.

8. Ensure that if a city decides it does want to tax and regulate the buying and selling of cannabis (to and from adults only), that a strictly controlled legal system is implemented to oversee and regulate cultivation, distribution, and sales, and that the city will have control over how and how much cannabis can be bought and sold, except as permitted under Health and Safety Sections 11362.5 and 11362.7 through 11362.9.
9. Tax and regulate cannabis to generate billions of dollars for state and local governments to fund what matters most: jobs, education, drug treatment and prevention, healthcare, schools, libraries, parks, roads, transportation, and more.
10. Stop arresting thousands of non-violent cannabis consumers, freeing up police resources and saving millions of dollars each year, which could be used for apprehending truly dangerous criminals and keeping them locked up, and for other essential state needs that lack funding.
11. Allow the Legislature to adopt a statewide regulatory system for a commercial cannabis industry.
12. Make cannabis available for scientific, medical, industrial, and research purposes.
13. Permit California to fulfill the state's obligations under the United States Constitution to enact laws concerning health, morals, public welfare and safety within the State.
14. Permit the cultivation of small amounts of cannabis for personal consumption.
15. For the purposes of this subsection, employee would not include any employee who is a supervisor, defined as any individual having authority, in the interest of the licensee, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them or to adjust their grievances, or effectively to recommend such action, if in connection with the foregoing the exercise of such authority is not of a merely routine or clerical nature, but requires the use of independent judgment.

### **C. Intent**

1. This Act is intended to limit the application and enforcement of state and local laws relating to possession, transportation, cultivation, consumption and sale of cannabis, to create a system for regulating and taxing cannabis use and to use the resulting taxes and fees to fund drug abuse education, prevention, research and treatment activities, including but not limited to the following, whether now existing or adopted in Health and Safety Code sections 11014.5 and 11364.5 [relating to drug paraphernalia]; 11054 [relating to cannabis or tetrahydrocannabinols]; 11357 [relating to possession]; 11358 [relating to cultivation]; 11359 [relating to possession for sale]; 11360 [relating to transportation and sales]; 11366 [relating to maintenance of places]; 11366.5 [relating to use of property]; 11370 [relating to punishment]; 11470 [relating to forfeiture]; 11479 [relating to seizure and destruction]; 11703 [relating to definitions regarding

illegal substances]; 11705 [relating to actions for use of illegal controlled substance I]; Vehicle Code sections 23222 and 40000.15 [relating to possession].

2. This Act is also intended to eliminate prosecution, conviction, and sentencing disparities affecting poor and minority cannabis users, create a system for regulating and taxing cannabis use and to use the resulting taxes and fees to fund drug abuse education, prevention, research and treatment activities, general health, education and civil rights activities by nonprofit and government entities to further the intentions of this act.

3. This Act is not intended to affect the application or enforcement of the following state laws relating to public health and safety or protection of children and others: Health and Safety Code sections 11357 [relating to possession on school grounds]; 11361 [relating to minors as amended herein]; 11379.6 [relating to chemical production]; 11532 relating to loitering to commit a crime or acts not authorized by law]; Vehicle Code section 23152 [relating to driving while under the influence]; Penal Code section 272 [relating contributing to the delinquency of a minor]; nor any law prohibiting use of controlled substances in the workplace or by specific persons whose jobs involve public safety.

## Section 3: Lawful Activities

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Article 5 of Chapter 5 of Division 10 of the Health and Safety Code, commencing with section 11300 is added to read:

### **Section 11300: Personal Regulation and Controls**

(a) Notwithstanding any other provision of law, it is lawful and shall not be a public offense under California law for any person 21 years of age or older to:

1. Personally possess, process, share, or transport not more than one ounce of cannabis, solely for that individual's personal consumption, and not for sale.

2. Cultivate, on private property by the owner, lawful occupant, or other lawful resident or guest of the private property owner or lawful occupant, cannabis plants for personal consumption only, in an area of not more than twenty-five square feet per private residence or, in the absence of any residence, the parcel. Cultivation on leased or rented property may be subject to approval from the owner of the property. Nothing in this section shall permit unlawful or unlicensed cultivation of cannabis on any public lands.

3. Possess, on the premises where grown, the living and harvested plants and results of any harvest and processing of plants lawfully cultivated pursuant to section 11300(a)(ii), for personal consumption.

4. Possess objects, items, tools, equipment, products and materials associated with activities permitted under this subsection.

(b) "Personal consumption" shall include but is not limited to possession and consumption in any form, of cannabis in a residence or other non-public place, and shall include licensed premises open to the public authorized to permit on-premises consumption of cannabis by a local government pursuant to section 11301.

(c) "Personal consumption" shall not include, and nothing in this Act shall permit cannabis:

1. possession for sale regardless of amount, except by a person who is licensed or permitted to do so under the terms of an ordinance adopted pursuant to section 11301;

2. consumption in public, in a public place, or in a motor vehicle;

3. consumption by the operator of any vehicle, boat or aircraft while it is being operated, or that impairs the operator;

4. smoking cannabis in any space while minors are present.

## **Section 11301: Commercial Regulations and Controls**

(a) Notwithstanding any other provision of state or local law, a local government may adopt ordinances, regulations, or other acts having the force of law to control, license, regulate, permit or otherwise authorize, with conditions, the following:

1. cultivation, processing, distribution, safe and secure transportation, sale and possession for sale of cannabis, but only by persons and in amounts lawfully authorized;

2. retail sale of not more than one ounce per transaction, in licensed premises, to persons 21 years or older, for personal consumption and not for resale;

3. appropriate controls on cultivation, transportation, sales, and consumption of cannabis to strictly prohibit access to cannabis by persons under the age of 21;
4. age limits and controls to ensure that all persons present in, employed by, or in any way involved in the operation of, any such licensed premises are 21 or older;
5. consumption of cannabis within licensed premises;
6. safe and secure transportation of cannabis from licensed premises for cultivation or processing, to licensed premises for sale or on-premises consumption of cannabis;
7. prohibit and punish, through civil fines or other remedies, the possession, sale, possession for sale, cultivation, processing, or transportation of cannabis that was not obtained lawfully from a person pursuant to this section or section 11300;
8. appropriate controls on licensed premises for sale, cultivation, processing, or sale and on-premises consumption, of cannabis, including limits on zoning and land use, locations, size, hours of operation, occupancy, protection of adjoining and nearby properties and persons from unwanted exposure, advertising, signs and displays, and other controls necessary for protection of the public health and welfare;
9. appropriate environmental and public health controls to ensure that any licensed premises minimize any harm to the environment, adjoining and nearby landowners, and persons passing by;
10. appropriate controls to restrict public displays, or public consumption of cannabis;
11. appropriate taxes or fees pursuant to section 11302;
12. such larger amounts as the local authority deems appropriate and proper under local circumstances, than those established under section 11300(a) for personal possession and cultivation, or under this section for commercial cultivation, processing, transportation and sale by persons authorized to do so under this section;
13. any other appropriate controls necessary for protection of the public health and welfare.

## **Section 11304: Seizure**

Notwithstanding sections 11470 and 11479 of the Health and Safety Code or any other provision of law, no state or local law enforcement agency or official shall attempt to, threaten to, or in fact seize or destroy any cannabis plant, cannabis seeds or cannabis that is lawfully cultivated, processed, transported, possessed, possessed for sale, sold or used in compliance with this Act or any local government ordinance, law or regulation adopted pursuant to this Act.

## **Section 11305: Effect of Act and Definitions**

(a) This Act shall not be construed to affect, limit or amend any statute that forbids impairment while engaging in dangerous activities such as driving, or that penalizes bringing cannabis to a school enrolling pupils in any grade from kindergarten through 12, inclusive.

(b) Nothing in this Act shall be construed or interpreted to permit interstate or international transportation of cannabis. This Act shall be construed to permit a person to transport cannabis in a safe and secure manner from a licensed premises in one city or county to a licensed premises in another city or county pursuant to any ordinances adopted in such cities or counties, notwithstanding any other state law or the lack of any such ordinance in the intervening cities or counties.

(c) No person shall be punished, fined, discriminated against, or be denied any right or privilege for lawfully engaging in any conduct permitted by this Act or authorized pursuant to Section 11301 of this Act, provided however, that the existing right of an employer to address consumption that actually impairs job performance by an employee shall not be affected.

(d) Definitions: For purposes of this Act:

(i) "Marijuana" and "cannabis" are interchangeable terms that mean all parts of the plant Genus Cannabis, whether growing or not; the resin extracted from any part of the plant; concentrated cannabis; edible products containing same; and every active compound, manufacture, derivative, or preparation of the plant, or resin.

(ii) "One ounce" means 28.5 grams.

(iii) For purposes of section 11300(a)(ii) "cannabis plant" means all parts of a living Cannabis plant.

(iv) In determining whether an amount of cannabis is or is not in excess of the amounts permitted by this Act, the following shall apply:

(a) only the active amount of the cannabis in an edible cannabis product shall be included;

(b) living and harvested cannabis plants shall be assessed by square footage, not by weight in determining the amounts set forth in section 11300(a);



(c) in a criminal proceeding a person accused of violating a limitation in this Act shall have the right to an affirmative defense that the cannabis was reasonably related to his or her personal consumption.

(v) "residence" means a dwelling or structure, whether permanent or temporary, on private or public property, intended for occupation by a person or persons for residential purposes, and includes that portion of any structure intended for both commercial and residential purposes.

(vi) "local government" means a city, county, or city and county.

(vii) "licensed premises" is any commercial business, facility, building, land or area that has a license, permit or is otherwise authorized to cultivate, process, transport, sell, or permit on-premises consumption, of cannabis pursuant to any ordinance or regulation adopted by a local government pursuant to section 11301, or any subsequently enacted state statute or regulation.

(viii) "Union" is an organized association of workers formed to protect and further their rights and interests; a labor union.

## Section 4: Prohibition on Furnishing Marijuana to Minors

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Section 11361 of the Health and Safety Code is amended to read:

### Prohibition on Furnishing Marijuana to Minors

(a) Every person 18 years of age or over who hires, employs, or uses a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling any marijuana, who unlawfully sells, or offers to sell, any marijuana to a minor, or who furnishes, administers, or gives, or offers to furnish, administer, or give any marijuana to a minor under 14 years of age, or who induces a minor to use marijuana in violation of law shall be punished by imprisonment in the for a period of three, five, or seven years.

(b) Every person 18 years of age or over who furnishes, administers, or gives, or offers to furnish, administer, or give, any marijuana to a minor 14 years of age or older shall be punished by imprisonment in the state prison for a period of three, four, or five years.

(c) Every person 21 years of age or over who furnishes, administers, or gives, or offers to furnish, administer, or give, any marijuana to a person aged 18 years or older shall be punished by imprisonment in the state prison for a period of up to six months and be fined up to \$1,000 for each offense.

