



## PA HB 2050 Bill Summary: Legalizing and Regulating Adult-Use Cannabis

Rep. Jake Wheatley’s bill to end cannabis prohibition — HB 2050 — would replace the unregulated illicit market with a taxed and regulated system with licensed growers, processors, and retailers. It includes a robust clean slate program — including release from incarceration. Tax revenue would primarily be used for student loan reimbursement, Pennsylvania’s mixed-income housing program, after school programs, and for a cannabis grant program minorities and women.

### **Adult Use Possession Limits**

- Adults 21 and older could possess any amount of cannabis.
- Public consumption is prohibited.
- Adults 21 and older could cultivate 50 sq. ft. of mature, flowering cannabis plants within a private residence.
- Adults could gift up to one ounce from cannabis grown in their private residences.
- Officers could search and seize cannabis in violation of this act, with or without a warrant.

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### **Business Licensing and Fees**

- The Bureau of Liquor Control Enforcement would license growers, processors, and dispensaries to produce and sell adult-use cannabis.
- Criminal history checks would be required for all principals, financial backers, operators, and employees of adult cannabis organizations. A criminal history related to the distribution or use of cannabis shall not prevent an individual from obtaining a permit.
- Applicants would not need to own the land or rental space prior to application.
- All fees would go into the Community Reinvestment Fund.
- **Fees:** Applicants to be a grower, processor, or dispensary must pay a \$2,500, non-refundable application fee, plus a \$5,000 initial permit fee. Licenses are valid for one year. The \$5,000 permit fee is refunded if the application is denied. Applicants for a combination permit pay a \$10,000 non-refundable fee plus a \$75,000 application fee.

#### **Sliding scale renewal fee for growers:**

Less than \$250,000 in revenue previous year — \$1,500

Greater than \$250,000 but less than \$500,000 — \$3,750

More than \$500,000 but less than \$1,000,000 — \$7,250

Revenue of at least \$1,000,000 — \$9,000

#### **Sliding scale renewal for processors:**

Less than \$250,000 of revenue previous year — \$1,250

More than \$250,000 of revenue but less than \$500,000 — \$3,250

More than \$250,000 of revenue but less than \$500,000 — \$6,750

Revenue of at least \$1,000,000 — \$8,500

**Sliding scale renewal fee for dispensaries:**

Less than \$250,000 of revenue previous year —\$1,500

More than \$250,000 but less than \$500,000 — \$3,750

More than \$500,000 but less than \$1,000,000 — \$7,500

Revenue of at least \$1,000,000 — \$10,000

**Sliding scale renewal fee for combination permit:**

Revenue less than \$1,500,000 - \$5,000

Revenue of more than \$1,500,000 but less than \$3,000,000 - \$10,000

Revenue of at least \$3,000,000 but less than \$5,000,000 - \$15,000

Revenue of at least \$5,000,000 - \$20,000

- Allows no more than 50 growers, 50 processors, and 100 dispensary permits with up to three locations.
- Allows no more than five permits per person.
- **Combination permit:** Applicants for a combination permit have a capital requirement of \$250,000 in assets and \$100,000 in deposit at financial institution. A combination permittee may seek up to three grower permits, up to five processor permits, and 10 dispensary permits.
- No more than 35 combination permits would be issued. A combination permittee may hold up to three growers permits, five processor permits, and 10 dispensary permits.
- Dispensaries can only sell indoors.

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**Taxes and Revenue Distribution**

**Wholesale Taxes**

- A 10% tax would be levied on sales of cannabis products from one grower to another grower or a processor.
- A 10% tax would be levied on the sale of cannabis products from processor to another processor or to a dispensary.
- A 10% tax would be levied on the value of cannabis (based on the average wholesale price) transferred within a combination permittee’s grower and processor operations.
- Growers or processors that partner with Pennsylvania farms are exempt from the 10% tax.

**Retail Tax:** At point of sale to the consumer, the following rate of tax is levied:

- 6% tax for first two years of a permit's operation
- 12% tax for third and fourth years in operation
- 19% tax for fifth and each subsequent year

**Municipalities Taxes:** Municipalities may adopt a tax at point-of-sale of no more than 3%. If they do so, 45% of the money goes to the municipality; 45% will support public defender, youth services, and after school programs in that municipality; and 10% percent would be used for municipal police.

- Funds would be under the purview of the Cannabis Program, which imposes duties on the Department of Health.

### **Establishes a Commonwealth Reinvestment Fund**

The state wholesale and retail taxes will be deposited into the Commonwealth Reinvestment Fund and used as follows:

- 40% to Department of Education for student loan reimbursement
- 40% to Pennsylvania Housing Finance Mixed Income Housing Program
- 10% to the Department of Education After School Program
- 8% to the Department of Community and Economic Development for the Minority and Women Cannabis Grant Program
- 1% to a public information and education campaign
- 1% to the advisory board

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### **Diversity Report**

- A report on diversity in the industry would be due the first March 1 after passage to both chambers' health committees. It would include participation levels and a summary on how diverse groups are being utilized by permittees.

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### **Employment Protections**

- Generally, the mere presence of marijuana in a person's system may not be used as basis of termination or other disciplinary action.
- As a general rule, employers are prohibited from refusing to hire because of trace amounts of marijuana in a person's system during a drug screen.
- However, there are exemptions for employers with federal contracts or where these protections would otherwise violate federal law.
- Employees are allowed to rebut a drug screen given in first 30 days of employment at their own expense.

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### **Clean Slate**

- All people charged with crimes under the Controlled Substance, Drug, Device and Cosmetic Act of 1972 would have their records expunged. This act covers all forms of illicit drugs and possession. Current inmates would be released and driving privileges reinstated.
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## **Testing**

- Each cannabis grower and processor must contract with an independent laboratory to test the adult-use cannabis product. Laboratories must be approved by the Department of Health.
  - A test at harvest and a test at final processing is required for growers and processors.
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## **Price Control**

- The Department of Health and the Department of Revenue will be required to monitor the price of cannabis and cannabis products including the per dose price and 30-day average wholesale price. If the departments determine the price is unreasonable or excessive, the department may implement a cap on the price of cannabis and cannabis products for six months. If it is still excessive following six months, a cap may be imposed for another period not to exceed six months.
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