

By: Johnson, et al.

S.B. No. 31

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of the cultivation, manufacture, processing, distribution, sale, testing, transportation, delivery, transfer, possession, use, and taxation of cannabis and cannabis products and the local regulation of licensed cannabis growers, cannabis establishments, cannabis testing facilities, and cannabis secure transporters; providing for expunction of records relating to certain decriminalized conduct; 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:

ARTICLE 1. SHORT TITLE, STUDY, AND LEGISLATIVE INTENT

SECTION 1.01. This Act may be cited as the Texas Regulation of Cannabis Act.

SECTION 1.02. (a) The Department of Public Safety, the Health and Human Services Commission, and the Texas Alcoholic Beverage Commission shall jointly conduct a study regarding establishing a new commission for the oversight and enforcement of laws, rules, and regulations concerning cannabis, cannabis beverages, and cannabis products.

(b) The results of the study conducted under Subsection (a) must be submitted to the legislature not later than December 1, 2026.

(c) It is the intent of the legislature that, pending the

findings of the study described by Subsection (a), the 90th Legislature, Regular Session, 2027, will establish a new commission for the oversight and enforcement of laws, rules, and regulations concerning cannabis, cannabis beverages, and cannabis products.

ARTICLE 2. REGULATION AND TAXATION OF CANNABIS

SECTION 2.01. 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;

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

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

(E) hemp, as that term is defined by Section [121.001](#), Agriculture Code; or

(F) a consumable hemp product, as that term is

1 defined by Section 443.001.

2 (3) "Cannabis beverage" means a beverage that:

3 (A) contains cannabis or one or more
4 cannabis-derived cannabinoids;

5 (B) does not contain any amount of synthetic
6 cannabinoids;

7 (C) does not contain or is not mixed with
8 alcohol, caffeine, tobacco, nicotine, kratom, kava, psychoactive
9 mushrooms, or a derivative of any of those items; and

10 (D) contains 10 milligrams or less of delta-9
11 tetrahydrocannabinol.

12 (4) "Cannabis concentrate" means the resin extracted
13 from a part of the plant Cannabis sativa L. or a compound,
14 manufacture, salt, derivative, mixture, or preparation of the
15 resin.

16 (5) "Cannabis establishment" means an entity licensed
17 under this chapter to process and dispense cannabis and cannabis
18 products, including cannabis beverages, to an adult. The term
19 includes:

20 (A) an entity that processes cannabis or
21 manufactures cannabis products or cannabis beverages; and

22 (B) an entity that sells cannabis or cannabis
23 products, including cannabis beverages, at retail.

24 (6) "Cannabis grower" means an entity licensed to
25 cultivate cannabis for sale and distribution to a cannabis
26 establishment.

27 (7) "Cannabis product" means a product that contains

cannabis or one or more cannabis-derived cannabinoids and is intended for use or consumption by humans, including as an edible product or as a topical product, ointment, oil, or tincture. The term includes:

(A) cannabis beverages; and

(B) products that consist of cannabis and other ingredients.

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

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

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

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

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

(11) "Commission" means the Texas Alcoholic Beverage Commission.

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

(13) "Marihuana" has the meaning assigned by Section 481.002.

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

(15) "Synthetic cannabinoid" means a man-made chemical substance created by using chemical synthesis, chemical modification, or chemical conversion that is intended to mimic a phytocannabinoid or is intended to or able to interact with the endocannabinoid system. The term does not include delta-9 tetrahydrocannabinol produced through the conversion of chemicals naturally occurring.

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 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 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) cultivate for personal use not more than 6 cannabis plants in an area on the premises of the adult's private residence, provided that the cultivation occurs in an enclosed area

1 that is:

2 (A) equipped with locks or other security devices
3 that restrict access to the area; and

4 (B) not visible from a public place without the
5 use of aircraft or optical aids;

6 (4) possess, store, or process on the premises of the
7 adult's private residence not more than:

8 (A) the amount of cannabis produced from cannabis
9 plants cultivated on the premises, provided that:

10 (i) not more than 6 cannabis plants are
11 possessed, cultivated, or processed on the premises at one time;
12 and

13 (ii) any amount of cannabis in excess of 2
14 ounces is stored in a container or area equipped with locks or other
15 security devices that restrict access to the contents of the
16 container or area; and

17 (B) 10 ounces of cannabis that were not produced
18 from cannabis plants cultivated on the premises, provided that the
19 amount in excess of 2 ounces is stored in a container or area
20 described by Paragraph (A)(ii);

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

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

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

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

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

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

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

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

1 or 494.0052.

2 (b) The fact that a person engages in conduct authorized by
3 Section 494.0051 or 494.0052 does not in itself constitute grounds
4 for denying, limiting, or restricting conservatorship or
5 possession of or access to a child under Title 5, Family Code.