(d) In addition to the penalties above a person who is licensed, permitted or authorized to perform any act pursuant to Section 11301, who while so licensed, permitted or authorized negligently furnishes, administers, gives or sells, or offers to furnish, administer, give or sell any marijuana to

any person younger than 21 years of age shall not be permitted to own, operate, be employed by, assist or enter any licensed premises authorized under Section 11301 for a period of one year.

Section 11361.1 is added to the Health and Safety Code to read:

Face-to-Face Sales

(a) Except as provided in subdivision (c), no person may engage in a retail sale of marijuana in California unless the sale is a vendor-assisted, face-to-face sale.

(b) For the purposes of this section, the following definitions shall apply:

(1) "Consumer" means a person who purchases marijuana or marijuana items. "Consumer" does not include any person under Division 8.9 (commencing with Section 22992) of the Business and Professions Code and lawfully operating as a producer, processor, wholesaler, or retailer of marijuana or marijuana items.

(2) "Delivery sale" means sale of marijuana or marijuana items in this state in either of the following cases:

(A) The consumer submits the order for the sale by means of a telephone or other method of voice transmission, the mail, or the Internet or other online service, or the seller is otherwise not in the physical presence of the consumer when the request for purchase or order is made.

(B) The marijuana or marijuana items are delivered to the consumer by common carrier, private delivery service, or other method of remote delivery, or the seller is not in the physical presence of the consumer when the consumer obtains possession of the marijuana or marijuana items.

(1) "Delivery seller" means a person who makes a delivery sale.

(2) "Face-to-face sale" means a sale in which the purchaser is in the physical presence of the seller or the seller's employee or agent at the time of the sale. A face-to-face sale does not include a delivery sale.

(3) "Indian country" shall have the same meaning as provided in Section 1151 of Title 18 of the United States Code, and includes any other land held by the United States in trust or restricted status for one or more Indian tribes.

(4) "Interstate commerce" means commerce between a state and any place outside the state, commerce between a state and Indian country in the state, or commerce between points in the same state but through a place outside of the state or through any Indian country.

(5) "Marijuana" shall have the same meaning as otherwise defined under this division.

(6) "Marijuana items" shall have the same meaning as "cannabis items" as defined under Section 22992.6 of the Business and Professions Code.

(7) "Retail sale" shall have the same meaning as that term is defined under Section 22992.6 of the Business and Professions Code.

(d) A person may engage in delivery sale of marijuana or marijuana items to a person in California provided that the delivery seller obtains and maintains any applicable license under Division 8.9 (commencing with Section 22992) of the Business and Professions Code, as if the delivery sales occurred entirely within this state.

(e) Any violation of this section by any person is a misdemeanor. Each offense shall be punishable by a fine not to exceed five thousand dollars (\$5,000), or imprisonment not to exceed one year in a county jail, or both the fine and imprisonment.

(g) The Attorney General or a city attorney, county counsel, or district attorney may bring a civil action to enforce this section against a person that violates this section and, in addition to any other remedy provided by law, the court shall assess a civil penalty in accordance with the following schedule:

(1) A civil penalty of not less than one thousand dollars (\$1,000) and not more than two thousand dollars (\$2,000) for the first violation.

(2) A civil penalty of not less than two thousand five hundred dollars (\$2,500) and not more than three thousand five hundred dollars (\$3,500) for the second violation within a five-year period.

(3) A civil penalty of not less than four thousand dollars (\$4,000) and not more than five thousand dollars (\$5,000) for the third violation within a five-year period.

(4) A civil penalty of not less than five thousand five hundred dollars (\$5,500) and not more than six thousand five hundred dollars (\$6,500) for a fourth violation within a five-year period.

(5) A civil penalty of up to ten thousand dollars (\$10,000) for a fifth or subsequent violation within a five-year period.

## **Section 5: Cannabis Licensing and Control Act**

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*Division 8.9 (commencing with Section 22992) is added to the Business and Professions Code, to read:*

### DIVISION 8.9. Cannabis License

#### CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

22992. This division shall be known, and may be cited, as the Cannabis Licensing and Control Act.

22992.4. The board shall administer a statewide program to license producers, processors, wholesalers, retailers and transporters of cannabis or cannabis items.

22992.6. For purposes of this division, the following terms shall have the following meanings:

(a) "Board" means the State Board of Equalization.

(b) "Cannabis" means all parts of the plant Cannabis sativa L., whether growing or not; the seeds thereof; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, or its seeds or resin. It does not include the mature stalks of the plant, fiber produced from the stalks, oil, or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.

(c) "Cannabis extract" means a product obtained by separating resins from cannabis by solvent extraction, using solvents other than vegetable glycerin, such as butane, hexane, isopropyl alcohol, ethanol, and carbon dioxide.

(d) "Cannabis items" means cannabis, cannabis products and cannabis extracts.

(e) "Cannabis products" means products that contain cannabis or cannabis extracts and are intended for human consumption. "Cannabis products" does not mean:

(1) Cannabis, by itself; or

(2) Cannabis extract, by itself.

(f) "Display for sale" means the placement of cannabis or cannabis items in retail stock for the purpose of selling or gifting the cannabis or cannabis items. For purposes of this definition, the clear and easily visible display of cannabis or cannabis items shall create a rebuttable presumption that either were displayed for sale.

(g) "Gifting" means any transfer of title or possession without consideration, exchange, or barter, in any manner or by any means, of cannabis or cannabis items that have been purchased for resale under a license issued pursuant to this division if the transfer occurs while the license is suspended or after the effective date of its revocation.

(h) "License" means a cannabis seller's license or cannabis transporter's license issued by the board pursuant to this division.

(i) "License holder" means any person holding a license issued by the board pursuant to this division.

(j) "Location" means any premises in this state where cannabis or cannabis items are sold or offered for sale, or produced, processed, stored, held, or possessed for the purpose of sale and includes:

(1) All enclosed areas at the location that are used in the business operated at the location, including offices, kitchens, rest rooms and storerooms, including all public and private areas;

(2) All areas outside of a building specifically licensed for the production, processing, wholesale sale, or retail sale of cannabis items; and

(3) A location that the board has specifically licensed for the production of cannabis outside of a building, the entire lot or parcel that the licensee owns, leases, or has a right to occupy.

(k) "Notice" or "notification" means, unless as otherwise provided, the written notice or notification provided to a license holder by the board by either actual delivery to the license holder or by first-class mail addressed to the license holder at the address on the license.

(k) "Person" means a person, as defined in Section 6005 of the Revenue and Taxation Code.

(l) "Processor" means a person who processes cannabis.

(m) "Processes" means:

(1) The processing, compounding, or conversion of cannabis into cannabis products or cannabis extracts;

(2) The processing, compounding, or conversion of cannabis, either directly or indirectly by extraction from substances of natural origin, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis;

(3) The packaging or repackaging of cannabis items; or

(4) The labeling or relabeling of any package or container of cannabis items.

"Processes" does not include the drying of cannabis by a cannabis producer, if the cannabis producer is not otherwise processing cannabis; the packaging and labeling of cannabis by a cannabis producer in preparation for delivery to a cannabis processor.

(n) "Producer" means every person who produces cannabis.

(o) "Produces" means the manufacture, planting, cultivating, growing, or harvesting of cannabis. "Produces" does not include a person that:

(1) The drying of cannabis by a cannabis processor, if the cannabis processor is not otherwise producing cannabis; or

(2) The cultivation and growing of an immature cannabis plant by a cannabis processor, cannabis wholesaler, or cannabis retailer if the cannabis processor, cannabis wholesaler, or cannabis retailer purchased or otherwise received the plant from a licensed cannabis producer.

(p) "Retailer" means a retailer, as defined in Section 6015 of the Revenue and Taxation Code that engages in this state in the retail sale of cannabis or cannabis items from a retail location.

(q) "Retail location" means any building from which cannabis items are sold at retail, including, but not limited to, a medical cannabis dispensary that is collectively or cooperatively cultivating and distributing cannabis for medical purposes pursuant to Section 11362.775 of the Health and Safety Code.

(r) "Retail sale" means a retail sale, as defined in Section 6007 of the Revenue and Taxation Code.

(s) "Sale" or "sold" means a sale, as defined in Section 6006 of the Revenue and Taxation Code.

(t) "Seller" means producers, processors, wholesalers, and retailers of cannabis or cannabis items in California, but does not mean transporters of cannabis or cannabis items.

(u) "Transporter" means any person transporting within California cannabis or cannabis items for delivery or use within California.

(v) "Wholesaler" means every person that engages in this state in making sales for resale of cannabis or cannabis items.

22992.8. The board shall administer and enforce this division and may prescribe, adopt, and enforce rules and regulations relating to the administration and enforcement of this division.

22992.10. The board may create a cannabis compliance task force for the purpose of reviewing the effects of this division and assisting in making recommendations to improve tax compliance and in effectuating the other purposes of the division that may include, but not be limited to, representatives from the following:

(a) The board.

(b) The office of the Attorney General.

(c) State and local law enforcement agencies.

(d) Federal government.

22992.14. A person is not subject to the requirements of this division if that person is exempt from regulation under the United States Constitution, the laws of the United States, or the California Constitution.

22992.16. Notwithstanding any other state or local law governing the growing, processing, transportation, distribution, or possession in this state of cannabis or cannabis items for the purpose of sale, a person is prohibited from engaging in the sale or transportation of cannabis or cannabis items in this state without first obtaining a cannabis and cannabis items seller's or transporter's license pursuant to this division.

22992.18. Any notice required by this division shall be served personally, by mail, or electronic mail. If by mail, the notice shall be placed in a sealed envelope, with postage paid, addressed to the license holder at the address as it appears in the records of the board. The giving of notice shall be deemed complete at the time of deposit of the notice in the United States Post Office, or a mailbox, subpost office, substation or mail chute, or other facility regularly maintained or provided by the United States Postal Service, without extension of time for any reason. In lieu of mailing, a notice may be served personally by delivering to the person to be served and service shall be deemed complete at the time of delivery. Personal service to a corporation may be made by delivery of a notice to any person designated in the Code of Civil Procedure to be served for the corporation with summons and complaints in a civil action.

All information and records provided to the board pursuant to this division are confidential in nature and shall not be disclosed by the board. Information required under this division is not a public record under the California Public Records Act, as described in Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code, and shall not be open to public inspection.

(b) All information and records that are submitted to the board by or on behalf of a producer, processor, wholesaler, or retailer which contain the name, address, or any other identifying information concerning the producer, processor, wholesaler, or retailer are confidential, and may only be used by the board in the administration of board duties.

22992.20. The board may not license a location that does not have defined boundaries. A licensed location need not be enclosed by a wall, fence or other structure, but the board may require that any licensed location be enclosed as a condition of issuing or renewing a license. Except for a license issued pursuant to Chapter 6 (commencing with Section 22997), the board may not license locations that are mobile.

## CHAPTER 2. LICENSE FOR PRODUCERS OF CANNABIS

22993. (a) Commencing May 1, 2017, every producer of cannabis shall annually obtain and maintain a license under this division to produce and engage in the sale of cannabis. A producer of cannabis that owns or controls more than one location shall obtain a separate license for each location but may submit a single application for all such licenses.

