HOUSE OF REPRESENTATIVES THIRTY-FIRST LEGISLATURE, 2021 STATE OF HAWAII H.B. NO. 278

#### A BILL FOR AN ACT

RELATING TO CANNABIS.

#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that a growing number of
 jurisdictions have legalized the recreational use of non-medical
 marijuana or cannabis. The legislature also finds that laws
 criminalizing the possession of small amounts of cannabis are
 costly to enforce while having limited deterrent value.

6 The legislature further finds that a more effective use of public resources would be to allow the development of a lawful 7 8 recreational cannabis industry that is regulated and taxed, 9 thereby allowing law enforcement agencies to focus their efforts 10 on more serious offenses. At the same time, limits on allowable 11 quantities of cannabis for recreational use by persons twenty-12 one years of age and over must be enforced, and safequards that 13 restrict access to persons under twenty-one must be ensured --14 similar to the manner in which state laws prohibit the sale of 15 alcohol and tobacco products to persons under twenty-one.

16

The purpose of this Act is to:



1 (1) Authorize persons twenty-one years of age or older to 2 possess or use limited amounts of cannabis for 3 recreational purposes; Authorize the licensing, regulation, and taxation of 4 (2) 5 cannabis cultivation, manufacturing, testing, and 6 retail sales facilities; 7 (3) Specify that only existing medical cannabis dispensary 8 licensees may apply for licensure as a cannabis 9 establishment, but may be permitted to establish 10 additional retail dispensing locations; 11 (4) Allocate an unspecified percentage of general excise 12 tax revenues derived from retail cannabis sales 13 transactions to the counties; 14 (5) Specify the application and non-application of the 15 Internal Revenue Code to expenses related to the 16 production and sale of cannabis and cannabis products 17 for state income tax purposes; 18 (6) Amend certain provisions of the penal code relating to 19 offenses involving marijuana and expand the 20 affirmative defense to prosecution to include persons 21 acting in accordance with the new part in Chapter 329,



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Hawaii Revised Statutes, created by Section 2 of this 1 2 Act; and Repeal limitations on authorized sources of medical 3 (7) 4 cannabis. 5 SECTION 2. Chapter 329, Hawaii Revised Statutes, is 6 amended by adding a new part to be appropriately designated and 7 to read as follows: 8 "PART . RECREATIONAL USE OF CANNABIS 9 §329-A Definitions. As used in this part, unless the 10 context otherwise requires: 11 "Cannabis" shall have the same meaning as in section 12 329-121. 13 "Cannabis accessories" means any equipment, products, or 14 materials of any kind that are used, intended for use, or 15 designed for use in planting, propagating, cultivating, growing, harvesting, composting, manufacturing, compounding, converting, 16 producing, processing, preparing, testing, analyzing, packaging, 17 18 repackaging, storing, vaporizing, or containing cannabis, or for ingesting, inhaling, or otherwise introducing cannabis into the 19 20 human body.



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1 "Cannabis cultivation facility" means an entity licensed to
2 cultivate, prepare, and package cannabis and sell cannabis to
3 retail cannabis stores, cannabis product manufacturing
4 facilities, and other cannabis cultivation facilities, but not
5 to consumers.

6 "Cannabis establishment" means a cannabis cultivation
7 facility, a cannabis testing facility, a cannabis product
8 manufacturing facility, or a retail cannabis store.

9 "Cannabis product manufacturing facility" means an entity 10 licensed to purchase cannabis; manufacture, prepare, and package 11 cannabis products; and sell cannabis and cannabis products to 12 other cannabis product manufacturing facilities and to retail 13 cannabis stores, but not to consumers.

14 "Cannabis products" means concentrated cannabis products 15 and cannabis products that consist of cannabis and other 16 ingredients and are intended for use or consumption, including 17 edible products, ointments, and tinctures.

18 "Cannabis testing facility" means an entity licensed to 19 analyze and certify the safety and potency of cannabis.

