

HOUSE No. 01371

The Commonwealth of Massachusetts

PRESENTED BY:

Ellen Story

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act to regulate and tax the cannabis industry.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Ellen Story</i>	<i>3rd Hampshire</i>
<i>Ruth B. Balsler</i>	<i>12th Middlesex</i>
<i>Lori A. Ehrlich</i>	<i>8th Essex</i>
<i>Anne M. Gobi</i>	<i>5th Worcester</i>

HOUSE No. 01371

By Ms. Ellen Story of Amherst, petition (accompanied by bill, House, No. 01371) of Anne M. Gobi and others for legislation to legalize marijuana and establish a tax on the cannabis industry. Joint Committee on the Judiciary.

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven

An Act to regulate and tax the cannabis industry.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

- 1 Section 1. Name
- 2 Sections 2 – 42 of this act shall be known as The Cannabis Regulation and Taxation Act, to be
- 3 codified as Chapter 138A of the general laws.
- 4 Section 2. Preamble
- 5 The governor and the representatives of the people of Massachusetts,
- 6 • acknowledging that 100 years of criminalization in Massachusetts has failed to stop the
- 7 production, distribution and use of marihuana, and that sustained enforcement efforts cannot
- 8 reasonably be expected to accomplish that goal;
- 9 • determined to protect the public health and the public safety, to eliminate prohibition-
- 10 related crime and to raise new revenue; and

- 11 • promoting new jobs and industries in commercial cannabis and hemp, and
 - 12 • respecting the personal autonomy of adults, where freedom supposes responsibility,
- 13 do hereby ordain and enact The Cannabis Regulation and Taxation Act.

14 Section 3. Possession or cultivation of cannabis by adults for personal use and sale

15 (a) The following conduct is hereby excepted from the provisions of, and shall not constitute a
16 violation of, chapters 94C or 64K of the general laws:

17 (1) Possession or cultivation of cannabis by an adult for personal use.

18 (2) Gratuitous distribution of cannabis to an adult. Transfer directly or indirectly related to or
19 contemporaneous with the sale or tendering for sale of any goods, services or other things of
20 value, shall be deemed not gratuitous.

21 (b) The commercial cultivation, possession and distribution of cannabis under a valid license
22 issued in accordance with this chapter is excepted from the provisions of, and shall not constitute
23 a violation of chapter 94C or chapter 64K of the general laws when lawful under the laws of the
24 United States.

25 Section 4. Operation of motor vehicles

26 This chapter shall in no way affect existing provisions of law relating to the operation of a motor
27 vehicle under the influence of marijuana, an intoxicant or otherwise in an impaired condition.

28 Section 5. Definitions

29 When used in this chapter, the following words shall, unless the context indicates otherwise,
30 have the following meanings:

31 a. ACT: This chapter of the General Laws of Massachusetts, also known as The Cannabis
32 Regulation and Taxation Act, as amended.

33 b. ADULT: A person twenty-one years of age.

34 c. AUTHORITY. The Cannabis Control Authority established by section 6.

35 d. CANNABIS: Any part of the plant *Cannabis sativa* L, or *Cannabis indica*, or any other variety
36 of the genus *cannabis*, whether growing or not; the seeds thereof; and resin extracted from any
37 part of the plant, and every compound, manufacture, salt derivative, mixture or preparation of the
38 plant, its seeds or resin. However, the mature stalks of the plant, fiber produced from the stalks,
39 oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative,
40 mixture or preparation of the mature stalks, fiber, oil or cake, sterilized seed of the plant which is
41 incapable of germination or resin extracted from any part of the plant, and every compound,
42 manufacture, salt derivative, mixture or preparation of the plant, its seeds or resin containing less
43 than one half of one percent (.5%) THC by dry weight or seed incapable of producing flowers
44 with a THC content greater than one half of one percent (.5%) THC by dry weight shall not be
45 subject to the provisions of this chapter nor to the provisions of chapters 94C or 64K.

46 e. COMMERCIAL: Of or related to a non-gratuitous exchange; with consideration.

47 f. CULTIVATE: To cause or permit to grow.

48 g. DOMESTIC: originating from or within Massachusetts.

49 h. CULTIVATION LICENSE: A license to cultivate cannabis accordance with section 10 of
50 this chapter.

51 i. FARMER-PROCESSOR-RETAILER: A license issued in accordance with Section 10(s) of
52 this chapter .

53 j. IMPORT: To bring into the commonwealth or cause to be brought into the commonwealth or
54 to receive from without the commonwealth.

55 k. IMPORT LICENSE: A license to import cannabis in accordance with section 10 of this
56 chapter.

57 l. LICENSED PREMISES: The grounds and buildings whereon a licensee cultivates, processes
58 or possesses cannabis and conducts such business as licensed.

59 m. LICENSING AUTHORITIES: the authority or the local licensing authorities or both, as the
60 case may be.

61 n. LOCAL LICENSING AUTHORITIES: the licensing boards and commissions established in
62 any city or town under special statute or charter or, in a city having no such board or commission
63 the aldermen, or, in a town having no such board or commission, the selectmen.

64 o. MARIHUANA OR MARIJUANA: Cannabis.

65 p. PACKAGE: A container in which cannabis is sold to the purchaser at retail.

66 q. PROCESS or PROCESSING: To possess cannabis for the purpose of converting same from
67 intact plants to packaged form, and the act of so converting.

68 r. PROCESSING LICENSE: A license to process cannabis in accordance with section 10 of this
69 chapter.

70 s. PURITY: Freedom from substances not indigenous to cannabis, except for water.

