

By: González of Dallas

H.B. No. 195

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of the cultivation, processing, packaging, labeling, distribution, sale, testing, transportation, delivery, transfer, storage, dispensing, possession, use, and taxation of cannabis and cannabis products and local regulation of cannabis establishments; authorizing the imposition of fees; requiring an occupational license; creating a criminal offense; imposing a tax.

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

SECTION 1. Subtitle C, Title 6, Health and Safety Code, is amended by adding Chapter 494 to read as follows:

CHAPTER 494. REGULATION OF CANNABIS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 494.0001. DEFINITIONS. In this chapter:

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

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

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

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

1 (C) a compound, manufacture, salt, derivative,
2 mixture, or preparation of the mature stalks, fiber, oil, or cake;

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

5 (E) hemp, as that term is defined by Section
6 121.001, Agriculture Code; or

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

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

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

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

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

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

1 (A) planting, propagating, cultivating, growing,
2 harvesting, manufacturing, compounding, converting, producing,
3 processing, preparing, testing, analyzing, packaging, repackaging,
4 storing, or containing cannabis or a cannabis product; or

5 (B) introducing cannabis or a cannabis product
6 into the human body.

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

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

13 (10) "Commission" means the Texas Commission of
14 Licensing and Regulation.

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

18 (12) "Department" means the Texas Department of
19 Licensing and Regulation.

20 (13) "Executive director" means the executive
21 director of the department.

22 (14) "Marihuana" has the meaning assigned by Section
23 [481.002](#).

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

SUBCHAPTER B. PROTECTIONS FROM LEGAL ACTION RELATED TO CANNABIS

Sec. 494.0051. AUTHORIZED CONDUCT: PERSONAL USE OF CANNABIS. An adult is authorized under this chapter to:

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

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

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

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

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

Sec. 494.0052. AUTHORIZED CONDUCT: RETAIL CANNABIS OPERATIONS. This chapter authorizes the conduct of:

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

(A) cultivates cannabis or produces cannabis

1 products for sale or transfer to a cannabis establishment; and

2 (B) possesses cannabis or cannabis-related drug
3 paraphernalia;

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

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

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

18 Sec. 494.0053. PROTECTION FROM LEGAL ACTION FOR AUTHORIZED
19 CONDUCT. (a) A person is not subject to arrest, prosecution,
20 forfeiture of property, or penalty in any manner or denial of any
21 right or privilege, including any civil penalty or disciplinary
22 action by a court or occupational or professional licensing board
23 or bureau solely due to conduct authorized under Section 494.0051
24 or 494.0052.

25 (b) The fact that a person engages in conduct authorized by
26 Section 494.0051 or 494.0052 does not in itself constitute grounds
27 for denying, limiting, or restricting conservatorship or

possession of or access to a child under Title 5, Family Code.

Sec. 494.0054. PROHIBITION OF CANNABIS ON PRIVATE PROPERTY; EXCEPTION. (a) Except as otherwise provided by Subsection (b), a person may prohibit or restrict the possession, consumption, cultivation, distribution, processing, sale, or display of cannabis or cannabis products on property the person owns, occupies, or manages.

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

Sec. 494.0055. CONDUCT NOT AUTHORIZED UNDER THIS CHAPTER. This chapter does not authorize the following conduct:

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

(2) smoking or otherwise consuming cannabis in:

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

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

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

(D) a public place, unless:

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

(ii) the area described by Subparagraph (i)

is not accessible to persons younger than 21 years of age;

(3) possessing or consuming cannabis or cannabis products or possessing cannabis-related drug paraphernalia:

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

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

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

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

SUBCHAPTER C. DUTIES OF COMMISSION AND DEPARTMENT

Sec. 494.0101. DUTIES OF DEPARTMENT. The department shall administer this chapter.

Sec. 494.0102. RULES; FEES. (a) The commission shall adopt all necessary rules for the administration and enforcement of this chapter, including rules imposing fees under this chapter in amounts sufficient to cover the cost of administering this chapter.

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

(c) A fee collected under this chapter shall be deposited to the credit of the cannabis regulation account established under

1 Section 494.0251.

2 (d) The commission shall adopt rules for the reasonable
3 regulation of cannabis growers and cannabis establishments,
4 including rules that:

5 (1) restrict the use of dangerous pesticides;

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

8 (3) restrict advertising and display of cannabis and
9 cannabis products;

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

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

16 Sec. 494.0103. TESTING, PACKAGING, AND LABELING STANDARDS.

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

18 (1) the operation of cannabis testing facilities;

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

20 (3) packaging and labeling requirements for cannabis
21 and cannabis products.