20 "Consumer" means a person twenty-one years of age or older
21 who grows, possesses, or purchases cannabis or cannabis products



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for recreational use by persons twenty-one years of age or 1 2 older, but not for resale to others. 3 "Department" means the department of health. 4 "Retail cannabis store" means an entity licensed to purchase cannabis from cannabis cultivation facilities and 5 6 cannabis and cannabis products from cannabis product manufacturing facilities and to sell cannabis and cannabis 7 8 products to consumers. 9 §329-B Recreational use of cannabis. Notwithstanding any 10 other provision of law, the following acts shall be lawful and 11 shall not be an offense or a basis for seizure or forfeiture of 12 assets for persons twenty-one years of age or older: 13 (1) Possessing, using, displaying, purchasing, or 14 transporting cannabis accessories or one ounce or less 15 of cannabis; 16 Possessing, growing, processing, or transporting seven (2) 17 or fewer cannabis plants, and possession of the 18 cannabis produced by the plants; provided that the 19 cannabis is not made available for sale;



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1 (3) Transfer of one ounce or less of cannabis without 2 remuneration to a person who is twenty-one years of 3 age or older; 4 (4) Consumption of cannabis; provided that nothing in this 5 section shall permit consumption that is conducted openly and publicly or in a manner that endangers 6 7 others; and 8 (5) Assisting another person who is twenty-one years of 9 age or older in committing any of the acts described 10 in this section. 11 §329-C Lawful operation of cannabis establishments. 12 Notwithstanding any other provision of law, the following acts 13 shall be lawful and shall not be an offense or a basis for 14 arrest, prosecution, or seizure or forfeiture of assets for 15 persons twenty-one years of age or older: 16 (1) Manufacture, possession, or purchase of cannabis 17 accessories or the sale of cannabis accessories to a 18 person who is twenty-one years of age or older; 19 (2) Possessing, displaying, or transporting cannabis or 20 cannabis products; purchase of cannabis from a 21 cannabis cultivation facility; purchase of cannabis or



1 cannabis products from a cannabis product 2 manufacturing facility; or sale of cannabis or 3 cannabis products to consumers, if the person 4 conducting the activities described in this paragraph 5 has obtained a current, valid license to operate a 6 retail cannabis store or is acting in the person's capacity as an owner, employee, or agent of a licensed 7 8 retail cannabis store;

9 (3) Cultivating, harvesting, processing, packaging, 10 transporting, displaying, or possessing cannabis; 11 delivery or transfer of cannabis to a cannabis testing 12 facility; selling cannabis to a cannabis cultivation 13 facility, a cannabis product manufacturing facility, 14 or a retail cannabis store; or the purchase of 15 cannabis from a cannabis cultivation facility, if the 16 person conducting the activities described in this 17 paragraph has obtained a current, valid license to 18 operate a cannabis cultivation facility or is acting 19 in the person's capacity as an owner, employee, or 20 agent of a licensed cannabis cultivation facility;



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1 (4) Packaging, processing, transporting, manufacturing, 2 displaying, or possessing cannabis or cannabis 3 products; delivery or transfer of cannabis or cannabis 4 products to a cannabis testing facility; selling 5 cannabis or cannabis products to a retail cannabis 6 store or a cannabis product manufacturing facility; 7 the purchase of cannabis from a cannabis cultivation 8 facility; or the purchase of cannabis or cannabis 9 products from a cannabis product manufacturing 10 facility, if the person conducting the activities 11 described in this paragraph has obtained a current, 12 valid license to operate a cannabis product 13 manufacturing facility or is acting in the person's 14 capacity as an owner, employee, or agent of a licensed 15 cannabis product manufacturing facility; 16 (5) Possessing, cultivating, processing, repackaging, 17 storing, transporting, displaying, transferring, or 18 delivering cannabis or cannabis products if the person 19 has obtained a current, valid license to operate a 20 cannabis testing facility or is acting in the person's



1 capacity as an owner, employee, or agent of a licensed 2 cannabis testing facility; and 3 (6) Leasing or otherwise allowing the use of property 4 owned, occupied, or controlled by any person, 5 corporation, or other entity for any of the activities 6 conducted lawfully in accordance with this section. 7 §329-D Department rules; cannabis establishments. (a) No 8 later than July 1, 2022, the department shall adopt rules under 9 chapter 91 necessary to implement this part, which shall at a 10 minimum include: 11 (1) Procedures for the issuance, renewal, suspension, and 12 revocation of a license to operate a cannabis 13 establishment; 14 A schedule of application, licensing, and renewal (2) 15 fees; provided that a fee of no less than \$ 16 shall be imposed upon the issuance of a one-year 17 license to operate a cannabis establishment; provided 18 further that per cent of all fees collected 19 under this paragraph shall be deposited into the 20 cannabis establishment program sub-account of the



