



# Senate Bill 568 – Cannabis Authorization, Regulation and Taxation

Hearing before the Joint Committee on  
Judiciary and Finance

# Overview

- Senate Bill 568 legalizes possession of up to 1 ounce of cannabis for Rhode Islanders age 21 and over.
- Establishes a comprehensive regulatory structure that would be overseen by a 5 member Cannabis Control Commission.
- Recreational cannabis use would be taxed at the retail point of sale at a total rate of 20%.
- The legislation aims to redress wrongs perpetuated by a policy of prohibition and the War on Drugs.

# The Time is Now

- The reality of the situation in Rhode Island:
  - Cannabis is readily available through the illicit market and neighboring states that have legalized.
  - Rhode Island has incurred societal costs – such as public safety, public health, and justice system – without the benefit of tax revenue.
- A legal, well-regulated market will lead to:
  - More efficient and effective control over cannabis related industries.
  - Increased tax revenue for the state and municipalities.
  - Enhanced programmatic funding for public safety, public health, and justice reinvestment.

# Legal Cannabis

- Legalizes cannabis possession up to 1 ounce.
- Home grow comparable to neighboring states, 6 active plants and up to 12 plants total.
- Cannabis consumption prohibited in public places.
- Unsealed container prohibited from passenger areas of a motor vehicle.
- Possession limits in states that have recently legalized:
  - MA: Up to 1 oz.
  - NJ: Up to 6 oz.
  - NY: Up to 3 oz.
- Home grow in states that have recently legalized:
  - MA: Up to 6 active plants/ 12 total
  - NJ: None
  - NY: Up to 6 plants/12 per HH

# Cannabis Control Commission

- The Commission shall have all powers necessary to carry out the regulation and licensing of cannabis establishments, including commensurate staff.
- Singular and exclusive licensing and regulatory authority, similar to CRMC.
- All 5 would be appointments of the Governor, some in consultation with other statewide officers, and they would be subject to Advice and Consent of the Senate.
- Composition of Commission
  - One in consultation with Department of Health with background in public health
  - One in consultation with Attorney General with background in public safety
  - One in consultation with General Treasurer with background in corporate management and finance
  - One with professional experience in oversight of similarly regulated industry
  - One with background in legal and social justice issues

# Tax & Regulatory Structure

- Tiered licensing structure similar to alcohol with low barriers to entry:
  - Cultivator License – Fees range from \$100 to \$20,000
  - Manufacturer License - \$5,000
  - Retail License - \$20,000
  - Testing License - \$5,000
- Licensing statute takes into occupational licensing reforms made in 2019 (disqualifying offenses must be related to occupation).
- Tax structure will include the regular 7% state sales tax, a special state sales tax of 10%, and a local sales tax of 3%.
- The local tax would be remitted to the municipality where the point of sale occurred.
- Remaining tax revenues would be deposited in the General Fund.

# Local Components & Retail Licenses

- Cities and towns would be able to prohibit **retail** facilities vis-à-vis a local referendum.
- If a community opts out, they would forfeit their 3% local remittance.
- Every community that does not opt-out would be eligible for 3 retail licenses with an upwards cap of 1 license per 10,000 residents.
- Municipalities may regulate the time, manner, and place of operation so long as it does not unreasonably frustrate business.
- We envision a local sign-off whereby the establishment meets local zoning laws.
- There are no local costs associated with licensing.

# Employer and Employee Protections

- Employers may implement drug use policies which prohibit use or possession in workplace.
- Employers may not take disciplinary action for private use.
- Protections for federal contractors and employers otherwise subject to federal law or regulations.



# Justice Related Components

- The Cannabis Equity Fund
  - Comprised of all related licensing fees from non-qualifying applicants
  - Will be used to offset application and licensing fees and provide technical assistance to qualifying applicants from disproportionately impacted areas
  - Funds may also be expended for restorative justice, diversion, and rehabilitation.
- Fee-free systematic expungement of cannabis related offenses (as close to automatic as practically possible)

# Impact on Medical Marijuana

- Compassion centers will pay a reduced licensing fee.
- Compassion centers with an allowable growth canopy will be able to use up to 50% of that canopy for recreational use.
  - Remaining 50% would have to be earmarked for medical market.
- Compassion centers would also be eligible to apply for a retail license.