71 t. RESEARCH LICENSE: A license to conduct bona fide research issued in accordance with
72 section 10(u) of this chapter.

73 u. RETAIL: Of or pertaining to the transfer not at wholesale of cannabis for consideration made
74 in the ordinary course of trade or usual prosecution of the seller's business to the purchaser for
75 consumption or use.

76 v. RETAIL LICENSE: A license to sell cannabis to the general public in accordance with section
77 10 of this chapter.

78 w. SALE: Transfer for consideration.

79 x. THC: Delta-9 tetrahydrocannabinol.

80 y. TRADE LICENSE: A license to distribute cannabis in accordance with section 10 of this
81 chapter.

82 Section 6. Cannabis Control Authority; members

83 There is hereby created an authority to be known as the Cannabis Control Authority, to be
84 managed by a board of seven directors. A full term thereon shall be seven years. Persons to
85 serve respectively for an initial seven-year term, an initial six-year term, and an initial five-year
86 term, and their replacements, shall be appointed by the governor, with the approval of the
87 council. Directors for an initial four-year term and an initial one-year term shall be appointed

88 and vacancies in said directorships filled by the president of the senate. Directors for an initial
89 three-year term and an initial two-year term shall be appointed, and vacancies in said
90 directorships filled, by the speaker of the house. Directors shall receive a salary of 20% of the
91 salary of the governor, and will serve on a part-time basis. The directors shall elect, from among
92 their number, a chairman, who shall preside over all official activities of the board of directors.
93 The chairman shall serve for three years or until his term as director ends. A chairman may not
94 serve in excess of six consecutive years. The directors shall elect, from among their number, a
95 secretary, who shall record all official activities of the board of directors. The secretary shall
96 serve for three years or until his term as director ends. A secretary may not serve in excess of six
97 consecutive years. No director shall serve more than fourteen years. Any vacancy filled shall be
98 for the remainder of the unexpired term of the vacancy. The governor may remove any member
99 for neglect of duty, misconduct or malfeasance in office, after providing the member with a
100 written statement of the charges and an opportunity to be heard. Four directors shall constitute a
101 quorum for the purpose of conducting the business of the authority. A vacancy shall not impair
102 the right of the remaining directors to exercise the powers of the authority.

103 Section 7. Records of the Authority

104 A copy of the minutes of each meeting of the board of directors, including any rules and
105 regulations adopted by the authority or any amendments thereof, shall be forthwith transmitted,
106 by and under the certification of the secretary thereof, to the governor and the secretary of the
107 commonwealth.

108 Section 8. Powers and duties of the authority

109 The authority shall have general supervision of the conduct of the business of cultivation,
110 processing, distribution, sale at wholesale and retail and importing cannabis, and also of the
111 quality, purity and grade thereof. The authority shall make such rules and regulations as it deems
112 necessary to enable it to carry out and enforce the provisions of this chapter, and shall prescribe
113 the forms of application for licenses under this chapter and may require therein such information
114 as it deems necessary. The authority shall establish application fees for each class of license
115 sufficient to cover the authority's cost of processing applications. Every license hereunder shall
116 be governed and controlled by the rules and regulations adopted by the authority.

117 Subject to the provisions herein, the authority may suspend or revoke any license for any
118 violation of the rules and regulations established hereunder or for aiding or abetting in any
119 violation of such rules and regulations, but before such suspension or revocation, the authority
120 shall give a hearing to the licensee, after due notice to him of the charges against him and of the
121 time and place of the hearing. Such licensee may appear at the hearing with witnesses and be
122 represented by counsel. The authority and any representative thereof duly authorized to conduct
123 any hearing under this chapter shall have power to administer oaths and take testimony under
124 oath relative to the matter of inquiry or investigation. At any hearing ordered by the authority,
125 the authority or its representative authorized to conduct such hearing may subpoena witnesses
126 and require the production of books, papers, and documents pertinent to such inquiry. No
127 witness under subpoena authorized to be issued by any provision of this chapter shall be excused
128 from testifying or producing books or papers on the ground that such testimony or the production
129 of such books or other documentary evidence would tend to incriminate him, but such evidence
130 or the books or papers so produced shall not be used in any criminal proceeding against him
131 arising out of any violation of any provision of this chapter. If any person shall disobey such

132 process or, having appeared in obedience thereto, shall refuse to answer any pertinent question
133 put to him by the authority or its authorized agent or to produce any books and papers pursuant
134 thereto, the authority or such representative may apply to the superior court for the county
135 wherein the person, relative to whose business such hearing is ordered, resides or wherein such
136 business has been conducted, or to any justice of said court if the same shall not be in session,
137 setting forth such disobedience to process or refusal to answer, and said court or justice shall cite
138 such person to appear before said court or justice to answer such questions or to produce such
139 books and papers, and, upon his refusal so to do, may commit him to jail until he shall testify,
140 but not for a longer period than sixty days. Notwithstanding the serving of the term of such
141 commitment by any person, the authority may proceed in all respects with such inquiry and
142 examination as if the witness had not previously been called upon to testify. Officers who serve
143 subpoenas issued by the authority or under its authority and witnesses attending a hearing
144 conducted by it hereunder shall receive fees and compensation at the same rates as officers and
145 witnesses before the courts of the commonwealth, to be paid on vouchers of the authority or to
146 be paid without appropriation out of the proceeds of the excise imposed by this chapter, on
147 vouchers approved by the authority. The rules and regulations adopted by the authority shall be
148 printed as part of the application blank for licenses and for renewal thereof, and every applicant,
149 as a condition of being licensed hereunder, shall submit to such examinations as the authority
150 may deem necessary to establish his knowledge and understanding of The Cannabis Regulation
151 and Taxation Act.

