

By: González of Dallas

H.B. No. 1937

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the regulation of the cultivation, manufacture,  
3 processing, distribution, sale, testing, transportation, delivery,  
4 transfer, possession, use, and taxation of cannabis and cannabis  
5 products and local regulation of cannabis establishments;  
6 authorizing the imposition of fees; requiring an occupational  
7 license; creating a criminal offense; imposing a tax.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

9 SECTION 1. Subtitle C, Title 6, Health and Safety Code, is  
10 amended by adding Chapter 491 to read as follows:

11 CHAPTER 491. REGULATION OF CANNABIS

12 SUBCHAPTER A. GENERAL PROVISIONS

13 Sec. 491.0001. DEFINITIONS. In this chapter:

14 (1) "Adult" means an individual 21 years of age or  
15 older.

16 (2) "Cannabis" means the plant Cannabis sativa L.,  
17 whether growing or not, the seeds of that plant, and every compound,  
18 manufacture, salt, derivative, mixture, or preparation of that  
19 plant or its seeds. The term includes cannabis concentrate. The  
20 term does not include:

21 (A) the mature stalks of the plant or fiber  
22 produced from the stalks;

23 (B) oil or cake made from the seeds of the plant;

24 (C) a compound, manufacture, salt, derivative,

1 mixture, or preparation of the mature stalks, fiber, oil, or cake;

2 (D) the sterilized seeds of the plant that are  
3 incapable of beginning germination;

4 (E) hemp, as that term is defined by Section  
5 121.001, Agriculture Code; or

6 (F) a consumable hemp product, as that term is  
7 defined by Section 443.001.

8 (3) "Cannabis concentrate" means the resin extracted  
9 from a part of the plant Cannabis sativa L. or a compound,  
10 manufacture, salt, derivative, mixture, or preparation of the  
11 resin.

12 (4) "Cannabis establishment" means an entity licensed  
13 by the department under this chapter to process and dispense  
14 cannabis and cannabis products to an adult.

15 (5) "Cannabis grower" means an entity licensed by the  
16 department to cultivate cannabis for sale and distribution to a  
17 cannabis establishment.

18 (6) "Cannabis product" means a product that contains  
19 cannabis and is intended for use or consumption by humans,  
20 including as an edible product or as a topical product, ointment,  
21 oil, or tincture. The term includes products that consist of  
22 cannabis and other ingredients.

23 (7) "Cannabis-related drug paraphernalia" means  
24 equipment, a product, or material that is used or intended for use  
25 in:

26 (A) planting, propagating, cultivating, growing,  
27 harvesting, manufacturing, compounding, converting, producing,

1 processing, preparing, testing, analyzing, packaging, repackaging,  
2 storing, or containing cannabis or a cannabis product; or

3 (B) introducing cannabis or a cannabis product  
4 into the human body.

5 (8) "Cannabis secure transporter" means an entity  
6 licensed by the department under this chapter to transport cannabis  
7 from a cannabis grower to a cannabis establishment.

8 (9) "Cannabis testing facility" means an entity  
9 licensed by the department under this chapter to analyze the safety  
10 and potency of cannabis and cannabis products.

11 (10) "Commission" means the Texas Commission of  
12 Licensing and Regulation.

13 (11) "Cultivate" means to propagate, breed, grow,  
14 harvest, dry, cure, or separate parts of the cannabis plant by  
15 manual or mechanical means.

16 (12) "Department" means the Texas Department of  
17 Licensing and Regulation.

18 (13) "Executive director" means the executive  
19 director of the department.

20 (14) "Marihuana" has the meaning assigned by Section  
21 [481.002](#).

22 (15) "Process" means to separate or otherwise prepare  
23 parts of the cannabis plant and to compound, blend, extract,  
24 infuse, or otherwise make or prepare cannabis concentrate or  
25 cannabis products.

26 SUBCHAPTER B. PROTECTIONS FROM LEGAL ACTION RELATED TO CANNABIS

27 Sec. 491.0051. AUTHORIZED CONDUCT: PERSONAL USE OF

1 CANNABIS. An adult is authorized under this chapter to:

2 (1) use, possess, and transport not more than 2.5  
3 ounces of cannabis, except that not more than 15 grams of that  
4 amount may be in the form of cannabis concentrate;

5 (2) transfer without remuneration to another adult not  
6 more than 2.5 ounces of cannabis, except that not more than 15 grams  
7 of that amount may be in the form of cannabis concentrate and  
8 provided that the transfer is not advertised or promoted to the  
9 public;

10 (3) possess, store, or process on the premises of the  
11 adult's private residence not more than 10 ounces of cannabis,  
12 provided that the amount in excess of 2.5 ounces is stored in a  
13 container or area equipped with locks or other security devices  
14 that restrict access to the container or area;

15 (4) use, possess, process, transport, or transfer to  
16 another adult without remuneration an amount of cannabis products  
17 specified by rule of the commission as the allowable amount of  
18 cannabis for purposes of this subdivision; and

19 (5) use, possess, transport, or transfer to another  
20 adult without remuneration cannabis-related drug paraphernalia.