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1		cannabis registry and regulation special fund
2		established under section 321-30.1(b)(3);
3	(3)	Qualifications for licensure that are directly and
4		demonstrably related to the operation of a cannabis
5		establishment; provided that a qualification of
6		licensure under this part shall include a requirement
7		that an applicant or licensee is currently licensed to
8		operate a medical cannabis dispensary under chapter
9		329D; provided further that the department may permit
10		the applicant or licensee to establish additional
11		retail dispensing locations for the purpose of
12		operating a cannabis establishment in accordance with
13		this part;
14	(4)	Security requirements for cannabis establishments;
15	(5)	Requirements to prevent the sale or diversion of
16		cannabis and cannabis products to persons under the
17		age of twenty-one;
18	(6)	Labeling requirements for cannabis and cannabis
19		products sold or distributed by a cannabis
20		establishment;



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1 (7) Health and safety requirements and standards for the 2 manufacture of cannabis products and the cultivation 3 of cannabis; provided that the standards shall be no 4 less stringent than those applicable to medical 5 cannabis under part IX of this chapter and chapter 6 329D;

7 (8) Restrictions on the advertising and display of
8 cannabis and cannabis products; and

9 (9) Civil penalties for the failure to comply with any
10 rule adopted pursuant to this section.

11 (b) For the purpose of ensuring that individual privacy is 12 protected, notwithstanding subsection (a), the department shall 13 not require a consumer to provide a retail cannabis store with 14 personal information other than government-issued identification 15 to determine the consumer's age, and a retail cannabis store 16 shall not be required to acquire and record personal information 17 about consumers other than information typically acquired in a 18 financial transaction conducted at a retail liquor store.

19 §329-E Cannabis establishments; licenses; procedures. (a)
20 A license to operate a cannabis establishment shall be valid for
21 one year and shall be renewable annually.



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1	(b)	Each applicant for a license to operate a cannabis
2	establish	ment shall submit an application to the department,
3	which sha	ll process applications expeditiously and:
4	(1)	Upon approval of an application, shall issue an annual
5		license to the applicant; or
6	(2)	Upon denial of an application, shall notify the
7		applicant in writing of the specific reason for the
8		denial,
9	within se	ven days of the approval or denial.
10	§329	-F Employers; driving; minors; control of property.
11	Nothing i	n this part shall be construed to:
11 12	Nothing i (1)	n this part shall be construed to: Require an employer to permit or accommodate the use,
	-	
12	-	Require an employer to permit or accommodate the use,
12 13	-	Require an employer to permit or accommodate the use, consumption, possession, transfer, display,
12 13 14	-	Require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growing of cannabis in the
12 13 14 15	-	Require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growing of cannabis in the workplace or to affect the ability of employers to
12 13 14 15 16	-	Require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growing of cannabis in the workplace or to affect the ability of employers to establish policies restricting the use of cannabis by
12 13 14 15 16 17	(1)	Require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growing of cannabis in the workplace or to affect the ability of employers to establish policies restricting the use of cannabis by employees;



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1 (3) Permit the transfer of cannabis, with or without 2 remuneration, to a person under the age of twenty-one 3 or to allow a person under the age of twenty-one to 4 purchase, possess, use, transport, grow, or consume 5 cannabis; or 6 (4) Prohibit a person, employer, school, hospital, 7. detention facility, corporation, or any other entity 8 that occupies, owns, or controls property from 9 prohibiting or otherwise regulating the possession, 10 consumption, use, display, transfer, distribution, 11 sale, transportation, or growing of cannabis on or in 12 that property. §329-G Medical cannabis provisions unaffected. Nothing in 13 14 this part shall be construed to limit any privileges or rights 15 of a medical cannabis qualifying patient, primary caregiver, or registered entity as provided in part IX of this chapter. 16 17 §329-H Severability; conflicting provisions. All

18 provisions of this part are severable and, except where 19 otherwise indicated, shall supersede conflicting state 20 statutory, local charter, ordinance, or resolution, and other 21 state and local provisions."



