



## VA Legal Sales Bill Short Summary HB 642 / SB 542

As passed by the General Assembly, HB 642/SB 542 would legalize, regulate, and tax cannabis sales for adults in Virginia with a focus on restorative justice, economic equity, and public health. Gov. Spanberger requested a rewrite, which the legislature rejected. She can now veto the bill as passed by the legislature, or let it become law. Adults' possession and cultivation were legalized in 2021.

### Personal Possession and Production Changes

- Increases the possession limit for adults 21 and older from one ounce to 2.5 ounces.

### Licensing and Regulations

- The Virginia Cannabis Control Authority would license and regulate: cultivators, processors, testing labs, transportors, retailers, delivery, microbusiness (which can grow, process, and retail), and pharmaceutical processors (current medical cannabis licensees).
- For licenses that are capped, at least half of new licensees go to impact applicants. Impact licenses would have majority ownership by people in disadvantaged communities.
- Until 2028, there would be a maximum of 350 retail stores and five large cultivators. Otherwise, the board would determine the number of licenses of each type allowed.
- Regulations include: seed-to-sale tracking, QR codes to lab results, warning labels, requiring packaging to be approved by regulators, labor peace agreements, limiting serving sizes, and tiered licensing for cultivation based on canopy size.
- Sales begin January 1, 2027. By December 1, 2026, the Cannabis Control Authority must:
  - approve pharmaceutical processors' dual-use privileges (to also sell adult-use).
  - issue 100 microbusiness licenses to impact applicants, farmers, or hemp licensees.
  - issue up to 10 cultivation and 10 processing licenses to hemp growers or processors.
  - issue at least 55 additional licenses distributed among impact licensees and others.

### Taxes, Fees, and Revenue

- Levies a 6% retail tax, plus the sales tax (now 5.3%), and a local tax of 1% to 3.5%.
- Licensing fees will be set by the board to cover regulatory costs.
- Pharmaceutical processors will pay a \$10 million fee to convert to dual-use.
- The net profits — not including local taxes — will be divided as follows:
  - 40% to early childhood care and education.
  - 30% to a Cannabis Equity Reinvestment Fund.
  - 25% to substance use disorder prevention and treatment programs.
  - 5% to public health programs, including public awareness campaigns.

### Miscellaneous

- Localities could not ban retail cannabis sales.
- Respects tribal governments' sovereign right to regulate cannabis. Allows compacts.
- Provides for regulation and licensing of retail hemp sales, with a \$1,000 annual fee.

- Hemp could have up to two milligrams of THC per package.
- Provides that a financial institution serving cannabis businesses may not be punished.
- Directs further study of on-site consumption and microbusinesses' sales at farmers' markets.
- Requires plans to educate students about cannabis.