21 Sec. 491.0052. AUTHORIZED CONDUCT: RETAIL CANNABIS  
22 OPERATIONS. This chapter authorizes the conduct of:

23 (1) a cannabis grower director, manager, or employee  
24 who, acting within the scope of the grower's license:

25 (A) cultivates cannabis or produces cannabis  
26 products for sale or transfer to a cannabis establishment; and

27 (B) possesses cannabis or cannabis-related drug

1 paraphernalia;

2 (2) a cannabis establishment director, manager, or  
3 employee who, acting within the scope of the establishment's  
4 license, possesses cannabis or cannabis products or transfers or  
5 sells cannabis, cannabis products, or cannabis-related drug  
6 paraphernalia to an adult;

7 (3) a cannabis secure transporter director, manager,  
8 or employee who, acting within the scope of the secure  
9 transporter's license, transports, transfers, or delivers cannabis  
10 or cannabis products from a cannabis grower to a cannabis  
11 establishment; and

12 (4) a cannabis testing facility director, manager, or  
13 employee who, acting within the scope of the facility's license,  
14 possesses or tests cannabis, cannabis products, or  
15 cannabis-related drug paraphernalia.

16 Sec. 491.0053. PROTECTION FROM LEGAL ACTION FOR AUTHORIZED  
17 CONDUCT. (a) A person is not subject to arrest, prosecution,  
18 forfeiture of property, or penalty in any manner or denial of any  
19 right or privilege, including any civil penalty or disciplinary  
20 action by a court or occupational or professional licensing board  
21 or bureau solely due to conduct authorized under Section 491.0051  
22 or 491.0052.

23 (b) The fact that a person engages in conduct authorized by  
24 Section 491.0051 or 491.0052 does not in itself constitute grounds  
25 for denying, limiting, or restricting conservatorship or  
26 possession of or access to a child under Title 5, Family Code.

27 Sec. 491.0054. PROHIBITION OF CANNABIS ON PRIVATE PROPERTY;

1 EXCEPTION. (a) Except as otherwise provided by Subsection (b), a  
2 person may prohibit or restrict the possession, consumption,  
3 cultivation, distribution, processing, sale, or display of  
4 cannabis or cannabis products on property the person owns,  
5 occupies, or manages.

6 (b) A person may not prohibit a residential tenant under a  
7 lease agreement from possessing cannabis, cannabis products, or  
8 cannabis-related drug paraphernalia or consuming cannabis by means  
9 other than smoking on the premises.

10 Sec. 491.0055. CONDUCT NOT AUTHORIZED UNDER THIS CHAPTER.  
11 This chapter does not authorize the following conduct:

12 (1) operating a motor vehicle while intoxicated or  
13 otherwise violating Chapter 49, Penal Code;

14 (2) smoking or otherwise consuming cannabis in:

15 (A) a motor vehicle while the vehicle is on a  
16 public road;

17 (B) an aircraft, while the aircraft is in flight  
18 or in a public area;

19 (C) a watercraft, while the watercraft is on a  
20 public waterway; or

21 (D) a public place, unless:

22 (i) the public place is an area designated  
23 by the applicable political subdivision as an area where using  
24 cannabis is permissible; and

25 (ii) the area described by Subparagraph (i)  
26 is not accessible to persons younger than 21 years of age;

27 (3) possessing or consuming cannabis or cannabis

1 products or possessing cannabis-related drug paraphernalia:

2 (A) on the premises of a public or private  
3 child-care facility, prekindergarten, or primary or secondary  
4 school;

5 (B) on a school bus that serves a facility or  
6 school described by Paragraph (A); or

7 (C) on the premises of a correctional facility,  
8 as defined by Article 18A.251, Code of Criminal Procedure, or a  
9 civil commitment facility; or

10 (4) separating resin from the cannabis plant by butane  
11 extraction or another method that uses a substance with a  
12 flashpoint below 100 degrees Fahrenheit in a public place or motor  
13 vehicle or within the curtilage of a residential structure.

14 SUBCHAPTER C. DUTIES OF COMMISSION AND DEPARTMENT

15 Sec. 491.0101. DUTIES OF DEPARTMENT. The department shall  
16 administer this chapter.

17 Sec. 491.0102. RULES; FEES. (a) The commission shall adopt  
18 all necessary rules for the administration and enforcement of this  
19 chapter, including rules imposing fees under this chapter in  
20 amounts sufficient to cover the cost of administering this chapter.

21 (b) The commission by rule shall set application and license  
22 fees under this chapter in amounts sufficient to administer this  
23 chapter and may annually adjust the fees for inflation.

24 (c) A fee collected under this chapter shall be deposited to  
25 the credit of the cannabis regulation account established under  
26 Section 491.0251.