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

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

1 commercially sold candy;

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

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

6 Sec. 494.0104. SECURE TRANSPORTATION OF CANNABIS. The
7 commission by rule shall establish standards applicable to cannabis
8 secure transporters, including standards to ensure all cannabis
9 establishments are properly served.

10 Sec. 494.0105. CONFLICT OF INTEREST. (a) A person who is
11 involved in the implementation, administration, or enforcement of
12 this chapter as a member of the commission, an employee of the
13 department, or a consultant to the commission or the department may
14 not also hold a pecuniary interest in any entity licensed by the
15 department under this chapter.

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

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

24 Sec. 494.0106. ANNUAL REPORT. The executive director shall
25 annually submit to the governor, the executive commissioner of the
26 Health and Human Services Commission, and the legislature a report
27 providing the following information regarding licensing and

regulation under this chapter:

(1) the number of applications received for each class of license under this chapter;

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

(3) demographic information pertaining to license holders;

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

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

SUBCHAPTER D. LICENSING

Sec. 494.0151. LICENSE REQUIRED. A person must hold a license issued by the department under this chapter to operate as a cannabis grower, cannabis establishment, cannabis secure transporter, or cannabis testing facility.

Sec. 494.0152. QUALIFICATIONS FOR LICENSURE. The commission by rule shall provide for each class of license issued under this chapter qualifications for licensure that are demonstrably related to the operations authorized and duties imposed under that class of license.

Sec. 494.0153. APPLICATION. (a) A person may apply for an initial or renewal license under this chapter by submitting a form prescribed by the department along with the application fee in an amount set by commission rule.

1 (b) The application must indicate the class of license
2 sought and include the name and address of the applicant, the name
3 and address of each of the applicant's directors, managers, and
4 employees, and any other information considered necessary by the
5 department to determine the applicant's eligibility for the
6 license.

7 Sec. 494.0154. ISSUANCE, RENEWAL, OR DENIAL OF LICENSE.

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

10 (1) the department determines the applicant meets the
11 qualifications for the class of license sought established under
12 Section 494.0152; and

13 (2) the applicant is in compliance with any applicable
14 local regulations.

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

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

21 Sec. 494.0155. DUTY TO MAINTAIN QUALIFICATIONS. A license
22 holder shall maintain compliance at all times with the
23 qualifications for the applicable class of license established
24 under Section 494.0152.

25 Sec. 494.0156. LICENSE SUSPENSION OR REVOCATION. (a) The
26 department may at any time suspend or revoke a license issued under
27 this chapter if the department determines that the license holder

1 has not maintained the qualifications established under Section
2 494.0152 or has failed to comply with a duty imposed under this
3 chapter.

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

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

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

23 Sec. 494.0157. CRIMINAL HISTORY BACKGROUND CHECK. (a) In
24 addition to satisfying the other requirements provided by
25 commission rule under this chapter, an applicant for a license
26 under this chapter must submit to the department a complete and
27 legible set of fingerprints, on a form prescribed by the

1 commission, for the purpose of obtaining criminal history record
2 information from the Department of Public Safety and the Federal
3 Bureau of Investigation.

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

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

15 SUBCHAPTER E. DUTIES OF LICENSE HOLDERS

16 Sec. 494.0201. DUTIES RELATING TO DISPENSING CANNABIS OR
17 CANNABIS PRODUCTS. Before dispensing cannabis or cannabis products
18 to an adult, a cannabis establishment must make reasonable efforts
19 to verify that:

20 (1) the person receiving the cannabis or cannabis
21 product is an adult;

22 (2) the cannabis or cannabis product complies with
23 department testing and labeling rules; and

24 (3) the amount dispensed is not greater than the
25 amount of cannabis or cannabis product allowed for personal use as
26 provided by Section 494.0051.

27 Sec. 494.0202. DUTIES RELATING TO SECURITY. (a) A license

1 holder shall ensure that the cultivation, processing, sale, or
2 display of cannabis, cannabis products, and cannabis-related drug
3 paraphernalia is not visible from a public place without the use of
4 optical aids or aircraft.

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

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

15 Sec. 494.0203. LICENSE HOLDER OPERATIONS. (a) A license
16 holder may not employ or otherwise accept the services of a person
17 younger than 21 years of age.

18 (b) A cannabis establishment may not sell tobacco products,
19 as defined by Section [155.001](#), Tax Code.