(b) Licenses shall be valid for one calendar year, unless surrendered, suspended, or revoked prior to the end of the calendar year, and may be renewed each year upon payment of a fee.

(c) The producer shall conspicuously display the license at each location in a manner visible to the public.

(d) A license issued to a producer under this division is only valid with respect to the producer designated on the license and may not be transferred or assigned to another producer. Any producer issued a license under this division that does not commence business in the manner specified or designated in the license, ceases to do business in the manner specified or designated in the license, or is notified that the license is suspended, revoked, or canceled shall immediately surrender that license to the board.

22993.2. (a) An application for a license or license renewal by a producer shall be submitted in a form prescribed by the board and shall include the following:

(1) The name, address, electronic mail address, and telephone number of the applicant. If the applicant is a firm, exchange, association, or corporation, the full name, address, electronic mail address, and telephone number of each member of the firm or the names, addresses, electronic mail addresses, and telephone numbers of the officers of the exchange, association, or corporation.

(2) The business name, address, electronic mail address, and telephone number for each location where cannabis will be produced, stored, held, or sold. For any applicant whose headquarters or corporate office is at a location other than that specified in the preceding sentence, the business name, address, electronic mail address, and telephone number of the headquarters or corporate office. Citations issued to license holders shall be forwarded to all addresses on the license.

(3) If any other license, permit, or license has been issued by the board or other state agency or local government to the applicant, the certificate, permit, or license numbers for each certificate, permit, or license in effect.

(4) A statement by the applicant affirming that the applicant has not been convicted of a felony and has not violated and will not violate or cause or permit to be violated any of the provisions of this division or any rule of the board applicable to the applicant or pertaining to the production, process, sale, or distribution of cannabis items. If the applicant is unable to affirm this statement, the application shall contain a statement by the applicant of the nature of any violation or the reasons that prevent the applicant from complying with the requirements with respect to the statement.

(5) A statement by the applicant that the content of the application is complete, true, and correct. Any person who signs a statement pursuant to this subdivision that asserts the truth of any material matter that he or she knows to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in a county jail and a fine of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(6) Signature of the applicant.

(7) Any other information the board may require.

(b) The board may investigate to determine the truthfulness and completeness of the information provided in the application.

(c) The board shall provide electronic means for applicants to submit applications for registration and renewal.

(d) The board shall provide electronic means for applicants to pay the license fee and background check fee.

22993.4. (a) Each producer of cannabis shall submit with each application or application for renewal a license fee of [ENTER AMOUNT] (\$ENTER DOLLAR AMOUNT) per location. The fee shall be for a calendar year and shall not be prorated. An applicant that owns or controls more than one location shall obtain a separate license for each location, but may submit a single application for those licenses or renewal of those licenses.

(b) A reasonable background check fee, as determined by the board, shall be submitted by each applicant with each application and, if deemed necessary, with each application for renewal.

22993.6. (a) The board shall issue a license to a producer upon receipt of a completed application, payment of the fee prescribed in Section 22993.4, a completed background check, and a determination by the board that all other applicable requirements of this division have been met. The board shall not issue a license if any of the following applies:

(1) The producer or, if the producer is not an individual, any person controlling the producer has previously been issued a license that is suspended or revoked by the board for violation of any provision of this division.

(2) The application is for a license or renewal of a license for a producer whose license is revoked or for which revocation is pending, unless either of the following occurs:

(A) It has been more than five years since the producer's previous license was revoked.

(B) The person applying for the license provides the board with documentation demonstrating that the applicant has acquired or is acquiring the business in an arm's length transaction. For purposes of this section, an "arm's length transaction" is defined as a sale in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction. A sale of the business between relatives, related companies, or partners, or a sale for the primary purpose of avoiding the effect of a violation or violations of state cannabis or cannabis items control laws that were committed by the producer is presumed not to be made at "arm's length."

(3) The producer or, if the producer is not an individual, any person controlling the producer has been convicted of a felony.

(4) The producer does not possess all required licenses or permits required under the Revenue and Taxation Code or Division 8.6 (commencing with Section 22970) of this code.

(b) (1) Any producer that is denied a license may petition for a redetermination of the board's denial of the license within 30 days after service upon that producer of the notice of the denial of the license. If a petition for redetermination is not filed within the 30-day period, the determination of denial becomes final at the expiration of the 30-day period.

(2) Every petition for redetermination shall be in writing and shall state the specific grounds upon which the petition is founded. The petition may be amended to state additional grounds at any time prior to the date on which the board issues its order or decision upon the petition for redetermination.

(3) If the petition for redetermination is filed within the 30-day period, the board shall reconsider the determination of the denial and, if the producer has so requested in the petition, shall grant an oral hearing and shall give the producer at least 10 days' notice of the time and place of the hearing. The board may continue the hearing as necessary.

(4) The order or decision of the board upon a petition for redetermination shall become final 30 days after the mailing of the notice.

22993.8. (a) Notwithstanding Sections 22993 and 22993.2, the board may issue to a producer a temporary license with a scheduled expiration date, as determined by the board.

(b) A temporary license issued pursuant to this section shall be automatically terminated upon the board's issuance or denial of a license pursuant to Section 22993.6.



(c) A temporary license issued pursuant to this section is subject to the same suspension, revocation, and forfeiture provisions that apply to licenses issued by the board pursuant to Section 22993.6.

### CHAPTER 3. LICENSE FOR PROCESSORS OF CANNABIS

22994. (a) Commencing January 1, 2018, every processor of cannabis shall annually obtain and maintain a license under this division to process and engage in the sale of cannabis. A processor of cannabis that owns or controls more than one location shall obtain a separate license for each location but may submit a single application for all such licenses.

(b) Licenses shall be valid for one calendar year, unless surrendered, suspended, or revoked prior to the end of the calendar year, and may be renewed each year upon payment of a fee.

(c) The processor shall conspicuously display the license at each location in a manner visible to the public.

(d) A license issued to a processor under this division is only valid with respect to the processor designated on the license and may not be transferred or assigned to another processor. Any processor issued a license under this division that does not commence business in the manner specified or designated in the license, ceases to do business in the manner specified or designated in the license, or is notified that the license is suspended, revoked, or canceled shall immediately surrender that license to the board.

22994.2. (a) An application for a license or license renewal by a processor shall be submitted in a form prescribed by the board and shall include the following:

(1) The name, address, electronic mail address, and telephone number of the applicant. If the applicant is a firm, exchange, association, or corporation, the full name, address, electronic mail address, and telephone number of each member of the firm or the names, addresses, electronic mail addresses, and telephone numbers of the officers of the exchange, association, or corporation.

(2) The business name, address, electronic mail address, and telephone number for each location where cannabis will be processed, stored, held, or sold. For any applicant whose headquarters or corporate office is at a location other than that specified in the preceding sentence, the business name, address, electronic mail address, and telephone number of the headquarters or corporate office. Citations issued to license holders shall be forwarded to all addresses on the license.

(3) If any other license, permit, or license has been issued by the board or other state agency or local government to the applicant, the certificate, permit, or license numbers for each certificate, permit, or license in effect.

(4) A statement by the applicant affirming that the applicant has not been convicted of a felony and has not violated and will not violate or cause or permit to be violated any of the provisions of this division or any rule of the board applicable to the applicant or pertaining to the production, process, sale, or distribution of cannabis items. If the applicant is unable to affirm this statement, the application shall contain a statement by the applicant of the nature of any violation or the reasons that prevent the applicant from complying with the requirements with respect to the statement.

(5) A statement by the applicant that the content of the application is complete, true, and correct. Any person who signs a statement pursuant to this subdivision that asserts the truth of any material matter that he or she knows to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in a county jail and a fine of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(6) Signature of the applicant.

(7) Any other information the board may require.

(b) The board may investigate to determine the truthfulness and completeness of the information provided in the application.

(c) The board shall provide electronic means for applicants to submit applications for registration and renewal.

(d) The board shall provide electronic means for applicants to pay the license fee and background check fee.

22994.4. (a) Each processor of cannabis shall submit with each application or application for renewal a license fee of [ENTER AMOUNT] (\$ENTER DOLLAR AMOUNT) per location. The fee shall be for a calendar year and shall not be prorated. An applicant that owns or controls more than one location shall obtain a separate license for each location, but may submit a single application for those licenses or renewal of those licenses.

(b) A reasonable background check fee, as determined by the board, shall be submitted by each applicant with each application and, if deemed necessary, with each application for renewal.

22994.6. (a) The board shall issue a license to a processor upon receipt of a completed application, payment of the fee prescribed in Section 22994.4, a completed background check, and a determination by the board that all other applicable requirements of this division have been met. The board shall not issue a license if any of the following applies:

(1) The processor or, if the processor is not an individual, any person controlling the processor has previously been issued a license that is suspended or revoked by the board for violation of any provision of this division.

(2) The application is for a license or renewal of a license for a processor whose license is revoked or for which revocation is pending, unless either of the following occurs:

(A) It has been more than five years since the processor's previous license was revoked.

(B) The person applying for the license provides the board with documentation demonstrating that the applicant has acquired or is acquiring the business in an arm's length transaction. For purposes of this section, an "arm's length transaction" is defined as a sale in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction. A sale of the business between relatives, related companies, or partners, or a sale for the primary purpose of avoiding the effect of a violation or violations of state cannabis or cannabis items control laws that were committed by the processor is presumed not to be made at "arm's length."

(3) The processor or, if the processor is not an individual, any person controlling the processor has been convicted of a felony.

(4) The processor does not possess all required licenses or permits required under the Revenue and Taxation Code or Division 8.6 (commencing with Section 22970) of this code.

(b) (1) Any processor that is denied a license may petition for a redetermination of the board's denial of the license within 30 days after service upon that processor of the notice of the denial of the license. If a petition for redetermination is not filed within the 30-day period, the determination of denial becomes final at the expiration of the 30-day period.

(2) Every petition for redetermination shall be in writing and shall state the specific grounds upon which the petition is founded. The petition may be amended to state additional grounds at any time prior to the date on which the board issues its order or decision upon the petition for redetermination.

(3) If the petition for redetermination is filed within the 30-day period, the board shall reconsider the determination of the denial and, if the processor has so requested in the petition, shall grant an oral hearing and shall give the processor at least 10 days' notice of the time and place of the hearing. The board may continue the hearing as necessary.

(4) The order or decision of the board upon a petition for redetermination shall become final 30 days after the mailing of the notice.

22994.8. (a) Notwithstanding Sections 22994 and 22994.2, the board may issue to a processor a temporary license with a scheduled expiration date, as determined by the board.

(b) A temporary license issued pursuant to this section shall be automatically terminated upon the board's issuance or denial of a license pursuant to Section 22994.6.

(c) A temporary license issued pursuant to this section is subject to the same suspension, revocation, and forfeiture provisions that apply to licenses issued by the board pursuant to Section 22994.6.