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1	SECTION 3. Section 46-4, Hawaii Revised Statutes, is	
2	amended by amending subsection (f) to read as follows:	
3	"(f) Neither this section nor any other law, county	
4	ordinance, or rule shall prohibit the use of land for medical	
5	cannabis production centers or medical cannabis dispensaries	
6	established and licensed pursuant to chapter $329D[+]$ or cannabis	
7	establishments established and licensed pursuant to part of	
8	chapter 329; provided that the land is otherwise zoned for	
9	agriculture, manufacturing, or retail purposes."	
10	SECTION 4. Section 235-2.4, Hawaii Revised Statutes, is	
11	amended by amending subsection (v) to read as follows:	
12	"(v) Section 280E (with respect to expenditures in	
13	connection with the illegal sale of drugs) of the Internal	
14	Revenue Code shall be operative for the purposes of this	
15	chapter, except that section 280E shall not be operative with	
16	respect to the production and sale of [medical]:	
17	(1) Medical cannabis and manufactured cannabis products by	
18	dispensaries licensed under chapter 329D and their	
19	subcontractors, as defined in section $329D-1[-]$ ; and	
20	(2) Cannabis and cannabis products by cannabis	
21	establishments licensed under part of chapter 329."	



1 SECTION 5. Section 237-31, Hawaii Revised Statutes, is 2 amended to read as follows: "§237-31 Remittances. All remittances of taxes imposed by 3 4 this chapter shall be made by money, bank draft, check, 5 cashier's check, money order, or certificate of deposit to the 6 office of the department of taxation to which the return was 7 transmitted. The department shall issue its receipts therefor 8 to the taxpayer and shall pay the moneys into the state treasury 9 as a state realization, to be kept and accounted for as provided 10 by law; provided that: A sum, not to exceed \$5,000,000, from all general 11 (1) 12 excise tax revenues realized by the State shall be 13 deposited in the state treasury in each fiscal year to 14 the credit of the compound interest bond reserve fund; A sum from all general excise tax revenues realized by 15 (2) 16 the State that is equal to one-half of the total 17 amount of funds appropriated or transferred out of the 18 hurricane reserve trust fund under sections 4 and 5 of 19 Act 62, Session Laws of Hawaii 2011, shall be 20 deposited into the hurricane reserve trust fund in 21 fiscal year 2013-2014 and in fiscal year 2014-2015;



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1		provided that the deposit required in each fiscal year
2		shall be made by October 1 of that fiscal year; [ <del>and</del> ]
3	(3)	A sum equal to per cent of any general excise
4		tax revenues realized from retail cannabis sales
5		transactions, conducted pursuant to and in compliance
6	,	with part of chapter 329, shall be paid to the
7		director of finance of the county in which the
8		revenues were collected; and
9	[ <del>{(3)}</del> ]	(4) Commencing with fiscal year 2018-2019, a sum from
10		all general excise tax revenues realized by the State
11		that represents the difference between the state
12		public employer's annual required contribution for the
13		separate trust fund established under section 87A-42
14		and the amount of the state public employer's
15		contributions into that trust fund shall be deposited
16		to the credit of the State's annual required
17		contribution into that trust fund in each fiscal year,
18		as provided in section 87A-42."
19	SECT	ION 6. Section 321-30.1, Hawaii Revised Statutes, is
20	amended b	y amending its title and subsections (a) and (b) to
21	read as f	ollows:



1	"§32	1-30.1 [Medical cannabis] Cannabis registry and
2	regulatio	n special fund; established. (a) There is established
3	within th	e state treasury the [ <del>medical</del> ] cannabis registry and
4	regulatio	n special fund. The fund shall be expended at the
5	discretio	n of the director of health:
6	(1)	To establish and regulate a system of medical cannabis
7		dispensaries in the State;
8	(2)	To offset the cost of the processing and issuance of
9		patient registry identification certificates and
10		primary caregiver registration certificates;
11	(3)	To fund positions and operating costs authorized by
12		the legislature;
13	(4)	To establish and manage a secure and confidential
14		database;
15	(5)	To fund public education as required by section
16		329D-26;
17	(6)	To fund substance abuse prevention and education
18		programs; [and]
19	(7)	To regulate cannabis establishments in the State
20		pursuant to part of chapter 329; and