152 Section 9. Excise Tax Established

153 The authority shall collect an excise upon sales by processors of cannabis at a rate of ten dollars
154 per 1% of THC content per ounce. The amount of said excise shall be calculated by multiplying

155 the THC content of the cannabis, expressed by percentage, by one thousand dollars (Example: an
156 ounce of cannabis containing 5% THC is taxed fifty dollars, as $.05 \times \$1,000$ is \$50.)
157 Determination of THC content shall be established by dry weight, without seeds. Subject to
158 approval by the general court, such excise shall be adjusted by the authority from time to time as
159 necessary to maximize the revenue derived therefrom, and to minimize the incentive for the sale
160 of cannabis not in accordance with the provisions of this chapter.

161 Section 10. Licenses

162 The authority shall, consistent with the objectives set forth in the preamble to this act, issue the
163 following licenses to such applicants as may qualify under this act and the rules and regulations
164 of the authority: cultivation licenses, processing licenses, trade licenses, retail licenses, import
165 licenses, research licenses and farmer-processor-retailer licenses. Provided, however, no such
166 license shall be issued until the applicant therefor demonstrates to the satisfaction of the authority
167 that he is twenty-one or more years of age, is familiar with all laws and regulations relating to
168 cannabis, and will exercise said license in premises adequately secure and otherwise suitable.

169 a. The holder of a cultivation license may possess, propagate, grow and cultivate cannabis and
170 carry on such other horticultural activities as are reasonably required for the commercial
171 cultivation of cannabis. He may sell cannabis only to the holder of a processing license, his
172 agent or employee, and to no other person. He shall file regular reports as may be required by
173 the authority, and shall be subject to all reasonable times to inspection by the authority or its
174 representatives. A cultivation license shall be exercisable in one place only. The annual fee for a
175 cultivation license shall be \$500.

176 b. The holder of a processing license, his agents and employees, may obtain cannabis only from
177 the holder of a cultivation or import license. He may possess, process, package, box and crate
178 cannabis, and may transfer cannabis only to the holder of a trade license, his agents or
179 employees. Processing, packaging, boxing and crating of cannabis shall be conducted in only
180 one place. Cannabis shall be packaged in quantities of one ounce, by dry weight, in bulk only,
181 not rolled into cigarette form. The processor shall cause a label to be placed on each package
182 bearing the following information:

183 (1) The name and place of business of the processor;

184 (2) The THC level by percentage of dry weight, without seeds.

185 (3) The following statement: The Operation of a Motor Vehicle under the influence of cannabis,
186 alcohol or any other intoxicant is a crime punishable of a fine of up to \$5,000 or imprisonment
187 up to two and a half years, or both, and the loss of your license to drive.

188 c. The processor shall affix upon each cannabis package a tax stamp or such other
189 documentation as the authority may require, and shall transfer neither title nor possession of
190 same to any person without the said stamps affixed. Said stamps shall be of such design and in
191 such denomination as the authority may prescribe, and shall be the means by which the excise
192 imposed by section nine hereunder shall be paid to the authority. The authority, in its discretion,
193 may authorize the use of a metering machine approved by it in lieu of stamps in order to press
194 onto or attach to each package of cannabis evidence of the payment of said excise. Such
195 machine shall be sealed by its authorized representative and shall be used in accordance with
196 such rules and regulations as the authority may prescribe. The authority may for cause at any
197 time suspend or revoke the authority to use such a metering machine.

198 d. The authority shall redeem any unused or mutilated but identifiable stamps or unused
199 amounts for which a meter is set that any license processor may present for redemption;
200 provided, they were originally lawfully purchased by the processor who presents them for
201 redemption. Such redemption shall be made at the face value thereof. The authority may
202 prescribe necessary rules and regulations for redemptions under this section. If the authority is
203 satisfied that a processor is entitled to a redemption he shall issue to him stamps of equivalent
204 value to cover the mutilated stamps or he may order a refund equal to the actual amount paid for
205 said unused or mutilated stamps for the unused amounts for which the meter was set.

206 e. All processors shall file under the penalties of perjury with the authority, on forms to be
207 furnished by it, monthly reports on or before the 20th day of each calendar month showing the
208 number of stamps on hand at the beginning of the month, the number purchased during the
209 month, the number on hand at the end of the month, the number affixed or otherwise disposed of
210 during the month, and such other information as the authority shall require. All processors shall
211 keep complete and accurate records from which information can be obtained to complete and
212 audit said report, and such other records as the authority may prescribe, shall preserve such
213 records for three years and shall offer them for inspection at any time upon oral or written
214 demand of the authority or its duly authorized agents. The stocks of unused stamps in any
215 metering machines shall be open to inspection by the authority or its duly authorized agents at all
216 reasonable times.

217 f. The holder of a processing license, his agents and employees, may possess, process, package,
218 box and crate cannabis seeds and may transfer such seeds as are capable of germination to the
219 holder of a cultivation license if said seed is capable of producing cannabis preparations having a

220 THC content of more than 0.5% by dry weight, without seeds. The annual fee for a processing
221 license shall be \$1,000.

222 g. All cannabis sold by processors shall be analyzed and graded by level of THC, established by
223 dry weight, without seeds.

224 i. The holder of a trade license, his agents and employees, may obtain cannabis only from a duly
225 licensed processor or importer, and may possess cannabis only bearing valid documentation
226 required to be affixed to all packages under the provision of paragraph 10(b) above. He may
227 keep, store, warehouse, and transport same, and may sell cannabis only to duly licensed retailers.
228 The annual fee for a trade license shall be \$3,000.