#### CHAPTER 4. LICENSE FOR WHOLESALERS OF CANNABIS ITEMS

22995. (a) Commencing January 1, 2018, every wholesaler of cannabis items shall annually obtain and maintain a license to engage in the sale of cannabis items in California. A wholesaler of cannabis items that owns or controls more than one location shall obtain a separate license for each location but may submit a single application for all such licenses.

(b) Licenses shall be valid for one calendar year, unless surrendered, suspended, or revoked prior to the end of the calendar year, and may be renewed each year upon payment of a fee.

(c) The wholesaler shall conspicuously display the license at each location in a manner visible to the public.

(d) A license issued to a wholesaler under this division is only valid with respect to the wholesaler designated on the license and may not be transferred or assigned to another wholesaler. A person that obtains a license as a wholesaler that ceases to do business as specified in the license, or that never commenced business, or whose license is suspended, revoked, or canceled shall immediately surrender the license to the board.

22995.2. (a) An application for a license or license renewal by a wholesaler shall be in a form prescribed by the board and shall include the following:

(1) The name, address, electronic mail address, and telephone number of the applicant. If the applicant is a firm, exchange, association, or corporation, the full name, address, electronic mail address, and telephone number of each member of the firm or the names, addresses, electronic mail addresses, and telephone numbers of the officers of the exchange, association, or corporation.

(2) The business name, address, electronic mail address, and telephone number of each location where cannabis items will be stored, held, or sold. For an applicant whose headquarters or corporate office is at a location other than that specified in the preceding sentence, the business name, address, electronic mail address, and telephone number of the headquarters or corporate office. Citations issued to license holders shall be forwarded to all addresses on the license.

(3) If any other license, permit, or license has been issued by the board or other state agency or local government to the applicant, the license, permit, or license numbers for each license, permit, or license in effect.

(4) A statement by the applicant affirming that the applicant has not been convicted of a felony and has not violated and will not violate or cause or permit to be violated any provision of this division or

any rule of the board applicable to the applicant or pertaining to the production, process, sale, or distribution of cannabis items. If the applicant is unable to affirm this statement, the application shall contain a statement by the applicant of the nature of any violation or the reason that prevents the applicant from complying with the requirements with respect to the statement.

(5) A statement by the applicant that the content of the application is complete, true, and correct. Any person who signs a statement pursuant to this subdivision that asserts the truth of any material matter that he or she knows to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in a county jail and a fine of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(6) Signature of the applicant.

(7) Any other information the board may require.

(b) The board may investigate to determine the truthfulness and completeness of the information provided in the application.

(c) The board shall provide electronic means for applicants to submit applications for registration and renewal.

(d) The board shall provide electronic means for applicants to pay the license fee and background check fee.

22995.4. (a) Every wholesaler of cannabis items shall submit a license fee of [ENTER AMOUNT] dollars (\$ENTER DOLLAR AMOUNT) for each location with each application and each application for renewal. An applicant that owns or controls more than one location shall obtain a separate license for each location but may submit a single application for those licenses or renewal of those licenses. The fee shall be for a calendar year and shall not be prorated.

(b) A reasonable background check fee, as determined by the board, shall be submitted by each applicant with each application and, if deemed necessary, with each application for renewal.

22995.6. (a) At the discretion of the board, a license may be issued to a wholesaler upon receipt of a completed application, payment of the fee prescribed in Section 22995.4, and a completed background check. The board shall not issue a license if any of the following applies:

(1) The wholesaler or, if the wholesaler is not an individual, any person controlling the wholesaler has previously been issued a license that is suspended or revoked by the board for violation of any provision of this division.

(2) The application is for a license or renewal of a license for a wholesaler whose license is revoked or for which revocation is pending, unless either of the following occurs:

(A) It has been more than five years since the wholesaler's previous license was revoked.

(B) The person applying for the license provides the board with documentation demonstrating that the applicant has acquired or is acquiring the business in an arm's length transaction. For purposes of this section, an "arm's length transaction" is defined as a sale in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction. A sale of the business between relatives, related companies, or partners, or a sale for the primary purpose of avoiding the effect of a violation or violations of state cannabis items control laws that were committed by the wholesaler is presumed not to be made at "arm's length."

(3) The wholesaler or, if the wholesaler is not an individual, any person controlling the wholesaler has been convicted of a felony.

(4) The wholesaler does not possess all required licenses or permits required under the Revenue and Taxation Code or Division 8.6 (commencing with Section 22970) of this code.

(b) (1) Any wholesaler that is denied a license may petition for a redetermination of the board's denial of the license within 30 days after service upon that wholesaler of the notice of the denial of the license. If a petition for redetermination is not filed within the 30-day period, the determination of denial becomes final at the expiration of the 30-day period.

(2) Every petition for redetermination shall be in writing and shall state the specific grounds upon which the petition is founded. The petition may be amended to state additional grounds at any time prior to the date on which the board issues its order or decision upon the petition for redetermination.

(3) If the petition for redetermination is filed within the 30-day period, the board shall reconsider the determination of the denial and, if the wholesaler has so requested in the petition, shall grant the wholesaler an oral hearing and shall give the wholesaler at least 10 days' notice of the time and place of the hearing. The board may continue the hearing as necessary.

(4) The order or decision of the board upon a petition for redetermination becomes final 30 days after the mailing of the notice.

22995.8. (a) Notwithstanding Sections 22995 and 22995.2, the board may issue to a wholesaler a temporary license with a scheduled expiration date, as determined by the board.

(b) A temporary license issued pursuant to this section shall be automatically terminated upon the board's issuance or denial of a license pursuant to Section 22994.6.

(c) A temporary license issued pursuant to this section is subject to the same suspension, revocation, and forfeiture provisions that apply to licenses issued by the board pursuant to Section 22995.6.

## CHAPTER 5. LICENSES FOR RETAILERS OF CANNABIS ITEMS

22996. (a) Commencing January 1, 2018, every retailer of cannabis items shall annually obtain and maintain a license under this division to engage in the sale of cannabis items in California. A retailer of cannabis items that owns or controls more than one location shall obtain a separate license for each location but may submit a single application for these licenses.

(b) Licenses shall be valid for a 12-month period, unless surrendered, suspended, or revoked prior to the end of the calendar year, and may be renewed each year upon payment of a fee.

(c) The retailer shall conspicuously display the license at each location in a manner visible to the public.

(d) A license issued to a retailer under this division is only valid with respect to the retailer designated on the license and may not be transferred or assigned to another retailer. A person that obtains a license as a retailer that ceases to do business as specified in the license, or that never commenced business, or whose license is suspended, revoked, or canceled shall immediately surrender the license to the board.

22996.2. (a) An application for a license or license renewal by a retailer shall be on a form prescribed by the board and shall include the following:

(1) The name, address, electronic mail address, and telephone number of the applicant. If the applicant is a firm, exchange, association, or corporation, the full name, address, electronic mail address, and telephone number of each member of the firm or the names, addresses, electronic mail addresses, and telephone numbers of the officers of the exchange, association, or corporation.

(2) The business name, address, electronic mail address, and telephone number for each location where cannabis items will be stored, held, or sold. For any applicant whose headquarters or corporate office is at a location other than that specified in the preceding sentence, the business name, address, electronic mail address, and telephone number of the headquarters or corporate office. Citations issued to license holders shall be forwarded to all addresses on the license.

(3) If any other certificate, permit, or license has been issued by the board or other state agency or local government to the applicant, the certificate, permit, or license numbers for each certificate, permit, or license in effect.

(4) A statement by the applicant affirming that the applicant has not been convicted of a felony and has not violated and will not violate or cause or permit to be violated any of the provisions of this division or any rule of the board applicable to the applicant or pertaining to the production, process, sale, or distribution of cannabis items. If the applicant is unable to affirm this statement, the application shall contain a statement by the applicant of the nature of any violation or the reasons that prevent the applicant from complying with the requirements with respect to the statement.

(5) A statement by the applicant that the content of the application is complete, true, and correct. Any person who signs a statement pursuant to this subdivision that asserts the truth of any material matter that he or she knows to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in a county jail and a fine of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(6) Signature of the applicant.

(7) Any other information the board may require.

(b) The board may investigate to determine the truthfulness and completeness of the information provided in the application.

(c) The board shall provide electronic means for applicants to submit applications for registration and renewal.

(d) The board shall provide electronic means for applicants to pay the license fee and background check fee.

22996.4. (a) Every retailer of cannabis items shall submit a license fee of [ENTER AMOUNT] dollars (\$ENTER DOLLAR AMOUNT) for each location where cannabis items are stored or sold with each application and each application for renewal. An applicant that owns or controls more than one location shall obtain a separate license for each location, but may submit a single application for those licenses or renewal of those licenses.

(b) A reasonable background check fee, as determined by the board, shall be submitted by each applicant with each application and, if deemed necessary, with each application for renewal.

22996.6. (a) At the discretion of the board, a license may be issued to a retailer upon receipt of a completed application, payment of the fee prescribed in Section 22995.4, and a completed background check. The board shall not issue a license if any of the following applies:

(1) The retailer or, if the retailer is not an individual, any person controlling the retailer has previously been issued a license that is suspended or revoked by the board for violation of any provision of this division.

(2) The application is for a license or renewal of a license for a location that is the same location as that of a retailer whose license was revoked or for which revocation is pending, unless either of the following occurs:

(A) It has been more than five years since a previous license for the location was revoked.

(B) The person applying for the license provides the board with documentation demonstrating that the applicant has acquired or is acquiring the premises or business in an arm's length transaction. For purposes of this section, an "arm's length transaction" is defined as a sale in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction. A sale between relatives, related companies, or partners, or a sale for the primary purpose of avoiding the effect of violations of this division that were committed by the retailer or occurred at the retail location, is presumed not to be made at "arm's length."

(3) The retailer or, if the retailer is not an individual, any person controlling the retailer has been convicted of a felony.

(4) The retailer does not possess all required licenses or permits required under the Revenue and Taxation Code or Division 8.6 (commencing with Section 22970) of this code.

(b) (1) Any retailer that is denied a license may petition for a redetermination of the board's denial of the license within 30 days after service upon that retailer of the notice of the denial of the license. If a petition for redetermination is not filed within the 30-day period, the determination of denial becomes final at the expiration of the 30-day period.

(2) Every petition for redetermination shall be in writing and shall state the specific grounds upon which the petition is founded. The petition may be amended to state additional grounds at any time prior to the date on which the board issues its order or decision upon the petition for redetermination.

(3) If the petition for redetermination is filed within the 30-day period, the board shall reconsider the determination of the denial and, if the retailer has so requested in the petition, shall grant the retailer an oral hearing and shall give the retailer at least 10 days' notice of the time and place of the hearing. The board may continue the hearing as necessary.

(4) The order or decision of the board upon a petition for redetermination shall become final 30 days after the mailing of the notice.

22996.8. (a) Notwithstanding Sections 22995 and 22995.2, the board may issue to a retailer a temporary license with a scheduled expiration date, as determined by the board.