27 (d) The commission shall adopt rules for the reasonable

1 regulation of cannabis growers and cannabis establishments,  
2 including rules that:

3 (1) restrict the use of dangerous pesticides;

4 (2) regulate the packaging and labeling of cannabis  
5 products available at a cannabis establishment;

6 (3) restrict advertising and display of cannabis and  
7 cannabis products;

8 (4) require recordkeeping and monitoring to track the  
9 transfer of cannabis and cannabis products between license holders;  
10 and

11 (5) require security measures, provided that the  
12 security measures do not restrict the cultivation of cannabis  
13 outdoors or in greenhouses.

14 Sec. 491.0103. TESTING, PACKAGING, AND LABELING STANDARDS.

15 (a) The commission by rule shall establish standards for:

16 (1) the operation of cannabis testing facilities;

17 (2) the testing of cannabis and cannabis products; and

18 (3) packaging and labeling requirements for cannabis  
19 and cannabis products.

20 (b) In establishing standards for packaging and labeling  
21 requirements under Subsection (a)(3), the commission shall require  
22 that:

23 (1) cannabis and cannabis products be packaged in  
24 opaque, resealable, child-resistant packaging that does not  
25 resemble and may not be easily confused with typical packaging for  
26 commercially sold candy;

27 (2) cannabis and cannabis products be clearly labeled;



1 and

2 (3) the label for a cannabis product disclose the  
3 amount of cannabis contained in that product.

4 Sec. 491.0104. SECURE TRANSPORTATION OF CANNABIS. The  
5 commission by rule shall establish standards applicable to cannabis  
6 secure transporters, including standards to ensure all cannabis  
7 establishments are properly served.

8 Sec. 491.0105. CONFLICT OF INTEREST. (a) A person who is  
9 involved in the implementation, administration, or enforcement of  
10 this chapter as a member of the commission, an employee of the  
11 department, or a consultant to the commission or the department may  
12 not also hold a pecuniary interest in any entity licensed by the  
13 department under this chapter.

14 (b) A person who holds a pecuniary interest in a cannabis  
15 testing facility or a cannabis secure transporter who holds a  
16 license issued under this chapter may not hold a pecuniary interest  
17 in any entity that holds a cannabis establishment or cannabis  
18 grower license issued under this chapter.

19 (c) A person may not hold a pecuniary interest in more than  
20 five entities that are licensed under this chapter as a cannabis  
21 grower, except as provided by commission rule.

22 Sec. 491.0106. ANNUAL REPORT. The executive director shall  
23 annually submit to the governor, the executive commissioner of the  
24 Health and Human Services Commission, and the legislature a report  
25 providing the following information regarding licensing and  
26 regulation under this chapter:

27 (1) the number of applications received for each class

1 of license under this chapter;

2 (2) the number of licenses issued for each class of  
3 license under this chapter;

4 (3) demographic information pertaining to license  
5 holders;

6 (4) a description of any fines imposed on a license  
7 holder or disciplinary actions taken against a license holder by  
8 the department; and

9 (5) a statement of revenues and expenses of the  
10 department related to the implementation, administration, and  
11 enforcement of this chapter.

12 SUBCHAPTER D. LICENSING

13 Sec. 491.0151. LICENSE REQUIRED. A person must hold a  
14 license issued by the department under this chapter to operate as a  
15 cannabis grower, cannabis establishment, cannabis secure  
16 transporter, or cannabis testing facility.

17 Sec. 491.0152. QUALIFICATIONS FOR LICENSURE. The  
18 commission by rule shall provide for each class of license issued  
19 under this chapter qualifications for licensure that are  
20 demonstrably related to the operations authorized and duties  
21 imposed under that class of license.

22 Sec. 491.0153. APPLICATION. (a) A person may apply for an  
23 initial or renewal license under this chapter by submitting a form  
24 prescribed by the department along with the application fee in an  
25 amount set by the commission.

26 (b) The application must indicate the class of license  
27 sought and include the name and address of the applicant, the name

1 and address of each of the applicant's directors, managers, and  
2 employees, and any other information considered necessary by the  
3 department to determine the applicant's eligibility for the  
4 license.

5 Sec. 491.0154. ISSUANCE, RENEWAL, OR DENIAL OF LICENSE.

6 (a) The department shall issue or renew a license under this  
7 chapter only if:

8 (1) the department determines the applicant meets the  
9 qualifications for the class of license sought established under  
10 Section 491.0152; and

11 (2) the applicant is in compliance with any applicable  
12 local regulations.

13 (b) If the department denies the issuance or renewal of a  
14 license under Subsection (a), the department shall give written  
15 notice of the grounds for denial to the applicant.

16 (c) A license issued or renewed under this section expires  
17 as determined by commission rule and the department in accordance  
18 with Section 51.406, Occupations Code.

19 Sec. 491.0155. DUTY TO MAINTAIN QUALIFICATIONS. A license  
20 holder shall maintain compliance at all times with the  
21 qualifications for the applicable class of license established  
22 under Section 491.0152.