229 j. . The holder of a retail license may sell cannabis only to adult members of the public, not
230 visibly intoxicated or otherwise in such condition as may present a threat to public safety.

231 k. . All sales of cannabis to the public must take place within the licensed premises of the
232 retailer, which premises must be enclosed.

233 l. . A retail license shall be exercisable only at the location specified in the license.

234 m. All cannabis sold by a licensed retailer must bear all appropriate labels and documentation
235 required by this act and prescribed by the authority.

236 n.. Cannabis shall not be sold or distributed to any person not an Adult as defined above.

237 o. Possession of packaged cannabis for sale at retail not bearing valid documentation as
238 prescribed hereunder shall be a violation of Chapter 94C, Section 34, of the General Laws. It
239 shall be no defense to a claim of violation of this paragraph that the retailer in good faith
240 believed documentation borne by cannabis in his possession to be valid.

241 p. The annual fee for a retail license shall be \$2,000.

242 q. The holder of an import license may possess cannabis and shall distribute same only to the
243 holder of a processing license. All imported cannabis is subject to the same requirements of this
244 act relating to labeling and grading as domestic cannabis.

245 r. The annual fee for an import license shall be \$2,500.

246 s. The holder of a farmer-processor-retailer license may cultivate, process and sell cannabis at
247 retail subject to the same requirements of this act relating to labeling, grading and taxation, and
248 provided all cultivation, processing and retail sales occur on a single licensed premises.

249 t. The annual fee for a farmer-processor-retailer license shall be \$2,500.

250 u. The authority may issue research licenses for the bona fide conduct of medical, social,
251 behavioral or other research, upon such conditions and terms as the authority may prescribe
252 consistent with the objectives of this act.

253 Section 11. Disposition of license fees

254 The license fees for original and renewal Retail and Farmer-Processor-Retailer licenses shall be
255 paid to the city or town authorized by this chapter to grant such license. Such fees shall be
256 distributed to the general fund of said municipality. All other license fees, taxes, excises and
257 other monies collected in accordance with this chapter shall be expended only for the following
258 purposes, and in the following order.

259 a. To the Cannabis Control Authority for the reasonable cost of carrying out its responsibilities
260 under this Chapter;

261 b. . The balance of said fund shall be distributed to the general fund of the commonwealth.

262 Section 12. General provisions

263 a. All applications for licenses or for a transfer of such a license from one location to another, or
264 an application for a change in the description of a licensed premises under this chapter shall be
265 made on a form or forms to be prescribed by the authority and shall include a sworn statement by
266 the applicant giving the names and addresses of all persons who have a direct or indirect
267 beneficial interest in said license. No stock in a corporation holding a license shall be transferred,
268 pledged, or issued without first obtaining the permission of the local licensing authority and the
269 authority. Provisions of this section shall not apply to stockholders of a corporation whose stock
270 is listed for sale to the general public with the Securities and Exchange Commission and who
271 hold less than ten per cent of the outstanding stock entitled to vote at the annual meeting of said
272 corporation. Notation of the date and hour of filing shall be made on every application. All
273 applicants for licenses under this chapter shall be citizens and residents of the commonwealth, or
274 partnerships composed solely of such citizens and residents or to corporations organized under
275 the laws of the commonwealth and whereof all directors shall be citizens of the United States and
276 a majority residents of the commonwealth or to limited liability companies or limited liability
277 partnerships organized under the laws of the commonwealth, subject to such conditions as the
278 authority may prescribe by regulation to address issues of citizenship and residency and the
279 requirements for a citizen manager or citizen principal representative of an alien licensee
280 qualifications for a limited liability company or limited liability partnership to hold a license
281 pursuant to this chapter. No person, firm, corporation, association, or other combination of
282 persons, directly or indirectly, or through any agent, employee, stockholder, officer or other
283 person or any subsidiary whatsoever, shall be granted, in the aggregate, more than three such

284 licenses in the commonwealth, or participate in decisions regarding the cultivation of nor
285 purchasing of cannabis or the purchasing of insurance or accounting or bookkeeping services, or
286 receive any percentage or fee derived from gross revenues in exchange for management
287 assistance, or participate in any other action designed to effect common results of more than
288 three licensees under this chapter, or be granted more than one such license in a town or two in a
289 city.

290 b. No license shall be issued to any person or business entity composed of persons who have a
291 direct or indirect beneficial interest in said entity who during the preceding ten years has been
292 convicted of a felony except a felony involving cannabis under Chapter 94C or any other prior
293 law of this jurisdiction or of any felony offense of any other jurisdiction, federal, state, or
294 territorial, which is the same as or necessarily includes the elements of said offense. Except that
295 if such conviction is of a stockholder of a corporation whose stock is listed for sale to the general
296 public with the Securities and Exchange Commission and who holds less than ten per cent of the
297 outstanding stock entitled to vote at the annual meeting of said corporation shall not disqualify
298 such corporation. Notwithstanding any general or special law to the contrary the authority prior
299 to approving any application shall conduct a criminal records check.

300 c. No such license shall be granted except to an applicant approved by the authority. Such
301 applicant shall be at least twenty-one years of age and of good character in the city or town in
302 which he seeks a license hereunder. Each license shall describe the premises to which it applies.
303 No such license shall be issued until the applicant therefor demonstrates to the satisfaction of the
304 authority that he is familiar with all laws and regulations relating to cannabis, and will exercise
305 said license in premises adequately secure and otherwise suitable. Each license shall be

306 exercised only at the location specified in the license and all licenses shall be for only one
307 location.