(b) A temporary license issued pursuant to this section shall be automatically terminated upon the board's issuance or denial of a license pursuant to Section 22995.6.

(c) A temporary license issued pursuant to this section is subject to the same suspension, revocation, and forfeiture provisions that apply to licenses issued by the board pursuant to Section 22995.6.

22996.10. Every retail sale of cannabis items shall be made from a retail location.

## CHAPTER 6. LICENSE FOR TRANSPORTERS OF CANNABIS ITEMS

22997. (a) Commencing January 1, 2018, every transporter that transports upon the highways, roads, or streets of this state more than 28.5 grams (one ounce) of cannabis in a single load or shipment, except a qualified patient or a person holding a valid identification card, or the designated primary caregiver of that qualified patient or person under Sections 11362.7, 11362.765, and 11362.77 of the Health and Safety Code, shall annually obtain and maintain a cannabis transporter license authorizing the transport of cannabis items in this state. A transporter that owns or controls more than one transport vehicle shall obtain a separate license for each vehicle that is used to transport cannabis or cannabis items, but may submit a single application for these licenses.

(b) A license issued to a transporter under this chapter is only valid with respect to the transport vehicle designated on the license and shall not be transferred or assigned to another vehicle or person.

(c) Licenses shall be valid for one calendar year, unless surrendered, suspended, revoked, or canceled prior to the end of the calendar year, and may be renewed each year upon payment of the fee.

(d) A person that obtains a license as a transporter that ceases to do business as specified in the license, or that never commenced business, or whose license is suspended, revoked, or canceled shall immediately surrender the license to the board.

22997.2. (a) An application for a license or license renewal by a transporter shall be on a form prescribed by the board and shall include the following:

(1) The name, address, telephone number, and electronic mail address of the applicant. If the applicant is a firm, exchange, association, or corporation, the full name, address, electronic mail address, and telephone number of each member of the firm or the names, addresses, electronic mail addresses, and telephone numbers of the officers of the exchange, association, or corporation.

(2) The business name, address, telephone number, and electronic mail address. Citations issued to license holders shall be forwarded to all addresses on the license.

(3) The vehicle identification number, license plate number, vehicle description, and any other identifying vehicle information deemed necessary by the board.

(4) If any other certificate, permit, or license has been issued by the board or other state agency or local government to the applicant, the certificate, permit, or license numbers for each certificate, permit, or license in effect.

(5) A statement by the applicant affirming that the applicant has not been convicted of a felony and has not violated and will not violate or cause or permit to be violated any provision of this division or any rule of the board applicable to the applicant or pertaining to the transport, production, process, sale, or distribution of cannabis items. If the applicant is unable to affirm this statement, the application shall contain a statement by the applicant of the nature of any violation or the reasons that prevent the applicant from complying with the requirements with respect to the statement.

(6) A statement by the applicant that the content of the application is complete, true, and correct. Any person who signs a statement pursuant to this subdivision that asserts the truth of any material matter that he or she knows to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in a county jail and a fine of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(7) Signature of the applicant.

(8) Any other information the board may require.

(b) The board may investigate to determine the truthfulness and completeness of the information provided in the application.

(c) The board shall provide electronic means for applicants to submit applications for registration and renewal.

22997.4. (a) Every transporter of cannabis items shall submit a license fee of [INSERT AMOUNT] dollars (\$INSERT DOLLAR AMOUNT) for each vehicle used to transport cannabis items with each application and each application for renewal. An applicant that owns or controls more than one transport vehicle shall obtain a separate license for each transport vehicle, but may submit a single



application for those licenses or renewal of those licenses. The fee shall be for a calendar year and shall not be prorated.

(b) A reasonable background check fee, as determined by the board, shall be submitted by each applicant with each application and, if deemed necessary, with each application for renewal.

22997.6. (a) At the discretion of the board, a license may be issued to a transporter upon receipt of a completed application, payment of the fee prescribed in Section 22997.4, and a completed background check. The board shall not issue a license if any of the following applies:

(1) The transporter or, if the transporter is not an individual, any person controlling the transporter has previously been issued a license that is suspended or revoked by the board for violation of any provision of this division, unless it has been more than five years since a previous license was revoked.

(2) The transporter or, if the transporter is not an individual, any person controlling the transporter has been convicted of a felony.

(b) (1) Any transporter that is denied a license may petition for a redetermination of the board's denial of the license within 30 days after service upon that transporter of the notice of the denial of the license. If a petition for redetermination is not filed within the 30-day period, the determination of denial becomes final at the expiration of the 30-day period.

(2) Every petition for redetermination shall be in writing and shall state the specific grounds upon which the petition is founded. The petition may be amended to state additional grounds at any time prior to the date on which the board issues its order or decision upon the petition for redetermination.

(3) If the petition for redetermination is filed within the 30-day period, the board shall reconsider the determination of the denial and, if the transporter has so requested in the petition, shall grant the transporter an oral hearing and shall give the transporter at least 10 days' notice of the time and place of the hearing. The board may continue the hearing as necessary.

(4) The order or decision of the board upon a petition for redetermination shall become final 30 days after the mailing of the notice.

22997.8. The license issued to the transporter shall be placed in the transport vehicle for which the license is issued and be made available upon request by an employee of the board or a law enforcement agency.

22997.10. (a) Each transporter shall obtain from the license holder from which the cannabis items are received a receipt or shipping document for the cannabis items transported and delivered. This receipt or shipping document shall be carried with the load at all times and contain the following information:

(1) Name and license number of shipper.

(2) Point of origin.

(3) Name of license holder to which delivery is made.

(4) Place of delivery.

(5) Name of transporter making delivery.

(6) A complete description of the shipment, including, but not limited to, brand name, quantity, size, unit, and total weight.

(7) The number of the waybill covering the shipments.

(8) In the case of shipments by rail, the receipt shall also show the car number or any other information deemed necessary by the board; in the case of shipments by water, the receipt shall also show the name of the vessel and the number of the steamship bill of lading or any other information deemed necessary by the board; and in the case of shipments by air, the receipt shall also show the flight number and tail number or any other information deemed necessary by the board.

(b) A receipt or shipping document containing all the information described in subdivision (a) shall be deemed to be in compliance with this requirement. A copy of the receipt or shipping document must be delivered to the license holder to which delivery is made. With respect to pool shipments in which more than one license holder participates, the transporter shall obtain a receipt or shipping document from each participating license holder shipper and furnish a copy of the receipt or shipping document to each participating license holder recipient.

22997.12. (a) Every transporter holding a license pursuant this chapter shall file a monthly report to the board using electronic media, as defined in Section 6066 of the Revenue and Taxation Code. The monthly report shall include, but is not limited to, the following:

- (1) Name and license number of the consignor.
- (2) Name of consignee to which delivery is made.
- (3) A complete description of the shipment, including brand name, quantity, size, unit, and total weight of the cannabis or cannabis items transported.
- (4) The date of transport.
- (5) Bill of lading number, as defined in Section 1201 of the Commercial Code.
- (5) Any other information deemed necessary by the board.

(b) The board may suspend or revoke the license, pursuant to the provisions applicable to the suspension and revocation of a license set forth in Section 30148 of the Revenue and Taxation Code, of any transporter that has failed to comply with the requirements of this section.

(c) To facilitate the administration of this section, the board may require the reports for periods other than monthly periods.

22997.14. (a) Notwithstanding Sections 22997 and 22997.2, the board may issue to a transporter a temporary license with a scheduled expiration date, as determined by the board.

(b) A temporary license issued pursuant to this section shall be automatically terminated upon the board's issuance or denial of a license pursuant to Section 22997.6.

(c) A temporary license issued pursuant to this section is subject to the same suspension, revocation, and forfeiture provisions that apply to licenses issued by the board pursuant to Section 22997.6.

22997.16. For purposes of this chapter "license" means a cannabis transporter license.

22997.18. This chapter shall not apply to any license holder that transports, in conveyances it owns, leases, or rents in the course of its business, its own cannabis items for delivery to another licensed location, another license holder's location, or a consumer's location. Any license holder that transports its own cannabis items shall carry, at all times, a copy of its cannabis seller's license with the load to be delivered.

## CHAPTER 7. INVOICES

22998. (a) Every sale, transfer, or delivery of cannabis or cannabis items from one license holder to another license holder shall be recorded on a sales invoice, whether or not consideration is involved. Invoices covering the sale or purchase of cannabis or cannabis items shall be filed in a manner as to be readily accessible for examination by employees of the board and shall not be commingled with invoices covering commodities other than cannabis or cannabis items.

(b) Each sales invoice shall have printed on it the name and address of the seller and shall show all of the following information:

(1) Name, address, and license number of the seller and the purchaser.

(2) Board-issued license numbers of the seller and the purchaser.

(3) Date of sale and invoice number.

(4) Kind, quantity, size, and capacity of packages of cannabis or cannabis items sold.

(5) The cost to the purchaser, together with any discount which at any time is to be given on or from the price as shown on the invoice.

(6) The place from which delivery of the cannabis or cannabis items was made.

(7) Any other information deemed necessary by the board.

(c) Invoices covering sales of cannabis or cannabis items between license holders shall show, in addition to the information in subdivision (b), the total weight covered by the invoice.

(d) Each invoice for the sale of cannabis or cannabis items shall be legible and readable.

22998.2. All producers, processors, wholesalers, and retailers subject to licensing under this division shall retain invoices that meet the requirements set forth in Section 22998 for all cannabis or cannabis items purchased and sold and any other records required by the board. The invoices and records shall be maintained for a period of one year from the date of the purchase or sale at the license holder's location identified in the license, and thereafter, the invoices and records shall be made available for inspection by the board or a law enforcement agency for a period of four years.

## CHAPTER 8. INSPECTIONS, PROHIBITIONS, AND PENALTIES

### Article 1. Inspections, Seizures, and Forfeitures

22999. (a) (1) Any peace officer or board employee, upon presenting appropriate credentials, is authorized to enter any place as described in paragraph (3) and to conduct inspections in accordance with the requirements of this subdivision.

(2) Inspections shall be performed in a reasonable manner and at times that are reasonable under the circumstances, taking into consideration the normal business hours of the place to be entered.

(3) Inspections may be conducted at any location or upon any vehicle, vessel, aircraft, railroad, or other conveyance at or upon which cannabis or cannabis items are sold, produced, processed, stored, or transported.

(4) Inspections shall be requested or conducted no more than once in any 24-hour period.

(b) Any person that refuses to allow an inspection shall be subject to the penalties imposed pursuant to Section 22999.26.

### Article 2. Prohibitions

22999.2. (a) A producer shall not sell cannabis or cannabis items to a processor, wholesaler, retailer, or any other person that is not licensed pursuant to this division or whose license has been suspended or revoked.

(b) A wholesaler or processor shall not sell cannabis or cannabis items to a retailer, wholesaler, or any other person that is not licensed pursuant to this division or whose license has been suspended or revoked.