20 Sec. 494.0204. MONTHLY SALES REPORT. A cannabis
21 establishment shall monthly submit a report to the comptroller
22 specifying the amount of cannabis sold, the number of cannabis
23 products sold, the number and types of cannabis-related drug
24 paraphernalia sold, and the amount of money collected in sales by
25 the establishment during the preceding month.

1 SUBCHAPTER F. FUNDING FOR REGULATION, OVERSIGHT, TESTING, AND

2 QUALITY CONTROL

3 Sec. 494.0251. CANNABIS REGULATION ACCOUNT. (a) The
4 cannabis regulation account is an account in the general revenue
5 fund administered by the department.

6 (b) The account consists of:

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

9 (2) fees deposited to the credit of the account under
10 Section 494.0102.

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

13 Sec. 494.0252. CANNABIS TESTING AND QUALITY CONTROL
14 ACCOUNT. (a) The cannabis testing and quality control account is
15 an account in the general revenue fund administered by the
16 Department of Public Safety.

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

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

23 Sec. 494.0253. CANNABIS ESTABLISHMENT REGULATION AND
24 OVERSIGHT LOCAL SHARE ACCOUNT; PAYMENT FROM ACCOUNT. (a) In this
25 section:

26 (1) "Account" means the cannabis establishment
27 regulation and oversight local share account created under this

1 section.

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

4 (3) "Qualifying local government" means a
5 municipality or county in which at least one cannabis establishment
6 is located during any portion of the applicable fiscal year.

7 (b) The cannabis establishment regulation and oversight
8 local share account is an account in the general revenue fund
9 administered by the comptroller.

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

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

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

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

27 (g) Not later than April 1 of the year following the end of a

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

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

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

24 (j) If at the time a cannabis establishment regulation
25 assistance payment must be remitted to a qualifying local
26 government under Subsection (i) the comptroller determines the
27 available amount in the account is insufficient to make the

payment, the comptroller may reduce the amount of the payment to the
qualifying local government. If more than one payment must be
remitted at a time when the available amount in the account is
insufficient to make those payments, the comptroller shall make
reduced payments to each qualifying local government. The
comptroller shall allocate the reductions in the amount of the
payments in a manner that is proportionate to the number of cannabis
establishments in each qualifying local government.

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

SUBCHAPTER G. LOCAL REGULATION AND OVERSIGHT

Sec. 494.0301. DEFINITION. In this subchapter, "health
authority" has the meaning assigned by Section [431.002](#).

Sec. 494.0302. LOCAL AUTHORIZATION REQUIRED. A license
holder under this chapter may not operate in a county or
municipality without an order or ordinance adopted by the county or
municipality, as applicable, authorizing the operation of cannabis
growers, cannabis establishments, cannabis secure transporters, or
cannabis testing facilities in the county or municipality.

Sec. 494.0303. LOCAL REGULATION. A county or municipality
that authorizes the operation of cannabis growers, cannabis
establishments, or cannabis testing facilities in the county or
municipality may adopt regulations consistent with this chapter
governing the hours of operation, location, manner of conducting
business, and number of cannabis growers, cannabis establishments,
cannabis secure transporters, or cannabis testing facilities.

Sec. 494.0304. PUBLIC HEALTH INSPECTIONS. A health

authority may, on presenting appropriate credentials to the license holder or employee of the cannabis establishment:

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

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

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

Sec. 494.0305. COMPLAINTS. (a) A county, municipality, or health authority, as applicable, shall maintain a record of any complaints made regarding the operations of a cannabis establishment.

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

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

Sec. 494.0351. DEFINITION. In this subchapter, "minor" means a person younger than 21 years of age.

Sec. 494.0352. SALE OR DISTRIBUTION OF CANNABIS OR CANNABIS PRODUCT TO MINORS PROHIBITED; PROOF OF AGE REQUIRED. (a) A person commits an offense if the person, under the authority of this chapter:

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

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

4 (b) If an offense under this section occurs in connection
5 with a sale by an employee of the owner of a cannabis establishment,
6 the employee is criminally responsible for the offense and is
7 subject to prosecution.

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

9 (d) It is a defense to prosecution under Subsection (a)(1)
10 that the person to whom the cannabis or cannabis products were sold
11 or given presented to the defendant apparently valid proof of
12 identification.

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

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

23 (c) A qualified applicant who along with the application
24 submits proof to the department that the applicant holds a license
25 under Chapter [487](#) or [494](#), Health and Safety Code, is not required to
26 pay an application fee, and the department shall issue the license
27 to the applicant within the time prescribed by Subsection (b).