308 Section 13. Expiration and renewal

309 Each license issued hereunder shall expire two years from the date of issue by the authority,
310 unless sooner revoked by the authority, or local licensing authority, as provided herein, or unless
311 the business with respect to which such license was issued shall change ownership, or unless the
312 holder of the license shall remove his business from the premises covered by the license, the
313 authority not having given written approval for the transfer of said license to another person in
314 accordance with the provisions of section 14, in any of which cases the license shall thereupon
315 expire. In the event that a licensee removes his business to another location within his city or
316 town, the license with respect to the former place of business shall, without the payment of an
317 additional fee, be reissued for the new location for the balance of the unexpired term. The holder
318 of each license, on application to the authority, accompanied by the applicable fee prescribed,
319 may, before the expiration date of the license then held by him, renew his license for a further
320 period of two years. In case of suspension, revocation or cancellation of a license issued by the
321 authority, no abatement or refund of any part of the fee paid therefor shall be made.

322 Section 14. Transfer of license, surviving spouse or legal representative

323 a. Any license issued under this chapter may, upon application to the authority upon such forms
324 and in accordance with such procedures as the authority may prescribe, be transferred from one
325 location to another or the description of the licensed premises may be changed with the approval
326 of the authority. Any license under this chapter held by an individual, partnership or corporation
327 may be transferred to any individual, partnership or corporation qualified to receive such a

328 license in the first instance, if, in the opinion of the authority, such transfer is in the public
329 interest.

330 b. The surviving spouse or legal representative of a deceased non-corporate licensee may
331 continue to exercise the license for ninety days following the death of the licensee, but thereafter
332 only with the written consent of the authority, which consent shall expire, if not sooner revoked
333 or the license transferred, fifteen months from the date of death. Consent shall be withheld
334 unless the said surviving spouse or legal representative meets the qualifications prescribed for
335 the type of license sought to be retained.

336 Section 16. Tax stamps and documentation

337 Stamps and documentation hereunder may be issued by the authority to processors on a credit
338 basis, provided the processor shall have furnished a surety company bond with a surety company
339 authorized to do business in the commonwealth as surety, in such amount as the authority may
340 fix. In lieu of a surety company bond a licensee may deposit with the authority bonds or other
341 negotiable obligations of the commonwealth or of the United States of America of such
342 aggregate face amount as the authority may from time to time deem necessary adequately to
343 secure payment of the excise provided by this chapter; provided, that bonds need not be accepted
344 by the authority unless in registered form and of denominations satisfactory to it. In case of a
345 deposit of bonds or other negotiable obligations with the authority hereunder, it shall, while in
346 possession of such bonds, remit to such licensee as aforesaid, or persons entitled thereto, the
347 interest accruing and payable thereon, and if such excises together with all interest and other
348 charges accrued thereon shall be paid in full and if the person is no longer a licensee hereunder,
349 it shall return such bonds or obligations to the persons entitled thereto. If the excise together

350 with all interest and other charges accrued thereon provided by this chapter shall not be paid in
351 accordance with this chapter, the authority may sell all or any part of such bonds or obligations
352 to satisfy the amount due the authority as aforesaid and shall return to the persons entitled thereto
353 any excess left in its hands.

354 Section 17. Monthly reports, importer reports, records

355

356 Every licensee shall, on or before the twentieth day of each calendar month, file with the
357 authority, on a form or forms prescribed by it, a report signed under the penalties of perjury,
358 stating the amount of cannabis sold by such licensee in the commonwealth during the preceding
359 calendar month and such report shall contain or be accompanied by such further information as
360 the authority shall require; provided, that if a licensee ceases to sell cannabis within the
361 commonwealth he shall forthwith file with the authority such a report for the period ending with
362 such cessation. In addition to the foregoing cultivators shall report the identity of the processor to
363 whom sales were made, processors shall report the number of stamps on hand at the beginning of
364 the prior month, the number purchased during the prior month, the number on hand at the end of
365 the prior month, the number affixed or otherwise disposed of during the prior month, the source
366 and dry weight of cannabis processed in the prior month and the identify of the trader or traders
367 and amounts sold to each, and traders shall report the identify of the retailer or retailers and
368 amounts sold to each.

369 Each import licensee shall, upon importation of cannabis into the commonwealth, file with the
370 authority a report, stating the amount of cannabis imported and the processor to whom it was
371 delivered and such other information as the authority shall require.

372 All licensees shall keep complete and accurate records from which information can be obtained
373 to complete and audit said report, and such other records as the authority may prescribe and shall
374 preserve such records for a minimum of three years. The authority shall at all reasonable times,
375 through its designated officers and agents, have access to all such books, records and other
376 documents of any licensee relating to the business licensed hereunder.

377 Section 18. Licensing of Retail and Farmer-Processor-Retailer

378 The number of retail and farmer-processor-retailer licenses available within any city or town
379 shall not exceed the total number of alcoholic beverage licenses authorized in said city or town
380 under the provisions of Section 17 of Chapter 138 of the General Laws, regardless of the number
381 of alcoholic beverage licenses actually issued. For purposes of this section, “alcoholic beverage
382 licenses” shall mean the aggregate number of licenses which authorize the sale of alcoholic
383 beverages to consumers.