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1 [(7)] (8) For any other expenditure necessary, consistent 2 with this chapter [and], chapter 329D, and part of 3 chapter 329, to implement medical cannabis registry 4 and regulation programs [-] and cannabis establishment 5 regulation programs. The fund shall consist of all moneys derived from fees 6 (b) collected pursuant to subsection (c) [and], section 329D-4[-], 7 8 and part of chapter 329. There is established within the 9 [medical] cannabis registry and regulation special fund: 10 (1) A medical cannabis registry program sub-account, into 11 which shall be deposited all fees collected pursuant 12 to subsection (c); [and] (2) 13 A medical cannabis dispensary program sub-account, 14 into which shall be deposited all fees collected 15 pursuant to section 329D-4[-]; and 16 (3) A cannabis establishment program sub-account, into 17 which shall be deposited fees collected and allocated 18 pursuant to part of chapter 329." 19 SECTION 7. Section 329-43.5, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows: 20

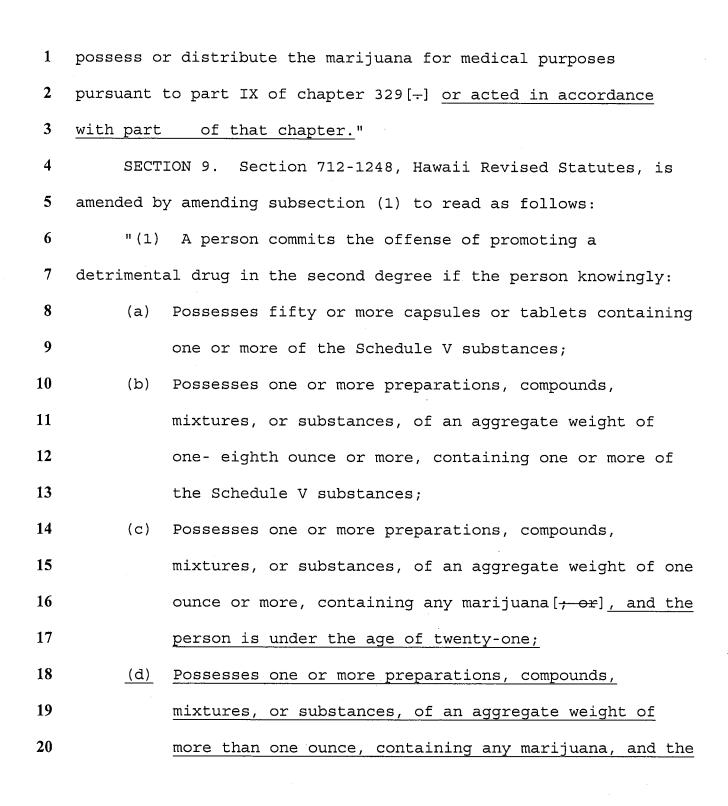


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1	"(e)	Subsections (a) and (b) shall not apply to a person
2	who is au	thorized to:
3	(1)	Acquire, possess, cultivate, use, distribute, or
4		transport cannabis pursuant to the definition of
5		"medical use" under section 329-121, while the person
6		is facilitating the medical use of cannabis by a
7		qualifying patient; [ <del>or</del> ]
8	(2)	Dispense, manufacture, or produce cannabis or
9		manufactured cannabis products pursuant to and in
10		compliance with chapter 329D, while the person is
11		facilitating the medical use of cannabis by a
12		qualifying patient pursuant to part IX of chapter
13		329[-] <u>; or</u>
14	(3)	Grow, process, possess, transfer, display, transport,
15		or use cannabis or cannabis products pursuant to and
16		in compliance with part of this chapter."
17	SECT	ION 8. Section 712-1240.1, Hawaii Revised Statutes, is
18	amended b	y amending subsection (2) to read as follows:
19	"(2)	It is an affirmative defense to prosecution for any
20	marijuana	-related offense defined in this part that the person
21	who posse	ssed or distributed the marijuana was authorized to

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1 person is twenty-one years of age or older, except as 2 provided under part of chapter 329; or 3 [<del>(d)</del>] (e) Distributes any marijuana or any Schedule V 4 substance in any amount." 5 SECTION 10. Section 712-1249, Hawaii Revised Statutes, is 6 amended by amending subsection (1) to read as follows: 7 "(1) A person commits the offense of promoting a 8 detrimental drug in the third degree if the person knowingly 9 possesses any marijuana or any Schedule V substance in any 10 amount [-]; provided that, regarding marijuana, this subsection 11 shall not apply to a person twenty-one years of age or older." 12 SECTION 11. Section 712-1249.5, Hawaii Revised Statutes, 13 is amended by amending subsection (1) to read as follows: 14 "(1) A person commits the offense of commercial promotion 15 of marijuana in the second degree if the person knowingly: 16 (a) Possesses marijuana having an aggregate weight of two 17 pounds or more; 18 (b) Distributes marijuana having an aggregate weight of 19 one pound or more; 20 Possesses, cultivates, or has under the person's (C) 21 control fifty or more marijuana plants;