SECTION 3. Section 411.093(a), Government Code, as amended by S.B. No. 3070, Acts of the 89th Legislature, Regular Session, 2025, is amended to read as follows:

(a) The Texas Department of Licensing and Regulation is entitled to obtain criminal history record information as provided by Subsection (b) that relates to:

(1) an applicant for or the holder of:

(A) a driver education instructor license under Chapter 1001, Education Code;

(B) a license under Chapter 466;

(C) a license under Chapter 202, Occupations Code;

(D) a license under Chapter 401, Occupations Code;

(E) a license under Chapter 402, Occupations Code;

(F) a license under Chapter 2001, Occupations Code; or

(G) an instructor license or motorcycle school license under Chapter 662, Transportation Code;

(2) a person who is:

(A) an applicant for or the holder of a license under Chapter 91, Labor Code; or

(B) a controlling person, as defined by Chapter 91, Labor Code, of an entity described by Paragraph (A); ~~or~~

(3) a person who:

(A) is an applicant for or the holder of a license

under Chapter 455, Occupations Code; or

(B) has an interest described under Section 455.1525(e), Occupations Code, in an entity described by Paragraph (A); or

(4) a person who is an applicant for or holds a license issued under Chapter 494, Health and Safety Code, to be a cannabis grower, cannabis establishment, cannabis secure transporter, or cannabis testing facility, as defined by Section 494.0001, Health and Safety Code.

SECTION 4. Section 443.202(a), Health and Safety Code, is amended to read as follows:

(a) This section does not apply to low-THC cannabis regulated under Chapter 487 or cannabis regulated under Chapter 494.

SECTION 5. Section 443.2025(a), Health and Safety Code, is amended to read as follows:

(a) This section does not apply to low-THC cannabis regulated under Chapter 487 or cannabis regulated under Chapter 494.

SECTION 6. Section 481.062, Health and Safety Code, is amended to read as follows:

Sec. 481.062. EXEMPTIONS. (a) The following persons are not required to register and may possess a controlled substance under this chapter ~~[without registering with the Federal Drug Enforcement Administration]~~:

(1) an agent or employee of a registered manufacturer, distributor, analyzer, or dispenser of the controlled substance

1 ~~[who is registered with the Federal Drug Enforcement Administration~~
2 ~~and]~~ acting in the usual course of business or employment;

3 (2) a common or contract carrier, a warehouseman, or
4 an employee of a carrier or warehouseman whose possession of the
5 controlled substance is in the usual course of business or
6 employment;

7 (3) an ultimate user or a person in possession of the
8 controlled substance under a lawful order of a practitioner or in
9 lawful possession of the controlled substance if it is listed in
10 Schedule V;

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

17 (5) if the substance is tetrahydrocannabinol or one of
18 its derivatives:

19 (A) a Department of State Health Services
20 official, a medical school researcher, or a research program
21 participant possessing the substance as authorized under
22 Subchapter G; or

23 (B) a practitioner or an ultimate user possessing
24 the substance as a participant in a federally approved therapeutic
25 research program that the commissioner has reviewed and found, in
26 writing, to contain a medically responsible research protocol; ~~[or]~~

27 (6) a dispensing organization licensed under Chapter

1 487 that possesses low-THC cannabis;

2 (7) a cannabis grower, cannabis establishment,
3 cannabis secure transporter, or cannabis testing facility licensed
4 under Chapter 494 that possesses cannabis or cannabis products; or

5 (8) a person who possesses cannabis or cannabis
6 products in accordance with Chapter 494.

7 (b) In this section, "cannabis" and "cannabis product" have
8 the meanings assigned to those terms by Section 494.0001.

9 SECTION 7. Section 481.111, Health and Safety Code, is
10 amended by adding Subsections (g) and (h) to read as follows:

11 (g) Sections 481.113, 481.116, 481.120, 481.121, and
12 481.125 do not apply to a person who engages in the acquisition,
13 possession, production, processing, cultivation, delivery,
14 transportation, disposal, transfer, or use of a raw material used
15 in or by-product created by the production or cultivation of
16 cannabis or cannabis products if the conduct is expressly
17 authorized by Subchapter B, Chapter 494.

18 (h) For purposes of Subsection (g), "cannabis" and
19 "cannabis product" have the meanings assigned to those terms by
20 Section 494.0001.