384 Within ten days after receipt of any such application, the local licensing authorities shall cause a
385 notice thereof to be published at the expense of the applicant. Such notice shall be published in
386 the city or town wherein the license is intended to be exercised or, if no newspaper is published
387 in such city or town, in a newspaper, published within the commonwealth, providing general
388 circulation in such city or town, or if there is no newspaper providing general circulation in such
389 city or town, then in a daily newspaper published in the county wherein such license is intended
390 to be exercised. After such publication the name of the newspaper publishing such notice shall be
391 noted by the local licensing authorities on the application for a license. The notice shall set forth
392 the name of the applicant in full, the kind of license applied for, a description of the location and
393 area where the license is intended to be exercised, designating, if practicable, the street and

394 number. No application shall be acted upon by the local licensing authorities except after hearing
395 thereon which shall be held not sooner than ten calendar days after the publication of such
396 notice. An affidavit of the person making such publication on behalf of such authorities, together
397 with an attested copy of the notice published, shall be filed in the office of such authorities, and a
398 certified copy of such affidavit shall be prima facie evidence that such notice has been published
399 in accordance with this section. Where there are no premises actually in existence at the time the
400 application is made, the applicant may file with the local licensing authorities a plan showing the
401 actual dimensions of premises which are to be constructed on which the license is to be
402 exercised. The local licensing authorities may thereafter grant a license upon the condition that
403 such license shall issue upon completion of such premises according to said plan, and the
404 decision of the licensing authorities as to whether or not said plan has been complied with shall
405 be final.

406 Every applicant for an original license under this section or for a transfer of such a license from
407 one location to another, or an applicant for a change in the description of a licensed premises, or
408 someone on his behalf, shall, within three days after publication as hereinbefore provided, cause
409 a copy of the published notice to be sent by registered mail to each of the persons appearing upon
410 the assessors' most recent valuation list as the owners of the property abutting on the premises
411 where the license is intended to be exercised and, if a school, which gives not less than the
412 minimum instruction and training to children of compulsory school age required by chapter
413 seventy-one, or a church or hospital, is located within a radius of five hundred feet from said
414 premises, to such school, church or hospital. The notice sent to such school, church or hospital
415 shall indicate the necessity of a written objection to prevent the issuance or transfer of such
416 license. An affidavit of the applicant or of the person mailing such notice in his behalf, together

417 with an attested copy of the notice mailed, shall be filed in the office of the local licensing
418 authorities, and a certified copy of such affidavit shall be prima facie evidence that such notice
419 has been mailed in accordance with this section. If any abutter or the authorities in charge of any
420 such school, church or hospital shall make complaint in writing to the local licensing authorities
421 that such license was granted or transferred hereunder without such notice having been mailed to
422 him or them as required hereby, and after due hearing it appears that such notice was not mailed
423 as aforesaid, the local licensing authorities may cancel the license. Any person who has filed a
424 complaint with the local licensing authorities under this section who is aggrieved by the action of
425 such authorities in refusing to cancel a license hereunder or by their failure to act upon such a
426 complaint within a period of thirty days may appeal to the authority in writing within five days
427 following receipt of written notice of such action or within five days following the expiration of
428 the thirty day period, and the authority may, after hearing, cancel such a license and in such
429 event, shall send notice of the cancellation to the local licensing authorities. Nothing herein
430 contained shall be construed to prohibit a licensee whose license has been cancelled by the local
431 licensing authorities under authority contained in this section from appealing to the authority as
432 provided in section sixty-seven. No application by the same applicant for the same type of
433 license to be exercised on the same premises may be filed within one year of the date of his last
434 prior application except in the discretion of the licensing authorities.

435 The local licensing authority shall establish application fees for each class of license it is
436 authorized to grant sufficient to cover the local authority's cost of processing applications,
437 including the allocatable cost of employee compensation and expenses incurred for the conduct
438 of the public hearing and establish a local license fee to be paid by approved applicants, provided

439 the authority can establish such local license fee is necessary to meet the costs of local
440 enforcement.

441 The local licensing authorities shall grant such licenses by such standards as said local licensing
442 authorities shall reasonably determine shall protect the public health and safety

443 No such license shall be effective until also approved by the authority.

444 Section 19. Posting of price list and warning

445 Every Retail and Farmer-Processor-Retailer licensee shall keep conspicuously posted in each
446 room where any cannabis is sold a price list of such cannabis. Sales by such licensees shall be
447 made only in the original processor's package and at the prices stated on the current posted price
448 list. Every Retail and Farmer-Processor-Retailer licensee shall also keep conspicuously in each
449 room where any cannabis is sold a sign with the following statement: WARNING: Consumption
450 of cannabis may impair your ability to operate a motor vehicle or machinery, and may cause
451 health problems. The Operation of a motor vehicle while impaired from the consumption of
452 cannabis, intoxicating liquor, narcotic drugs, depressants or stimulant substances or the vapors of
453 glue by a fine of not less than five hundred nor more than five thousand dollars or by
454 imprisonment for not more than two and one-half years, or both such fine and imprisonment.

455 Section 20. Retail sales

456 The holder of a retail license may sell cannabis only to adult members of the public, not visibly
457 intoxicated or otherwise in such condition as may present a threat to public safety. All cannabis
458 so sold must bear all appropriate labels and documentation required by this chapter and

459 prescribed by the authority and must take place within the licensed premises of the retailer,
460 which premises must be enclosed.

461 Section 21. Possession of packaged cannabis for sale not bearing valid documentation

462 Possession of packaged cannabis for sale at retail or by the holder of a trade license not bearing
463 valid documentation as prescribed hereunder, or bearing any stamp or other documentation that
464 is stained or smudged or its characteristics be so blurred, obscured or indistinct that it cannot be
465 distinguished as genuine shall be a violation of Chapter 94C, Section 34, of the General Laws. It
466 shall be no defense to a claim of violation of this paragraph that the retailer or trader in good
467 faith believed documentation borne by cannabis in his possession to be valid. Each package
468 shall constitute a separate offense.