(c) A retailer or wholesaler shall not purchase cannabis or cannabis items from a producer or processor that is not licensed pursuant to this division or whose license has been suspended or revoked.

(d) A retailer, processor or wholesaler shall not purchase cannabis or cannabis items from any person that is not licensed pursuant to this division or whose license has been suspended or revoked.

(e) Each separate sale to a retailer, or by a producer, or to or by a processor or wholesaler or any other person that is not licensed as required pursuant to this division, shall constitute a separate violation.

(f) Failure to comply with this section shall be a misdemeanor subject to penalties pursuant to Section 22999.26.

### Article 3. Seizure for Violating Prohibitions

22999.4. (a) Notwithstanding any other provision of this division, upon discovery by the board or a law enforcement agency that a producer, processor, wholesaler, retailer, or any other person has made a purchase or sale of cannabis or cannabis items in violation of Section 22999.2 or subdivision (d) of Section 22999.16, or an unlicensed person is in possession of more than 28.5 grams (one ounce), or in possession of products containing more than 28.5 grams (one ounce) of cannabis, or in possession of both cannabis and products containing cannabis which together total more than 28.5 grams (one ounce) of cannabis, except a person holding a valid identification card, or the designated primary caregiver of that qualified patient or person pursuant to Sections 11362.7, 11362.765, and 11362.77 of the Health and Safety Code, the board or the law enforcement agency shall be authorized to seize all cannabis or cannabis items at the producer's, processor's, wholesaler's, or retailer's location, or any other location it deems necessary, or at any other person's location.

(b) Notwithstanding any other provision of this division, upon discovery by the board or a law enforcement agency that a transporter of cannabis or cannabis items is in violation of Section 22997 or 22997.20, the board or the law enforcement agency shall be authorized to seize all cannabis or cannabis items in the possession or control of the person or persons in the transport vehicle, vessel, aircraft, railroad, or other conveyance.

(c) Notice of the seizure of the cannabis or cannabis items as described in subdivision (a) shall be given by the board as follows:

(1) Notice shall be given as set forth in Section 22992.18 to all persons known by the board to have any right, title, or interest in the property.

(2) The board shall include a notice of the seizure of 2,000 grams or more of cannabis or cannabis items on its Internet Web site for a period of six months from the notice of seizure.

(3) Notice shall include a description of the cannabis, cannabis items, or cannabis and cannabis items, the reason for the seizure, and the time and place of the seizure.

(d) Within 30 days from the date of the mailing of the board's notice of seizure or, if no notice was mailed to a person, 30 days from the date of publication of the notice, any person owning or claiming a right, title, or interest in the cannabis or cannabis items seized may file an action against the board in the Superior Court of the County of Sacramento for the release or recovery of the cannabis or cannabis items on the ground that the cannabis or cannabis items were erroneously or illegally seized. The failure of the person to file a timely action shall constitute a bar to that person's right to any interest in the cannabis or cannabis items. The court shall determine whether the seizure of the cannabis or cannabis items was in accordance with law and shall enter an appropriate order for the disposition of the cannabis or cannabis items.

22999.6. Any producer, processor, wholesaler, or retailer that fails to display a license as required by this division shall, in addition to any other applicable penalty, be liable for a penalty of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

22999.8. (a) Any transporter that fails or refuses to make available a cannabis transporter license or a receipt for the cannabis or cannabis items being transported upon request by the board or law enforcement agency, shall be liable for a penalty of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

(b) Any transporter that fails to retain a cannabis items transporter license in a vehicle so licensed, as required by Section 22997.8, shall be liable for a penalty of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT).

#### Article 4. Invoicing Penalties

22999.10. (a) Failure of a producer, processor, or wholesaler to comply with Section 22998 or 22998.2 shall be a misdemeanor subject to penalties pursuant to Section 22999.26.

(b) Any retailer found in violation of Section 22998 or 22998.2, or any person that fails, refuses, or neglects to retain or make available invoices for inspection and copying during normal business hours in accordance with this section shall be subject to penalties pursuant to Section 22999.26.

#### Article 5. Penalty for Sales by Persons Not Licensed

22999.12. (a) A person or entity that engages in the business of selling or transporting cannabis or cannabis items in this state either without a valid license or after a license has been suspended or revoked, and each officer of any corporation that engages in this business, is guilty of a misdemeanor punishable as provided in Section 22999.26.

(b) Each day after notification by the board or by a law enforcement agency that a producer, processor, wholesaler, retailer, or any other person required to be licensed under this division offers cannabis or cannabis items for sale or exchange without a valid license for the location from which they are offered for sale shall constitute a separate violation.

(c) Continued sales or gifting of cannabis or cannabis items either without a valid license or after a notification of suspension or revocation shall constitute a violation punishable as provided in Section 22999.26, and shall result in the seizure of all cannabis and cannabis items in the possession of the person by the board or a law enforcement agency. Any cannabis or cannabis items seized by the board or delivered to the board by a law enforcement agency shall be deemed forfeited and destroyed.

#### Article 6. Suspension or Revocation Penalty

22999.14. The board may suspend the license or revoke the license, pursuant to the provisions applicable to the revocation of a license set forth in Section 30148 of the Revenue and Taxation Code, of any license holder that has failed to comply with the requirements of this section.

22999.16. The board shall revoke the license, pursuant to the provisions applicable to the revocation of a license as set forth in Section 30148 of the Revenue and Taxation Code, of any license holder if the license holder or any person controlling the license holder has done either of the following:

(a) Been convicted of a felony.

(b) Allowed any license or permit to be revoked under any provision of the Revenue and Taxation Code or Division 8.6 (commencing with Section 22970) of this code.

22999.18. In addition to any other civil or criminal penalty provided by law, upon a finding that a license holder has violated any provision of this division, the board may, in the case of any offense, the board may revoke or suspend the license or licenses of the license holder pursuant to the procedures applicable to the revocation of a license set forth in Section 30148 of the Revenue and Taxation Code.

22999.20. (a) Licenses issued pursuant to this division shall be subject to suspension or revocation for violations of this division or Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

(1) In addition to any applicable fines or penalties for a violation, upon first conviction of a violation, a license holder shall receive a written notice from the board detailing the suspension and revocation provisions of this division. At its discretion, the board may also suspend a license for up to 30 days.

(2) In addition to any applicable fines or penalties for a violation, upon a second conviction of a violation within four years of a previous violation, the license shall be revoked.

(b) The date of the occurrence of a violation shall be used to calculate the duration between subsequent violations. A violation shall be noted in the license record at the board only after judicial conviction or final adjudication of a violation.

(c) Upon updating a record for a violation triggering a suspension, the board shall serve the license holder with a notice of suspension and shall order the license holder to cease the sale, gifting, or displaying for sale of cannabis or cannabis items for the period of the suspension. The notice of suspension shall inform the license holder of the effective dates of the suspension.

(d) Continued sales, transportation, or gifting of cannabis or cannabis items after the effective date of the suspension shall constitute a violation of this division and result in the revocation of a license.

(e) Upon updating a record for a violation triggering a revocation, the board shall serve the license holder with a notice of revocation and shall order the license holder to cease the sale, gifting, transportation, or displaying for sale of cannabis or cannabis items on and after the effective date of the revocation. The notice of revocation shall inform the license holder of the effective date of the revocation.

(f) After a revocation, a previously licensed applicant may apply for a new license after six months. The board may, at its discretion, issue a new license.

(g) Upon updating a license record for a violation, suspension, or revocation of a license of a person or entity that owns or controls more than one location, the board shall send notice in writing of the violations, suspensions, or revocations within 15 days of the board's action to the address included in the application and listed on the license for receipt of correspondence or notices from the board.

(h) Upon suspension or revocation of a license pursuant to this section, the board shall notify all license holders by electronic mail or include on its website 48 hours prior to the suspension or revocation of that license. All license holders shall provide the board and shall update, as necessary, an electronic mail address that the board can use for purposes of making the notifications required by this subdivision.

(i) Violations by a license holder at one location or vehicle may not be accumulated against other locations of that same license holder. Violations accumulated against a prior owner at a licensed location may not be accumulated against a new owner at the same licensed location.

(j) For purposes of this section, a violation includes violations of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code relating to cannabis and cannabis items, and violations of this division. Only one violation per discrete action shall be counted toward a suspension or revocation of a license.

22999.22. A person that, after receiving a notice of suspension or revocation, continues to display for sale or transport cannabis or cannabis items shall be subject to a civil penalty of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT) for each offense, and shall not be subject to Section 22999.26.

#### Article 7. Notice of Suspension or Revocation

22999.24. (a) A retailer whose license has been suspended or revoked by order of the board shall conspicuously post a notice at both of the following locations:

(1) Each public entrance to the retail location. The notice shall directly face any person who enters the retail location and shall not be obstructed from view or placed at a height of less than four feet or greater than nine feet from the floor.

(2) Each cash register and other point of retail sale. The notice shall be posted to be readily viewable by a person standing at or approaching the cash register or other point of retail sale. The notice shall directly face the purchaser and shall not be obstructed from view or placed at a height of less than four feet or greater than nine feet from the floor.

(b) The notices described in this section shall be in the size and form prescribed by the board. The notice shall be provided by the board and may be reproduced in the same size and form in order to comply with subdivision (a).

(c) A retailer whose license was suspended shall post the notice at the retail location that was the subject of the suspension for the duration of the suspension.

(d) A retailer whose license was revoked shall post the notice at the retail location that was the subject of the revocation for a 30-day period from the effective date of the revocation.

(e) Every retailer that fails to post the notices as required by this section that alters the notice provided by the board, or that removes the notice before the posting period required in subdivision (c) or (d), as appropriate, expires, shall be subject, notwithstanding Section 22998.26, to a civil penalty of [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT) for each offense.

#### Article 8. Criminal Penalty

22999.26. Any violation of this division by any person, except as otherwise provided, is a misdemeanor. Each offense shall be punished by a fine not to exceed [ENTER DOLLAR AMOUNT] dollars (\$ENTER AMOUNT), or imprisonment not exceeding one year in a county jail, or both the fine and imprisonment.

## Article 9. Miscellaneous

22999.28. (a) Every person that engages in the sale or transportation for sale of cannabis or cannabis items in this state shall obtain and maintain a cannabis and cannabis items producer, processor, wholesaler, retailer, or transporter's license pursuant to this division.

(b) It shall be a rebuttable presumption that a person that is in possession of more than 28.5 grams (one ounce) of cannabis, or in possession of products containing more than 28.5 grams (one ounce) of cannabis, or in possession of both cannabis and products containing cannabis which together total more than 28.5 grams (one ounce) of cannabis, except a person holding a valid identification card, or the designated primary caregiver of that qualified patient or person pursuant to Sections 11362.7, 11362.765, and 11362.77 of the Health and Safety Code, is engaged in the sale or transportation for sale of cannabis or cannabis items.