23 Sec. 491.0156. LICENSE SUSPENSION OR REVOCATION. (a) The  
24 department may at any time suspend or revoke a license issued under  
25 this chapter if the department determines that the license holder  
26 has not maintained the qualifications established under Section  
27 491.0152 or has failed to comply with a duty imposed under this

1 chapter.

2 (b) The department shall give written notice to a license  
3 holder of a license suspension or revocation under this section and  
4 the grounds for the suspension or revocation. The notice must be  
5 sent by certified mail, return receipt requested.

6 (c) After suspending or revoking a license issued under this  
7 chapter, the department shall notify the Department of Public  
8 Safety. The public safety director of the Department of Public  
9 Safety may seize or place under seal all cannabis, cannabis  
10 products, and cannabis-related drug paraphernalia owned or  
11 possessed by the license holder. If the license is revoked, a  
12 disposition may not be made of the seized or sealed cannabis,  
13 cannabis products, or cannabis-related drug paraphernalia until  
14 the time for administrative appeal of the order has elapsed or until  
15 all appeals have been concluded. When a revocation order becomes  
16 final, all cannabis, cannabis products, and cannabis-related drug  
17 paraphernalia may be forfeited to the state as provided under  
18 Subchapter E, Chapter 481.

19 (d) Chapter 2001, Government Code, applies to a proceeding  
20 under this section.

21 Sec. 491.0157. CRIMINAL HISTORY BACKGROUND CHECK. (a) In  
22 addition to satisfying the other requirements provided by  
23 commission rule under this chapter, an applicant for a license  
24 under this chapter must submit to the department a complete and  
25 legible set of fingerprints, on a form prescribed by the  
26 commission, for the purpose of obtaining criminal history record  
27 information from the Department of Public Safety and the Federal

1 Bureau of Investigation.

2 (b) The department may deny a license to an applicant who  
3 does not comply with the requirement of Subsection (a). Issuance of  
4 a license by the department is conditioned on the department  
5 obtaining the applicant's criminal history record information  
6 under this section.

7 (c) The commission by rule shall establish criteria for  
8 determining whether a person passes the criminal history background  
9 check for purposes of this section. The rules adopted under this  
10 section may not disqualify a person for licensure solely for a  
11 conviction of an offense that involves the possession of marihuana  
12 or the delivery of marihuana to a person 18 years of age or older.

13 SUBCHAPTER E. DUTIES OF LICENSE HOLDERS

14 Sec. 491.0201. DUTIES RELATING TO DISPENSING CANNABIS OR  
15 CANNABIS PRODUCTS. Before dispensing cannabis or cannabis products  
16 to an adult, a cannabis establishment must make reasonable efforts  
17 to verify that:

18 (1) the person receiving the cannabis or cannabis  
19 product is an adult;

20 (2) the cannabis or cannabis product complies with  
21 department testing and labeling rules; and

22 (3) the amount dispensed is not greater than the  
23 amount of cannabis or cannabis product allowed for personal use as  
24 provided by Section 491.0051.

25 Sec. 491.0202. DUTIES RELATING TO SECURITY. (a) A license  
26 holder shall ensure that the cultivation, processing, sale, or  
27 display of cannabis, cannabis products, and cannabis-related drug

1 paraphernalia is not visible from a public place without the use of  
2 optical aids or aircraft.

3 (b) A license holder may not cultivate, process, store, or  
4 sell cannabis, cannabis products, or cannabis-related drug  
5 paraphernalia at a location other than the physical address  
6 approved by the department for the establishment under the license  
7 issued to the establishment under this chapter.

8 (c) A license holder shall adopt reasonable security  
9 measures necessary to restrict access to areas where cannabis,  
10 cannabis products, or cannabis-related drug paraphernalia are  
11 stored and to prevent theft of cannabis, cannabis products, and  
12 cannabis-related drug paraphernalia.

13 Sec. 491.0203. LICENSE HOLDER OPERATIONS. (a) A license  
14 holder may not employ or otherwise accept the services of a person  
15 younger than 21 years of age.

16 (b) A cannabis establishment may not sell tobacco products,  
17 as defined by Section 155.001, Tax Code.

18 Sec. 491.0204. MONTHLY SALES REPORT. A cannabis  
19 establishment shall monthly submit a report to the comptroller  
20 specifying the amount of cannabis sold, the number of cannabis  
21 products sold, the number and types of cannabis-related drug  
22 paraphernalia sold, and the amount of money collected in sales by  
23 the establishment during the preceding month.

24 SUBCHAPTER F. FUNDING FOR REGULATION, OVERSIGHT, TESTING, AND  
25 QUALITY CONTROL

26 Sec. 491.0251. CANNABIS REGULATION ACCOUNT. (a) The  
27 cannabis regulation account is an account in the general revenue

1 fund administered by the department.

2 (b) The account consists of:

3 (1) money deposited to the credit of the account under  
4 Section 166.0004, Tax Code; and

5 (2) fees deposited to the credit of the account under  
6 Section 491.0102.

7 (c) Money in the account may be appropriated only to the  
8 department for implementing and administering this chapter.