469 Section 22. Possession of unstamped packaged cannabis or bearing illegible stamp or
470 documentation

471 No trader or retailer shall accept packaged cannabis that is not stamped or otherwise documented
472 or bearing any stamp or other documentation that is stained or smudged or its characteristics be
473 so blurred, obscured or indistinct that it cannot be distinguished as genuine. The processor or
474 trader must accept its return and replace them with packages of cannabis upon which stamps
475 have been properly affixed.

476 Section 23. Fraudulent or counterfeit stamps or documentation

477 a. Whoever falsely or fraudulently makes, forges, alters or counterfeits, or causes or procures to
478 be falsely or fraudulently made, forged, altered or counterfeited, any excise stamps or other
479 documentation prepared or prescribed by the authority under this chapter, or whoever knowingly

480 and willfully utters, publishes, passes or tenders as true, any such false, altered, forged or
481 counterfeited stamp or makes a false affixation of or uses any stamp provided for by this chapter
482 which has already been used, for the purposes of evading the excise imposed by this chapter,
483 shall be punished by a fine of not more than \$20,000 or by imprisonment for not more than five
484 years, or both.

485 b. If any person secures, manufactures or causes to be secured or manufactured, or has in his
486 possession, any cannabis excise stamp or die or device not prescribed or authorized by the
487 authority, or any counterfeit impression, such fact shall be prima facie evidence that such person
488 has counterfeited cannabis excise stamps. Whoever willfully removes or alters or knowingly
489 permits to be removed or altered the cancellation or defacing mark of any stamp provided for by
490 this chapter with intent to use such stamp, or knowingly or willfully buys, prepares for use, uses,
491 has in possession, or suffers to be used, any metering machine without authority, or any washed,
492 restored or counterfeit stamps, or whoever intentionally removes or causes to be removed, or
493 knowingly permits to be removed any stamp or meter impression affixed pursuant to this
494 chapter, or whoever tampers with or causes to be tampered with any metering machine
495 authorized to be used under the provisions thereof, shall be punished by a fine of not more than
496 \$20,000 or by imprisonment for not more than five years, or both.

497 Section 24. Vending machine sales prohibited

498 Sale or distribution of cannabis by vending machine or similar automation is prohibited.

499 Section 25. Adulteration prohibited.

500 The license of any licensee who, directly or through any agent, employee or other person,
501 changes in any manner cannabis in his possession by adding a dilutant, attenuant, intoxicant,

502 preservative or any additive of any kind, the effect whereof is to reduce the purity of cannabis to
503 less than 100%, shall be suspended by the authority for a period of not less than six months, and
504 the licensee shall be subject to such additional sanction as the authority may prescribe. Presence
505 on the licensed premises of cannabis less than 100% pure shall be prima facie evidence of a
506 violation of this section.

507 Section 26. Civil damages for injury caused by additive

508 Whoever places or causes to be placed any additive in cannabis shall be liable to any person
509 injured by reason of ingestion thereof to the extent of three times actual damages, plus damages
510 for pain and suffering, costs and reasonable attorney's fees.

511 Section 27. Suspension or revocation of license granted by local authority.

512 Any person aggrieved by the conduct of any license holder hereunder, his agents or employees
513 licensed by the local authority, shall state his grievance in writing to the local licensing authority
514 of the city or the selectmen of the town wherein the complained of conduct occurred. After
515 investigation and hearing said authority or selectmen shall, if the public interest so requires,
516 within seventy-five days from the date of the first regular meeting following the receipt of said
517 complaint, submit to the authority a certified copy of the original complaint, together with a
518 report of the commission's or the selectmen's findings and recommendation, which
519 recommendations shall include, but not be limited to, one of the following:

520 a.. That no action be taken against the license whose conduct is complained of.

521 b.. That the licensee's license be suspended for a specified period of time, not less than one
522 week nor more than one year.

523 c. That the licensee's license be revoked.

524 d. The authority shall, within thirty days of receipt of such findings and recommendations,
525 implement the said recommendations unless the licensee complained of shall, during said thirty-
526 day period: have requested a hearing or the authority shall have deemed a hearing to be in the
527 interest of fairness. In either said event, the authority shall, within sixty days, hold a hearing de
528 novo, and thereupon accept, reject or reverse the recommendation of the license commission.
529 No revision shall exceed the limits set forth in this section for recommendations of the license
530 commission. All hearings shall be conducted in accordance with the Massachusetts
531 Administrative Procedure Act, and the licensee shall have the right of appeal as prescribed
532 therein.

533 Section 28. Suspension or revocation of license granted by authority

534 Any person aggrieved by the conduct of any license holder hereunder, his agents or employees
535 licensed solely by the authority, shall state his grievance in writing to the authority. After
536 investigation and hearing conducted in accordance with the Massachusetts Administrative
537 Procedure Act the authority if the public interest so requires, within seventy-five days from the
538 date of the first regular meeting following the receipt of said complaint:

539 a. Take no action against the license.

540 b. Suspended the license for a specified period of time, not less than one week nor more than
541 one year.

542 c. Revoke the licensee's license be revoked.

543 Subject to a hearing under the Massachusetts Administrative Procedure Act the authority may
544 suspend or revoke any license issued under this chapter for failure of the licensee to comply with
545 any provision hereof or of the rules and regulations promulgated by the authority.