1	(d)	Cultivates on land owned by another person, including
2		land owned by the government or other legal entity,
3		any marijuana plant, unless the person has the express
4		permission from the owner of the land to cultivate the
5		marijuana or the person has a legal or an equitable
6		ownership interest in the land or the person has a
7		legal right to occupy the land; [ <del>or</del> ]
8	(e)	Sells or barters any [ <del>marijuana or any</del> ] Schedule V
9		substance in any amount to a minor[+]; or
10	<u>(f)</u>	Sells or barters any marijuana in any amount to a
11		person under the age of twenty-one."
12	SECT	ION 12. Section 329-130, Hawaii Revised Statutes, is
13	repealed.	
14	[" <del>§3</del>	29-130 Authorized sources of medical cannabis. (a)
15	After Dee	ember 31, 2023, a qualifying patient shall obtain
16	medical c	annabis or manufactured cannabis products only:
17	<del>(1)</del>	From a dispensary licensed pursuant to chapter 329D;
18		provided that the cannabis shall be purchased and paid
19		for at the time of purchase; or
20	<del>(2)</del>	By cultivating cannabis in an amount that does not
21		exceed an adequate supply for the qualifying patient,



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1		pursuant to section 329-122; provided that each
2		location used to cultivate cannabis shall be used by
3		no more than five qualifying patients.
4	After Dec	ember 31, 2023, no primary caregiver shall be
5	authorize	d to cultivate cannabis for any qualifying patient.
6	<del>(d)</del>	This section-shall-not apply to:
7	- <del>(1)</del> -	A qualifying patient who is a minor or an adult
8		lacking-legal capacity and the primary-caregiver is
9		the parent, guardian, or person having legal custody
10		of a qualifying patient described in this paragraph;
11		<del>or</del>
12	<del>(2)</del>	A qualifying patient on any island on which there is
13		no-medical cannabis dispensary licensed pursuant to
14		<del>chapter 329D.</del>
15	<del>(c)</del>	A qualifying out of state patient and a caregiver of a
16	<del>qualifyi</del> n	g out-of-state patient shall be authorized to obtain
17	<del>cannabis</del>	for medical use only from retail dispensing locations
18	<del>of-dispen</del>	saries licensed pursuant to chapter 329D."]
19	SECT	TON 13. This Act does not affect rights and duties
20	that matu	red, penalties that were incurred, and proceedings that
21	were begu	n before its effective date.



1 SECTION 14. If any provision of this Act, or the 2 application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or 3 4 applications of the Act that can be given effect without the 5 invalid provision or application, and to this end the provisions 6 of this Act are severable. 7 SECTION 15. In codifying the new sections added by section 2 of this Act, the revisor of statutes shall substitute 8 appropriate section numbers for the letters used in designating 9 10 the new sections in this Act. 11 SECTION 16. Statutory material to be repealed is bracketed 12 and stricken. New statutory material is underscored. 13 SECTION 17. This Act shall take effect on January 1, 2022; 14 provided that section 4 shall apply to taxable years beginning 15 after December 31, 2021. 16 INTRODUCED BY:

JAN 2 1 2021



**Report Title:** Cannabis; Recreational Use; Legalization; Regulation; Taxation

#### Description:

Authorizes persons 21 years of age or older to possess or use limited amounts of cannabis for recreational purposes. Authorizes the licensing, regulation, and taxation of cannabis cultivation, manufacturing, testing, and retail sales facilities. Specifies that only existing medical cannabis dispensary licensees may apply for licensure as a cannabis establishment, but may be permitted to establish additional retail dispensing locations. Allocates an unspecified percentage of general excise tax revenues derived from retail cannabis sales transactions to the counties. Specifies the application and non-application of the Internal Revenue Code to expenses related to the production and sale of cannabis and cannabis products for state income tax purposes. Amends certain provisions of the penal code relating to offenses involving marijuana and expands the affirmative defense to prosecution to include persons acting in accordance with the new part in Chapter 329, HRS, created by Section 2 of this Act. Repeals limitations on authorized sources of medical cannabis.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