9 Sec. 491.0252. CANNABIS TESTING AND QUALITY CONTROL  
10 ACCOUNT. (a) The cannabis testing and quality control account is  
11 an account in the general revenue fund administered by the  
12 Department of Public Safety.

13 (b) The account consists of money deposited to the credit of  
14 the account under Section 166.0004, Tax Code.

15 (c) Money in the account may be appropriated only to the  
16 Department of Public Safety for monitoring compliance with testing  
17 and quality control requirements imposed on license holders by this  
18 chapter or by commission rules adopted under this chapter.

19 Sec. 491.0253. CANNABIS ESTABLISHMENT REGULATION AND  
20 OVERSIGHT LOCAL SHARE ACCOUNT; PAYMENT FROM ACCOUNT. (a) In this  
21 section:

22 (1) "Account" means the cannabis establishment  
23 regulation and oversight local share account created under this  
24 section.

25 (2) "Fiscal year" means the fiscal year of a  
26 qualifying local government.

27 (3) "Qualifying local government" means a

1 municipality or county in which at least one cannabis establishment  
2 is located during any portion of the applicable fiscal year.

3 (b) The cannabis establishment regulation and oversight  
4 local share account is an account in the general revenue fund  
5 administered by the comptroller.

6 (c) The account consists of money deposited to the credit of  
7 the account under Section 166.0004, Tax Code.

8 (d) Money in the account may be used by the comptroller only  
9 to make a cannabis establishment regulation assistance payment to a  
10 qualifying local government in the manner provided by this section.

11 (e) To serve the state purpose of ensuring that local  
12 governments in which cannabis establishments are located may  
13 effectively participate in the regulation and oversight of those  
14 establishments, a qualifying local government is entitled to a  
15 cannabis establishment regulation assistance payment from the  
16 state for each fiscal year that the local government is a qualifying  
17 local government.

18 (f) Except as provided by Subsection (j), the amount of the  
19 cannabis establishment regulation assistance payment to which a  
20 qualifying local government is entitled for a fiscal year is equal  
21 to the cost incurred by the local government to enforce regulations  
22 adopted under Subchapter G.

23 (g) Not later than April 1 of the year following the end of a  
24 fiscal year for which a qualifying local government is entitled to a  
25 cannabis establishment regulation assistance payment, the  
26 qualifying local government may submit an application to the  
27 comptroller to receive a cannabis establishment regulation



1 assistance payment for that fiscal year. The application must be  
2 made on a form prescribed by the comptroller. The comptroller may  
3 require the qualifying local government to submit any information  
4 the comptroller needs to determine the amount of the cannabis  
5 establishment regulation assistance payment to which the  
6 qualifying local government is entitled.

7 (h) A qualifying local government that does not submit an  
8 application to the comptroller by the date prescribed by Subsection  
9 (g) is not entitled to a cannabis establishment regulation  
10 assistance payment for the fiscal year for which that deadline  
11 applies.

12 (i) The comptroller shall review each application by a local  
13 government to determine whether the local government is entitled to  
14 a cannabis establishment regulation assistance payment. If the  
15 comptroller determines that the local government is entitled to the  
16 payment, the comptroller shall remit the payment using available  
17 money in the account to the qualifying local government not later  
18 than the 30th day after the date the application for the payment is  
19 made.

20 (j) If at the time a cannabis establishment regulation  
21 assistance payment must be remitted to a qualifying local  
22 government under Subsection (i) the comptroller determines the  
23 available amount in the account is insufficient to make the  
24 payment, the comptroller may reduce the amount of the payment to the  
25 qualifying local government. If more than one payment must be  
26 remitted at a time when the available amount in the account is  
27 insufficient to make those payments, the comptroller shall make

1 reduced payments to each qualifying local government. The  
2 comptroller shall allocate the reductions in the amount of the  
3 payments in a manner that is proportionate to the number of cannabis  
4 establishments in each qualifying local government.

5 (k) The comptroller shall adopt rules necessary to  
6 implement this section.

7 SUBCHAPTER G. LOCAL REGULATION AND OVERSIGHT

8 Sec. 491.0301. DEFINITION. In this subchapter, "health  
9 authority" has the meaning assigned by Section 431.002.

10 Sec. 491.0302. LOCAL AUTHORIZATION REQUIRED. A license  
11 holder under this chapter may not operate in a county or  
12 municipality without an order or ordinance adopted by the county or  
13 municipality, as applicable, authorizing the operation of cannabis  
14 growers, cannabis establishments, cannabis secure transporters, or  
15 cannabis testing facilities in the county or municipality.

16 Sec. 491.0303. LOCAL REGULATION. A county or municipality  
17 that authorizes the operation of cannabis growers, cannabis  
18 establishments, or cannabis testing facilities in the county or  
19 municipality may adopt regulations consistent with this chapter  
20 governing the hours of operation, location, manner of conducting  
21 business, and number of cannabis growers, cannabis establishments,  
22 cannabis secure transporters, or cannabis testing facilities.