(c) The board or other law enforcement agency may, in its discretion, also consider, with respect to the circumstances in which the cannabis or cannabis items are discovered, the equipment with which it is found, the place it is found, and the manner of packaging in determining if the person in possession of the cannabis or cannabis items is engaged in the sale or transportation for sale of cannabis or cannabis items.

22999.32. The provisions of Chapter 4 (commencing with Section 55121) of Part 30 of Division 2 of the Revenue and Taxation Code shall apply with respect to the collection of the fees, civil fines, and penalties imposed pursuant to this division.

22999.34. The board may cancel or revoke any license which has been issued erroneously or issued based on erroneous or false statements.

22999.36. (a) Any report, application, declaration, statement, or other document required to be made under this division that is filed using electronic media shall be filed and authenticated pursuant to any method or form the board may prescribe.

(b) Notwithstanding any other law, any report, application, declaration, statement, or other document otherwise required to be signed that is filed by the taxpayer using electronic media in a form as required by the board shall be deemed to be a signed, valid original document, including upon reproduction to paper form by the board.

(c) Electronic media includes, but is not limited to, computer modem, magnetic media, optical disk, facsimile machine, or telephone.

22999.38. The board shall adjust the cannabis license fees annually to ensure that the aggregate amount of fees is equal to the amount necessary to fund the board's administration and enforcement of this division and Article 1.7 (commencing with Section 6480.50) of Chapter 5 of Part 1 of Division 2 of the Revenue and Taxation Code.

## Article 10. Financial Provisions

22999.40. (a) All moneys collected pursuant to this division shall be deposited in the Cannabis Licensing Fund, which is hereby created in the State Treasury. No moneys in the Cannabis Licensing Fund shall be used to supplant state or local General Fund money for any purpose.

(b) All moneys in the Cannabis Licensing Fund are available for expenditure, upon appropriation by the Legislature, solely for the purpose of implementing, enforcing, and administering the Cannabis Licensing and Control Act.

22991. The amount of [AMOUNT NECESSARY TO IMPLEMENT ACT] dollars (\$ENTER AMOUNT) is appropriated from the Cannabis Licensing Fund during the 2017-18 fiscal year to the State Board



of Equalization for the purpose of implementing, enforcing, and administering the Cannabis Licensing and Control Act, subject to the following provisions:

(a) Spending under the appropriation made by this subdivision is limited solely to revenues in the fund that are derived from fees imposed on cannabis and cannabis item producers, processors, wholesalers, and retailers.

(b) The expenditure of any funds from the appropriation made by this subdivision shall require the prior approval of the Director of Finance. The amounts appropriated may be approved for expenditure on an allotment basis and shall be limited to the amounts necessary to carry out the operating and staffing plans for the implementation of the Cannabis Licensing and Control Act as approved by the Department of Finance. The Department of Finance shall notify the Joint Legislative Budget Committee of its approval of any expenditure authorization 30 days prior to that approval.

## Section 6: Cannabis and Cannabis Items Tax Law

Add Part 13.5 (commencing with Section 31001) to Division 2 of the Revenue and Taxation Code, to read:

### Chapter 1. General Provisions and Definitions

31001. This part is known and may be cited as the "Cannabis and Cannabis Items Tax Law."

31002. Unless the context otherwise requires, the definitions set forth in this chapter and those in Chapter 1 (commencing with Section 22992) of Division 8.9 of the Business and Professions Code govern the construction of this part.

31003. "Cannabis tax" means the cannabis and cannabis items tax imposed pursuant to this part.

31004. "In this state" means within the exterior limits of the State of California and includes all territory within these limits owned by or ceded to the United States of America.

31005. "Person" includes any individual, firm, partnership, joint venture, limited liability company, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver, assignee for the benefit of creditors, trustee, trustee in bankruptcy, syndicate, the United States, this state, any county, city and county, municipality, district, or other political subdivision of the state, or any other group or combination acting as a unit.

31006. "Retail sale" means "sale at retail" as defined in Section 6007.

31007. (a)(1) "Sale" means the transfer of title or possession for consideration in any manner or by any means whatever.

(2) If a producer also holds one or more processor licenses, or one or more retail licenses, a sale of cannabis will be deemed to occur if and when the producer processes or takes any other action with respect to cannabis for which a processor license, or retail license is required, regardless of whether the producer continues to own or possess the cannabis.

(3) If a processor also holds one or more retail licenses, a sale of cannabis will be deemed to occur if and when the processor takes any other action with respect to cannabis for which a retail license is required, regardless of whether the processor continues to own or possess the cannabis.

31008. "Selling price" means "sales price" as defined in Section 6011.

31009. "Wholesale sale" means all sales except for a retail sale.

## Chapter 2. Imposition of Tax

31050. (a) A cannabis tax shall be imposed and collected by a producer at an amount equal to ten percent of the selling price on each wholesale sale in this state of cannabis at the time of sale to a processor or another producer.

(b) A cannabis tax shall be imposed and collected by a processor at an amount equal to ten percent of the selling price on each wholesale sale in this state of cannabis or cannabis items at the time of sale to a processor, wholesaler, or to a retailer.

(c) A cannabis tax shall be imposed and collected by a retailer at an amount equal to ten percent of the selling price on each retail sale in this state of cannabis or cannabis items at the time of retail sale.

31051. The California Legislative Analyst's Office shall regularly review the tax levels established under this section and make recommendations to the legislature, as appropriate, regarding adjustments that would further the goal of discouraging use while undercutting illegal market prices.

## Chapter 3. Administration

31100. The board shall administer and collect the cannabis tax imposed by this part pursuant to the Fee Collection Procedures Law (Part 30 (commencing with Section 55001)). For purposes of this part, the references in the Fee Collection Procedures Law to "fee" shall include the cannabis tax imposed by this part, and references to "feepayer" shall include a person required to pay the cannabis tax imposed by this part.

31101. (a) The board may prescribe, adopt, and enforce regulations relating to the administration and enforcement of this part, including, but not limited to, collections, reporting, refunds, and appeals.

(b) The board may prescribe, adopt, and enforce any emergency regulations as necessary to implement this part. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

31102. Every producer, processor, and retailer shall register with the board. Every application for registration shall be made upon a form as prescribed by the board and shall set forth the name under which the applicant transacts or intends to transact business, the location of its place or places of business, and such other information as the board may require. An application for registration shall be filed using electronic media as prescribed by the board. An application for registration shall be authenticated in a form or pursuant to methods as may be prescribed by the board.

31103. (a) The cannabis tax is due and payable to the board quarterly on or before the last day of the month following each calendar quarter.

(b) On or before the last day of the month following each calendar quarter, a return for the preceding calendar quarter shall be filed using electronic media with the board.

(c) Returns shall be authenticated in a form or pursuant to methods as may be prescribed by the board.

31104. The Dedicated Cannabis Fund is hereby created in the State Treasury. The Dedicated Cannabis Fund shall consist of all cannabis taxes, interest, penalties, and other amounts collected and paid to the board pursuant to this part, less payments of refunds and reimbursement to the board for expenses incurred in the administration and collection of the cannabis tax.

31105. (a) Moneys in the Dedicated Cannabis Fund shall be appropriated to fund a track and trace process, required pursuant to Section 31200, with the balance earmarked and distributed through grants to public entities and public nonprofit entities, for purposes include substance abuse education, prevention, research and healthcare. A minimum of 50% of all revenue collected shall be distributed to nonprofit entities whose principal objectives are to ensure the political, educational, social and economic equality of minority citizens of the State of California, eliminate racial prejudice and disparities, and remove the impacts of racial discrimination, in order to improve the quality of life of California's minorities, for activities related to substance abuse education, prevention, research and healthcare.

(b) A state advisory commission, consisting of diverse members representing diverse geographic populations, public nonprofits, educational, health related and government entities is created and shall make recommendations to the [ENTER APPROPRIATE AGENCY] regarding grant awards.

#### Chapter 4. Track and Trace Process

31200. The board shall adopt a cannabis track and trace process for reporting the movement of cannabis items throughout the distribution chain that also employs secure packaging and a technology utilizing indicia capable of layering transactional data and being read by a scanning or similar device, and shall be encrypted with information that captures, at a minimum, the following:

- (1) Amount of tax payment,
- (2) The licensee that remitted the tax,
- (3) The succeeding licensee receiving the product,
- (4) Transaction date, and
- (5) Any other information deemed necessary by the board for the taxation and regulation of cannabis and cannabis items.

#### Chapter 5. Operative Date and Funding

31300. This part shall become operative on January 1, 2018 or the first quarter commencing more than 180 days from the adoption and funding of the cannabis track and trace process required pursuant to Section 31200, whichever is later.

31301. (a) The Legislature shall appropriate and deposit into the Dedicated Cannabis Fund from the General Fund in the 2016-17 and 2017-18 fiscal years an amount to provide adequate reimbursement for expenses incurred by the board in the administration and collection of the cannabis and cannabis items tax.

(b) Any amount loaned is to be repaid in full 6 months after the operative date of the tax imposed pursuant to Chapter 2 (commencing with Section 31050) from taxes collected pursuant to this part.

## Section 7: Local Cannabis and Cannabis Items Tax

Part 13.7 (commencing with Section 31501) is added to Division 2 of the Revenue and Taxation Code, to read:

### CHAPTER 1. General Provisions

31501. (a) Subject to the requirements of this part, the governing board of a county or city and county, may impose upon producers, processors, and retailers a tax on cannabis and cannabis items sold in the county or city and county. The county or city and county board of supervisors may impose this tax within an incorporated city within the county or city and county.

(b) Any tax imposed under this section shall meet all of the following requirements:

(1)(A) In the case of a county or city and county, an ordinance proposing a general tax shall be approved by a vote of two-thirds of all members of the governing board and shall be subsequently approved by a majority vote of the qualified voters of the county or city and county voting in an election on the issue.

(B) An ordinance proposing a special tax shall be approved by a majority vote of all the members of the governing board of the county or city and county and shall be subsequently approved by a two-thirds vote of the qualified voters of the county or city and county voting in an election on the issue.

31503. (a) The cannabis and cannabis tax portion of any local cannabis tax ordinance adopted under this part shall be imposed upon and collected by:

(1) A producer upon each wholesale sale in county or city and county of cannabis at the time of sale to a processor or another producer.

(2) A processor upon each wholesale sale in in the county or city and county of cannabis or cannabis items at the time of sale to a processor, wholesaler, or to a retailer.

(3) A retailer upon each retail sale in county or city and county of cannabis or cannabis items at the time of retail sale.

(b) The local cannabis and cannabis items tax ordinance adopted under this part shall include provisions in substance as follows:

(1) A provision imposing a tax upon a producer, processor, or retailer at a rate of at least one-eighth of 1 percent, or a multiple thereof, of the selling price on each wholesale sale and retail sale, as it pertains, of cannabis and cannabis items in the county or city and county.

(2) Provisions identical to those contained in Part 13.5 (commencing with Section 31001), except that the name of the district as the taxing agency shall be substituted for that of the state and that an additional permit shall not be required if a cannabis and cannabis items tax permit has been issued.