546 Any person whose license has been suspended or revoked shall cultivate, import, process, trade,
547 sell or offer for sale cannabis or cause or permit cannabis to be sold during the period of such
548 suspension or revocation and be subject to the provisions of Chapter 94C as if never licensed.

549 Section 29. Cost and expenses of the authority

550 Except as specifically provided in this chapter, all costs and expenses of the authority, including
551 salaries and rent, shall be borne by the authority from revenues collected.

552 Section 30. Cannabis as security

553 Licensees hereunder shall not sell, borrow, loan or exchange unstamped cannabis or stamps to,
554 from or with other such licensees unless authorized by the authority.

555 Section 31. No property right in license

556 No holder of a cannabis license hereunder shall have any property right in any document or
557 paper evidencing the granting of such license issued by the authority, and said authority, upon
558 the expiration, suspension, revocation, cancellation, or forfeiture of such a license shall be
559 entitled upon demand to the immediate possession thereof. The superior court shall have
560 jurisdiction in equity, on petition of the licensing authorities, to enforce this provision.

561 Section 32. Display of license

562 Every license issued under the provisions of this chapter or a duplicate copy thereof shall be
563 prominently displayed on the premises covered by the license.

564 Section 33. Authority's records public

565 All records of the authority are public within the meaning of the General Laws, Chapter 66.

566 Section 34. Fiscal year annual report of authority

567 The authority shall not later than the fourth Wednesday of October file a written report with the
568 governor and the respective clerks of the senate and house of representatives which shall contain
569 a comprehensive reporting, accounting, description and analysis of its activities.

570 Section 35. Annual Audit

571 The state auditor shall conduct an annual post-audit of all accounts and transactions of the
572 authority, reasonable costs thereof to be borne by the authority.

573 Section 36. Continuous study

574 The authority shall carry on a continuous study and investigation of cannabis commerce in the
575 commonwealth and of the operation and administration of similar laws in other states and
576 countries, of studies on the subject which from time to time may be published or available, of
577 any federal laws which may affect the administration of this chapter, and of the reaction of
578 citizens of the commonwealth to existing and potential features of this chapter in order (1) to
579 ascertain any defects in this chapter or in the administration thereof or any evasion of said law or
580 said rules and regulations as may arise or be practiced, and (2) to formulate recommendations for
581 changes in said law and the rules and regulations promulgated thereunder to prevent such abuses
582 and evasions, and (3) to guard against the use of said law and regulations issued thereunder as a

583 cover for the carrying on of criminal activities. The authority shall report immediately to the
584 governor and the general court any matters which require immediate changes in the laws of the
585 commonwealth in order to prevent abuses and evasions of this chapter or the rules and
586 regulations promulgated thereunder or to rectify undesirable conditions in connection with the
587 administration of this chapter.

588 Section 37. No off licensed premises advertising

589 a. No holder of a license of any class shall, directly or indirectly, personally or through any
590 agent or employee, whether for consideration or gratuitously, cause to be published in a
591 newspaper or magazine distributed anywhere in the commonwealth or to be broadcast to a radio
592 or television receiver in the commonwealth, or to appear in any display signs or personal
593 solicitation, or any manner of advertising, any advertisement or notice to promote or encourage
594 the consumption of cannabis.

595 b. The preceding shall not apply to the following:

596 (1). Cannabis packages, crates, cartons, or boxes of Cannabis packages, provided, however, that
597 no such items shall be used for any display, ornament, or fixture on the licensed premises.

598 (2). Logos contained in private correspondence or publications not intended for public
599 distribution.

600 (3). A single notice reading “Authorized Cannabis Outlet,” in a style to be prescribed by the
601 authority.

602 Section 38. No promotional games or gimmicks

603 The use of any device or game of chance to aid, promote or induce sales or purchases of
604 cannabis or any goods or services is prohibited. The giving of cannabis in connection with any
605 device or game of chance is prohibited.

606 Section 39. Cannabis sales and so called use tax

607 The sale of cannabis in accordance with this section shall not be subject to the provisions of:

608 a. Chapter 64H of the General Laws, relating to a sales tax on sales of tangible personal property
609 at retail; or

610 b. The provisions of Chapter 64I of the General Laws, relating to a tax on the storage, use or
611 other consumption of certain tangible property.

612 c. The provisions of Chapter 94 of the General Laws relating to the inspection and sale of food,
613 drugs, and various articles.

614 Section 40. Excises paid direct tax on consumer

615 All excises paid in pursuance of this chapter shall conclusively be presumed to be a direct tax on
616 the retail consumer, pre-collected for the purpose of convenience and facility only.

617 Section 41. Contracts void

618 Any contract, express or implied, made by any person, firm or corporation in violation of any of
619 the provisions herein is declared to be an illegal and void contract and no recovery thereon shall
620 be had.

621 Section 42. Initial funding of the Authority

622 The sum of \$2,500,000.00 shall be appropriated to fund the authority initially, which sum shall
623 be repaid by the authority to the treasurer of the commonwealth within five years from the day
624 that the first cannabis sale is made under the provisions of this chapter, together with interest at
625 the rate of 15% per annum from said day.

626 Section 43. Appointment of directors and promulgation of initial regulations

627 Unless appointed sooner, within thirty days following enactment by the United States of
628 legislation that repeals the federal prohibition on the commercial activities regulated by the act
629 the governor and council, the president of the senate and speaker of the house shall make the
630 appointments provided for in section 6. Within ninety days following appointment of the
631 authority the authority shall promulgate regulations for effectuating the licensing of commercial
632 cannabis commerce.