23 Sec. 491.0304. PUBLIC HEALTH INSPECTIONS. A health  
24 authority may, on presenting appropriate credentials to the license  
25 holder or employee of the cannabis establishment:

26 (1) enter at reasonable times the premises of a  
27 cannabis establishment;

1           (2) enter a vehicle being used to transport cannabis;

2 or

3           (3) inspect at reasonable times, within reasonable  
4 limits, and in a reasonable manner, the establishment or vehicle  
5 and all equipment, finished and unfinished materials, containers,  
6 and labeling of any item.

7           Sec. 491.0305. COMPLAINTS. (a) A county, municipality, or  
8 health authority, as applicable, shall maintain a record of any  
9 complaints made regarding the operations of a cannabis  
10 establishment.

11           (b) A county, municipality, or health authority, as  
12 applicable, shall investigate a complaint or refer the complaint to  
13 the department, as appropriate.

14   SUBCHAPTER H. SALE OR DISTRIBUTION OF CANNABIS OR CANNABIS PRODUCT  
15   TO MINORS PROHIBITED

16           Sec. 491.0351. DEFINITION. In this subchapter, "minor"  
17 means a person younger than 21 years of age.

18           Sec. 491.0352. SALE OR DISTRIBUTION OF CANNABIS OR CANNABIS  
19 PRODUCT TO MINORS PROHIBITED; PROOF OF AGE REQUIRED. (a) A person  
20 commits an offense if the person, under the authority of this  
21 chapter:

22           (1) sells, gives, or causes to be sold or given  
23 cannabis or cannabis products to a minor; or

24           (2) sells, gives, or causes to be sold or given  
25 cannabis or cannabis products to another person who intends to  
26 deliver the cannabis or cannabis products to a minor.

27           (b) If an offense under this section occurs in connection

1 with a sale by an employee of the owner of a cannabis establishment,  
2 the employee is criminally responsible for the offense and is  
3 subject to prosecution.

4 (c) An offense under this section is a Class C misdemeanor.

5 (d) It is a defense to prosecution under Subsection (a)(1)  
6 that the person to whom the cannabis or cannabis products were sold  
7 or given presented to the defendant apparently valid proof of  
8 identification.

9 (e) A proof of identification satisfies the requirements of  
10 Subsection (d) if it contains a physical description and photograph  
11 consistent with the person's appearance, purports to establish that  
12 the person is 21 years of age or older, and was issued by a  
13 governmental agency. The proof of identification may include a  
14 driver's license issued by this state or another state, a passport,  
15 or an identification card issued by a state or the federal  
16 government.

17 SECTION 2. Section [122.103](#)(c), Agriculture Code, is amended  
18 to read as follows:

19 (c) A qualified applicant who along with the application  
20 submits proof to the department that the applicant holds a license  
21 under Chapter [487](#) or [491](#), Health and Safety Code, is not required to  
22 pay an application fee, and the department shall issue the license  
23 to the applicant within the time prescribed by Subsection (b).

24 SECTION 3. Section [411.0891](#)(a), Government Code, is amended  
25 to read as follows:

26 (a) Subject to Section [411.087](#), the department is  
27 authorized to obtain and use criminal history record information

1 maintained by the Federal Bureau of Investigation or the department  
2 that relates to a person who:

3 (1) is an applicant for or holds a registration issued  
4 by the director under Subchapter C, Chapter 481, Health and Safety  
5 Code, that authorizes the person to manufacture, distribute,  
6 analyze, or conduct research with a controlled substance;

7 (2) is an applicant for or holds a registration issued  
8 by the department under Chapter 487, Health and Safety Code, to be a  
9 director, manager, or employee of a dispensing organization, as  
10 defined by Section 487.001, Health and Safety Code;

11 (2-a) is an applicant for or holds a license issued  
12 under Chapter 491, Health and Safety Code, to be a cannabis grower,  
13 cannabis establishment, cannabis secure transporter, or cannabis  
14 testing facility, as defined by Section 491.0001, Health and Safety  
15 Code;

16 (3) is an applicant for or holds an authorization  
17 issued by the department under Section 521.2476, Transportation  
18 Code, to do business in this state as a vendor of ignition interlock  
19 devices;

20 (4) is an applicant for or holds certification by the  
21 department as an inspection station or an inspector under  
22 Subchapter G, Chapter 548, Transportation Code, holds an inspection  
23 station or inspector certificate issued under that subchapter, or  
24 is the owner of an inspection station operating under that chapter;  
25 or

26 (5) is an applicant for or holds a certificate of  
27 registration issued by the department under Chapter 1956,

1 Occupations Code, to act as a metal recycling entity.

2 SECTION 4. Section 411.502, Government Code, is amended to  
3 read as follows:

4 Sec. 411.502. APPLICABILITY. This subchapter applies to a  
5 program, and persons regulated under the program, administered by  
6 the department under the following laws, including rules adopted  
7 under those laws:

8 (1) Section 411.0625;

9 (2) Chapter 487, Health and Safety Code;

10 (2-a) Chapter 491, Health and Safety Code;

11 (3) Chapter 1702, Occupations Code;

12 (4) Chapter 1956, Occupations Code;

13 (5) Section 521.2476, Transportation Code; and

14 (6) Subchapter G, Chapter 548, Transportation Code.