(3) Provisions identical to those contained in Part 13.5 (commencing with Section 31001), insofar as they relate to cannabis and cannabis items tax and are not inconsistent with this part, except that the name of the county or district as the taxing agency shall be substituted for that of the state.

(4) A provision that states the rate of the tax and the length of time for which the tax shall be imposed.

(5) A provisions that all amendments subsequent to the effective date of this chapter to Part 13.5 (commencing with Section 31001) relating to the cannabis and cannabis items tax and not inconsistent with this chapter shall automatically become a part of the ordinance. However, no amendment shall operate so as to affect the rate of tax imposed by the district's board.

31504. (a) Except as provided in subdivision (b), an ordinance adopted pursuant to this part shall be operative on the first day of a calendar quarter commencing more than 240 days after the adoption of the ordinance.

(b) Any subsequent ordinance adopted pursuant to this part shall be operative on the first day of a calendar quarter commencing more than 110 days after the adoption of the ordinance or on the date an ordinance under subdivision (a) becomes operative, whichever is later.

31505. Prior to the operative date of any ordinance imposing a tax pursuant to this part, the governing board of the county or city and county shall contract with the board to perform all functions incident to the administration and operation of the ordinance. If the county or city and county has not contracted with the board, the operative date shall be delayed until the first day of the first calendar quarter commencing more than 240 days following the execution of the contract, except that any subsequent ordinance shall be delayed until the first day of the first calendar quarter commencing more than 110 days following the execution of the contract.

31506. (a) The contract shall contain a provision that requires the county or city and county to do both of the following:

(1) Reimburse the board for, and hold the board harmless from, any and all costs, losses, or refunds of any kind whatsoever.

(2) In the event that a legal action is commenced challenging the validity of the tax in its entirety, as opposed to the application of the tax to an individual taxpayer, place the tax proceeds into an interest-bearing escrow account until the legality of the tax is resolved by a final and nonappealable decision rendered by a court of competent jurisdiction. This paragraph shall be enforceable by any interested party in a proceeding for a writ of mandate.

#### CHAPTER 2. Definitions

31505. Unless the context otherwise requires, the definitions set forth in this chapter and those in Chapter 1 (commencing with Section 31001) of Division 2 of the Revenue and Taxation Code of the Business and Professions Code govern the construction of this part.

31507. "Local cannabis tax" means the local cannabis and cannabis items tax.

#### CHAPTER 3. Administration

31509. (a) The board shall perform all functions incident to the collection of the local cannabis tax of a local jurisdiction or local agency and shall collect and administer the local cannabis tax in the manner prescribed for the collection of the cannabis and cannabis items tax in the Cannabis and Cannabis Items Tax Law (Part 13.5 (commencing with Section 31001)). For purposes of this part, the references in the Fee Collection Procedures Law to "fee" shall include the local cannabis tax imposed by this part, and references to "feepayer" shall include a person required to pay the local cannabis tax imposed by this part, which includes the producer, processor and retailer.

(b) All local cannabis taxes collected by the board shall be deposited in the Local Cannabis and Cannabis Items Tax Fund which is hereby created in the State Treasury, and shall be held in trust for the local taxing jurisdiction, and shall not be used for any other purpose. Local cannabis taxes shall consist of all taxes, charges, interest, penalties, and other amounts collected and paid to the board, less payments for refunds and reimbursement to the board for expenses incurred in the administration and collection of the local cannabis tax. The board shall transmit the funds to the local jurisdictions periodically as promptly as feasible. The transmittals required under this section shall be made at least once in each calendar quarter. The board shall furnish a quarterly statement indicating the amounts paid and withheld for expenses of the board.

(c) The board shall prescribe and adopt rules and regulations as may be necessary or desirable for the administration and collection of local cannabis taxes and the distribution of the local cannabis taxes collected.

(d) Subject to the confidentiality requirements of Sections 7284.6, 7284.7, and 19542, the board shall make available to a requesting local jurisdiction or local agency any information that is reasonably available to the board regarding the proper collection and remittance of a local cannabis tax of the local jurisdiction or local agency by a producer, processor, and retailer.

31511. (a) The local jurisdiction or local agency that has adopted an ordinance to impose a local cannabis tax that applies to the selling price on each wholesale sale or retail sale in this state of cannabis shall be solely responsible for:

(1) Defending any claim regarding the validity of the ordinance in its application to cannabis and cannabis items.

(2) Interpreting any provision of the ordinance, except to the extent specifically superseded by this statute.

(3) Certifying that the local jurisdiction's or local agency's ordinance applies to cannabis and cannabis items and agreeing to indemnify and hold harmless the board, its officers, agents, and employees for any and all liability for damages that may result from collection of the local cannabis tax.

(4) Reallocation of local charges as a result of correcting errors relating to the location of the point of sale of a producer, processor, or retailer for up to two past quarters from the date of knowledge.

(b) In connection with any actions or claims relating to or arising from the invalidity of a local cannabis tax ordinance, in whole or in part, the producer, processor, or retailer shall not be liable to any producer, processor, retailer, or consumer as a consequence of collecting the tax. In the event a local jurisdiction or local agency is ordered to refund the tax, it shall be the sole responsibility of the local jurisdiction or local agency to refund the tax. In any action seeking to enjoin collection of a local cannabis tax by a producer, processor, or retailer, in any action seeking declaratory relief concerning a local cannabis tax, in any action seeking a refund of a local cannabis tax, or in any action seeking to otherwise invalidate a local cannabis tax, the sole necessary party defendant in the action shall be the local jurisdiction or local agency on whose behalf the local cannabis tax is collected, and the producer, processor, or retailer collecting the local cannabis tax shall not be named as a party in the action. There shall be no recovery from the state for the imposition of any unconstitutional or otherwise invalid local cannabis tax that is collected pursuant to this part.

31513. (a) For purposes of this section:

(1) "Quarterly local charges" means the total amount of local cannabis tax transmitted by the board to a city, county, or city and county for a calendar quarter.

(2) "Refund" means the amount of local charges deducted by the board from a city's, county's, or city and county's quarterly local cannabis taxes in order to pay the city's, county's, or city and county's share of a local cannabis tax refund due to one taxpayer.

(3) "Offset portion" means that portion of the refund which exceeds the greater of fifty thousand dollars (\$50,000) or 20 percent of the city's, county's, or city and county's quarterly local cannabis taxes.

(b) Except as provided in subdivision (c), if the board has deducted a refund from a city's, county's, or city and county's quarterly local cannabis taxes which includes an offset portion, then the following provisions apply:

(1) Within three months after the board has deducted an offset portion, the city, county, or city and county may request the board to transmit the offset portion to the city, county, or city and county.

(2) As promptly as feasible after the board receives the city's, county's, or city and county's request, the board shall transmit to the city, county, or city and county the offset portion as part of the board's periodic transmittal of local cannabis taxes.

(3) The board shall thereafter deduct a pro rata share of the offset portion from future transmittals of local charges to the city, county, or city and county over a period to be determined by the board, but not less than two calendar quarters and not more than eight calendar quarters, until the entire amount of the offset portion has been deducted.

(c) The board shall not transmit the offset portion of the refund to the city, county, or city and county if that transmittal would reduce or delay either the board's payment of the refund to the taxpayer or the board's periodic transmittals of local cannabis taxes to other cities, counties, or city and county.

31515. (a) Notwithstanding Section 55381, it is unlawful for any person, other than an officer or employee of a county, city and county, city, or district, who obtains access to information contained in, or derived from, the cannabis tax records of the board pursuant to subdivision (b), to retain that information after that person's contract with the county, city and county, city, or district has expired.

(b) (1) When requested by resolution of the legislative body of any county, city and county, city, or district, the board shall permit any duly authorized officer or employee of the county, city and county, city, or district, or other person designated by that resolution, to examine all of the cannabis and cannabis items tax and local cannabis tax records of the board pertaining to the ascertainment of those cannabis and cannabis items tax and local cannabis taxes to be collected for the county, city and county, city, or district by the board pursuant to contract entered into between the board and the county, city and county, city, or district pursuant to this part. Except as otherwise provided in this section, this subdivision does not allow any officer, employee, or other person authorized or designated by a county, city and county, city, or district to examine any sales or transactions and use tax records of any taxpayer. The costs that are incurred by the board in complying with a request made pursuant to this subdivision shall be deducted by the board from those revenues collected by the board on behalf of the county, city and county, city, or district making the request.

(2) The resolution of the legislative body of the county, city and county, city, or district shall certify that any person designated by the resolution, other than an officer or employee, meets all of the following conditions:

(A) Has an existing contract with the county, city and county, city, or district to examine those cannabis and cannabis items tax and local cannabis taxes records.

(B) Is required by that contract to disclose information contained in, or derived from, those cannabis and cannabis items tax and local cannabis taxes records only to an officer or employee of the county, city and county, city, or district who is authorized by the resolution to examine the information.

(C) Is prohibited by that contract from performing consulting services for a producer, processor, or retailer during the term of that contract.

(D) Is prohibited by that contract from retaining the information contained in, or derived from, those cannabis and cannabis items tax and local cannabis taxes records, after that contract has expired.

(3) Information obtained by examination of board records pursuant to this subdivision shall be used only for purposes related to the collection of the cannabis and cannabis items tax and local cannabis taxes by the board pursuant to the contract, or for purposes related to other governmental functions of the county, city and county, city, or district set forth in the resolution.

(c) If the board believes that any information obtained pursuant to subdivision (b) has been disclosed to any person not authorized or designated by the resolution of the legislative body of the county,

city and county, city, or district, or has been used for purposes not permitted by subdivision (b), the board may impose conditions on access to its local charge records that the board considers reasonable, in order to protect the confidentiality of those records.

(d) Predecessors, successors, receivers, trustees, executors, administrators, assignees, and guarantors, if directly interested, may be given information as to the items included in the measure and amounts of any unpaid local cannabis and cannabis items tax required to be collected, interest, and penalties.

#### CHAPTER 4. Operative Date

31516. This part shall become operative at the same time as Part 13.5 (commencing with Section 31001).

### **Section 8: Amendment**

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Pursuant to Article 2, section 10(c) of the California Constitution, this Act may be amended either by a subsequent measure submitted to a vote of the People at a statewide election; or by statute validly passed by the Legislature and signed by the Governor, but only to further the purposes of the Act. Such permitted amendments include but are not limited to:

(a) Amendments to the limitations in section 11300, which limitations are minimum thresholds and the Legislature may adopt less restrictive limitations.

(b) Statutes and regulations to further the purposes of the Act to establish a statewide regulatory system for a commercial cannabis industry, that address some or all of the items referenced in Sections 11301 and 11302.

(c) Laws to authorize the production of hemp or non-active cannabis for horticultural and industrial purposes.

### **Section 9: Severability**

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If any provision of this measure or the application thereof to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of the measure that can be given effect without the invalid provision or application, and to this end the provisions of this measure are severable.