21 SECTION 8. Section 551.004, Occupations Code, is amended by
22 amending Subsection (a) and adding Subsection (a-1) to read as
23 follows:

24 (a) This subtitle does not apply to:

25 (1) a practitioner licensed by the appropriate state
26 board who supplies a patient of the practitioner with a drug in a
27 manner authorized by state or federal law and who does not operate a

1 pharmacy for the retailing of prescription drugs;

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

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

7 (4) a home and community support services agency that
8 possesses a dangerous drug as authorized by Section 142.0061,
9 142.0062, or 142.0063, Health and Safety Code; ~~or~~

10 (5) a dispensing organization~~[, as defined by Section~~
11 ~~487.001, Health and Safety Code,]~~ that cultivates, processes, and
12 dispenses low-THC cannabis, as authorized by Chapter 487, Health
13 and Safety Code, to a patient listed in the compassionate-use
14 registry established under that chapter;

15 (6) a cannabis grower, cannabis establishment,
16 cannabis secure transporter, or cannabis testing facility licensed
17 under Chapter 494, Health and Safety Code, that cultivates,
18 processes, distributes, delivers, sells, tests, transports, or
19 dispenses cannabis or a cannabis product as authorized by that
20 chapter; or

21 (7) a person who transfers cannabis without
22 remuneration as authorized by Section 494.0051, Health and Safety
23 Code.

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

25 (1) "Cannabis," "cannabis establishment," "cannabis
26 grower," "cannabis product," "cannabis secure transporter," and
27 "cannabis testing facility" have the meanings assigned by Section

494.0001, Health and Safety Code.

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

SECTION 9. Section 151.313(c), Tax Code, is amended to read as follows:

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

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

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

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

(4) is not food; and

(5) is not cannabis or a cannabis product, as those terms are defined by Section 494.0001, Health and Safety Code.

SECTION 10. Section 151.314, Tax Code, is amended by adding Subsection (i) to read as follows:

(i) The exemption provided by Subsection (a) does not apply to a cannabis product, as defined by Section 494.0001, Health and Safety Code.

SECTION 11. Section 151.316, Tax Code, is amended by adding Subsection (e) to read as follows:

(e) The exemption provided by Subsection (a)(5) does not apply to cannabis, as defined by Section 494.0001, Health and Safety Code.

SECTION 12. Subtitle E, Title 2, Tax Code, is amended by adding Chapter 166 to read as follows:

CHAPTER 166. TAX ON CANNABIS AND RELATED PRODUCTS

Sec. 166.0001. DEFINITIONS. In this chapter, "cannabis" and "cannabis product" have the meanings assigned by Section 494.0001, Health and Safety Code.

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

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

Sec. 166.0003. APPLICATION OF OTHER PROVISIONS OF CODE.

(a) The tax imposed under this chapter is in addition to the taxes imposed under Chapter 151.

(b) Except as provided by this chapter:

(1) the tax imposed under this chapter is administered, imposed, collected, and enforced in the same manner as the taxes under Chapter 151 are administered, imposed, collected, and enforced; and

(2) the provisions of Chapter 151 applicable to the sales tax imposed under Subchapter C, Chapter 151, apply to the tax imposed under this chapter.

Sec. 166.0004. DISPOSITION OF PROCEEDS. The comptroller shall deposit the proceeds from the tax imposed under this chapter as follows:

(1) 10 percent to the credit of the cannabis regulation account under Section 494.0251, Health and Safety Code;

(2) 10 percent to the credit of the cannabis testing

1 and quality control account under Section 494.0252, Health and
2 Safety Code;

3 (3) 20 percent to the credit of the cannabis
4 establishment regulation and oversight local share account under
5 Section 494.0253, Health and Safety Code; and

6 (4) the remainder to the credit of the foundation
7 school fund.

8 SECTION 13. (a) Not later than July 1, 2026, the Texas
9 Commission of Licensing and Regulation shall adopt rules as
10 required to implement, administer, and enforce Chapter 494, Health
11 and Safety Code, as added by this Act.

12 (b) Not later than November 1, 2026, the Texas Department of
13 Licensing and Regulation shall begin licensing cannabis growers,
14 cannabis establishments, cannabis secure transporters, and
15 cannabis testing facilities in accordance with Chapter 494, Health
16 and Safety Code, as added by this Act, provided that the applicants
17 for a license have met all requirements for approval under Chapter
18 494, Health and Safety Code, as added by this Act.

19 SECTION 14. The changes in law made by this Act do not
20 affect tax liability accruing before the effective date of this
21 Act. That liability continues in effect as if this Act had not been
22 enacted, and the former law is continued in effect for the
23 collection of taxes due and for civil and criminal enforcement of
24 the liability for those taxes.

25 SECTION 15. This Act takes effect on the 91st day after the
26 last day of the legislative session.