15 SECTION 5. Section 443.202(a), Health and Safety Code, is  
16 amended to read as follows:

17 (a) This section does not apply to low-THC cannabis  
18 regulated under Chapter 487 or cannabis regulated under Chapter  
19 491.

20 SECTION 6. Section 443.2025(a), Health and Safety Code, is  
21 amended to read as follows:

22 (a) This section does not apply to low-THC cannabis  
23 regulated under Chapter 487 or cannabis regulated under Chapter  
24 491.

25 SECTION 7. Section 481.062, Health and Safety Code, is  
26 amended to read as follows:

27 Sec. 481.062. EXEMPTIONS. (a) The following persons are

1 not required to register and may possess a controlled substance  
2 under this chapter [~~without registering with the Federal Drug~~  
3 ~~Enforcement Administration~~]:

4 (1) an agent or employee of a registered manufacturer,  
5 distributor, analyzer, or dispenser of the controlled substance  
6 [~~who is registered with the Federal Drug Enforcement Administration~~  
7 ~~and~~] acting in the usual course of business or employment;

8 (2) a common or contract carrier, a warehouseman, or  
9 an employee of a carrier or warehouseman whose possession of the  
10 controlled substance is in the usual course of business or  
11 employment;

12 (3) an ultimate user or a person in possession of the  
13 controlled substance under a lawful order of a practitioner or in  
14 lawful possession of the controlled substance if it is listed in  
15 Schedule V;

16 (4) an officer or employee of this state, another  
17 state, a political subdivision of this state or another state, or  
18 the United States who is lawfully engaged in the enforcement of a  
19 law relating to a controlled substance or drug or to a customs law  
20 and authorized to possess the controlled substance in the discharge  
21 of the person's official duties;

22 (5) if the substance is tetrahydrocannabinol or one of  
23 its derivatives:

24 (A) a Department of State Health Services  
25 official, a medical school researcher, or a research program  
26 participant possessing the substance as authorized under  
27 Subchapter G; or

1 (B) a practitioner or an ultimate user possessing  
2 the substance as a participant in a federally approved therapeutic  
3 research program that the commissioner has reviewed and found, in  
4 writing, to contain a medically responsible research protocol; ~~or~~

5 (6) a dispensing organization licensed under Chapter  
6 487 that possesses low-THC cannabis;

7 (7) a cannabis grower, cannabis establishment,  
8 cannabis secure transporter, or cannabis testing facility licensed  
9 under Chapter 491 that possesses cannabis or cannabis products; or

10 (8) a person who possesses cannabis or cannabis  
11 products in accordance with Chapter 491.

12 (b) In this section, "cannabis" and "cannabis product" have  
13 the meanings assigned to those terms by Section 491.0001.

14 SECTION 8. Section 481.111, Health and Safety Code, is  
15 amended by adding Subsections (g) and (h) to read as follows:

16 (g) Sections 481.113, 481.116, 481.120, 481.121, and  
17 481.125 do not apply to a person who engages in the acquisition,  
18 possession, production, processing, cultivation, delivery,  
19 transportation, disposal, transfer, or use of a raw material used  
20 in or by-product created by the production or cultivation of  
21 cannabis or cannabis products if the conduct is expressly  
22 authorized by Subchapter B, Chapter 491.

23 (h) For purposes of Subsection (g), "cannabis" and  
24 "cannabis product" have the meanings assigned to those terms by  
25 Section 491.0001.

26 SECTION 9. Section 551.004, Occupations Code, is amended by  
27 amending Subsection (a) and adding Subsection (a-1) to read as



1 follows:

2 (a) This subtitle does not apply to:

3 (1) a practitioner licensed by the appropriate state  
4 board who supplies a patient of the practitioner with a drug in a  
5 manner authorized by state or federal law and who does not operate a  
6 pharmacy for the retailing of prescription drugs;

7 (2) a member of the faculty of a college of pharmacy  
8 recognized by the board who is a pharmacist and who performs the  
9 pharmacist's services only for the benefit of the college;

10 (3) a person who procures prescription drugs for  
11 lawful research, teaching, or testing and not for resale;

12 (4) a home and community support services agency that  
13 possesses a dangerous drug as authorized by Section 142.0061,  
14 142.0062, or 142.0063, Health and Safety Code; [~~or~~]

15 (5) a dispensing organization[~~, as defined by Section~~  
16 ~~487.001, Health and Safety Code,~~] that cultivates, processes, and  
17 dispenses low-THC cannabis, as authorized by Chapter 487, Health  
18 and Safety Code, to a patient listed in the compassionate-use  
19 registry established under that chapter;

20 (6) a cannabis grower, cannabis establishment,  
21 cannabis secure transporter, or cannabis testing facility licensed  
22 under Chapter 491, Health and Safety Code, that cultivates,  
23 manufactures, processes, distributes, delivers, sells, tests,  
24 transports, or dispenses cannabis or a cannabis product as  
25 authorized by that chapter; or

26 (7) a person who transfers cannabis without  
27 remuneration as authorized by Section 491.0051, Health and Safety

1 Code.

2 (a-1) For purposes of this section:

3 (1) "Cannabis," "cannabis establishment," "cannabis  
4 grower," "cannabis product," "cannabis secure transporter," and  
5 "cannabis testing facility" have the meanings assigned by Section  
6 491.0001, Health and Safety Code.

7 (2) "Dispensing organization" and "low-THC cannabis"  
8 have the meanings assigned by Section 487.001, Health and Safety  
9 Code.

10 SECTION 10. Section 151.313(c), Tax Code, is amended to  
11 read as follows:

12 (c) A product is a drug or medicine for purposes of this  
13 section if the product:

14 (1) is intended for use in the diagnosis, cure,  
15 mitigation, treatment, or prevention of disease, illness, injury,  
16 or pain;

17 (2) is applied to the human body or is a product that a  
18 human ingests or inhales;

19 (3) is not an appliance or device; ~~and~~

20 (4) is not food; and

21 (5) is not cannabis or a cannabis product, as those  
22 terms are defined by Section 491.0001, Health and Safety Code.

23 SECTION 11. Section 151.314, Tax Code, is amended by adding  
24 Subsection (i) to read as follows:

25 (i) The exemption provided by Subsection (a) does not apply  
26 to a cannabis product, as defined by Section 491.0001, Health and  
27 Safety Code.

1 SECTION 12. Section [151.316](#), Tax Code, is amended by adding  
2 Subsection (e) to read as follows:

3 (e) The exemption provided by Subsection (a)(5) does not  
4 apply to cannabis, as defined by Section 491.0001, Health and  
5 Safety Code.

6 SECTION 13. Subtitle E, Title 2, Tax Code, is amended by  
7 adding Chapter 166 to read as follows:

8 CHAPTER 166. TAX ON CANNABIS AND RELATED PRODUCTS

9 Sec. 166.0001. DEFINITIONS. In this chapter, "cannabis"  
10 and "cannabis product" have the meanings assigned by Section  
11 491.0001, Health and Safety Code.

12 Sec. 166.0002. CANNABIS SALES TAX. (a) A tax is imposed on  
13 each sale in this state of cannabis and cannabis products.

14 (b) The tax rate is 10 percent of the sales price of cannabis  
15 or a cannabis product.

16 Sec. 166.0003. APPLICATION OF OTHER PROVISIONS OF CODE.

17 (a) The tax imposed under this chapter is in addition to the taxes  
18 imposed under Chapter [151](#).

19 (b) Except as provided by this chapter:

20 (1) the tax imposed under this chapter is  
21 administered, imposed, collected, and enforced in the same manner  
22 as the taxes under Chapter [151](#) are administered, imposed,  
23 collected, and enforced; and

24 (2) the provisions of Chapter [151](#) applicable to the  
25 sales tax imposed under Subchapter C, Chapter [151](#), apply to the tax  
26 imposed under this chapter.

27 Sec. 166.0004. DISPOSITION OF PROCEEDS. The comptroller

1 shall deposit the proceeds from the tax imposed under this chapter  
2 as follows:

3 (1) 10 percent to the credit of the cannabis  
4 regulation account under Section 491.0251, Health and Safety Code;

5 (2) 10 percent to the credit of the cannabis testing  
6 and quality control account under Section 491.0252, Health and  
7 Safety Code;

8 (3) 20 percent to the credit of the cannabis  
9 establishment regulation and oversight local share account under  
10 Section 491.0253, Health and Safety Code; and

11 (4) the remainder to the credit of the foundation  
12 school fund.

13 SECTION 14. (a) Not later than July 1, 2024, the Texas  
14 Commission of Licensing and Regulation shall adopt rules as  
15 required to implement, administer, and enforce Chapter 491, Health  
16 and Safety Code, as added by this Act.

17 (b) Not later than November 1, 2024, the Texas Department of  
18 Licensing and Regulation shall begin licensing cannabis growers,  
19 cannabis establishments, cannabis secure transporters, and  
20 cannabis testing facilities in accordance with Chapter 491, Health  
21 and Safety Code, as added by this Act, provided that the applicants  
22 for a license have met all requirements for approval under Chapter  
23 491, Health and Safety Code, as added by this Act.

24 SECTION 15. The changes in law made by this Act do not  
25 affect tax liability accruing before the effective date of this  
26 Act. That liability continues in effect as if this Act had not been  
27 enacted, and the former law is continued in effect for the

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1 collection of taxes due and for civil and criminal enforcement of  
2 the liability for those taxes.

3 SECTION 16. This Act takes effect September 1, 2023.