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

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

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

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

20 (2) smoking or otherwise consuming cannabis in:

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

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

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

27 (D) a public place, unless:

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

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

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

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

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

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

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

20 (5) the retail sale of cannabis or cannabis products
21 within 300 feet, measured in a direct line from the place of
22 business to the property line, of a school, church, public
23 playground, day-care center, homeless shelter, or substance abuse
24 treatment center.

25 SUBCHAPTER C. DUTIES OF COMMISSION

26 Sec. 494.0101. DUTIES OF COMMISSION. The commission shall
27 collaborate with the Department of Public Safety and the Health and

1 Human Services Commission to administer this chapter.

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

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

9 (c) A fee collected under this chapter shall be deposited to
10 the credit of the cannabis regulation account established under
11 Section 494.0251.

12 (d) The commission shall adopt rules for the reasonable
13 regulation of cannabis growers and cannabis establishments,
14 including rules that:

15 (1) restrict the use of dangerous pesticides;

16 (2) relate to quality testing, including testing for
17 toxins and mold;

18 (3) regulate the packaging and labeling of cannabis
19 products available at a cannabis establishment;

20 (4) restrict advertising and display of cannabis and
21 cannabis products;

22 (5) restrict the maximum amount of
23 tetrahydrocannabinol that may be contained in a cannabis product
24 sold to a consumer;

25 (6) require recordkeeping and monitoring to track the
26 transfer of cannabis and cannabis products between license holders;
27 and

1 (7) require security measures, provided that the
2 security measures do not restrict the cultivation of cannabis
3 outdoors or in greenhouses.

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

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

- 6 (1) the operation of cannabis testing facilities;
7 (2) the testing of cannabis and cannabis products; and
8 (3) packaging and labeling requirements for cannabis
9 and cannabis products.

10 (b) In establishing standards for packaging and labeling
11 requirements under Subsection (a)(3), the commission shall require
12 that:

13 (1) cannabis and cannabis products be packaged in
14 opaque, resealable, child-resistant packaging that does not
15 resemble and may not be easily confused with typical packaging for
16 commercially sold chips, candy, chewing gum, or another product
17 attractive to minors;

18 (2) cannabis and cannabis products be clearly labeled;
19 and

20 (3) the label for a cannabis product disclose:

21 (A) the total amount of delta-9
22 tetrahydrocannabinol contained in that product; and

23 (B) any other cannabinoids that might impair a
24 person.

25 Sec. 494.0104. SECURE TRANSPORTATION OF CANNABIS. The
26 commission by rule shall establish standards applicable to cannabis
27 secure transporters, including standards to ensure all cannabis

1 establishments are properly served.

2 Sec. 494.0105. CONFLICT OF INTEREST. (a) A person who is
3 involved in the implementation, administration, or enforcement of
4 this chapter as a member or employee of the commission or a
5 consultant to the commission may not also hold a pecuniary interest
6 in any entity licensed under this chapter.

7 (b) A person who holds a pecuniary interest in a cannabis
8 testing facility or a cannabis secure transporter who holds a
9 license issued under this chapter may not hold a pecuniary interest
10 in any entity that holds a cannabis establishment or cannabis
11 grower license issued under this chapter.

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

15 Sec. 494.0106. ANNUAL REPORT. The commission shall
16 annually submit to the governor and the legislature a report
17 providing the following information regarding licensing and
18 regulation under this chapter:

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

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

23 (3) demographic information pertaining to license
24 holders;

25 (4) a description of any fines imposed on a license
26 holder or disciplinary actions taken against a license holder by
27 the commission;

1 (5) a statement of revenues and expenses of the
2 commission related to the implementation, administration, and
3 enforcement of this chapter;

4 (6) any reports of adverse events, including cannabis
5 hyperemesis syndrome and cannabis-induced psychosis;

6 (7) public safety concerns, including any information
7 on use of cannabis by persons younger than 21 years of age; and

8 (8) recommendations for legislation for upcoming
9 legislative sessions.

10 SUBCHAPTER D. LICENSING

11 Sec. 494.0151. LICENSE REQUIRED. A person must hold a
12 license issued under this chapter to operate as a cannabis grower,
13 cannabis establishment, cannabis secure transporter, or cannabis
14 testing facility.

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

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

24 (b) The application must indicate the class of license
25 sought and include the name and address of the applicant, the name
26 and address of each of the applicant's directors, managers, and
27 employees, and any other information considered necessary by the

1 commission to determine the applicant's eligibility for the
2 license.

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

4 (a) The commission shall issue or renew a license under this
5 chapter only if:

6 (1) the commission determines the applicant meets the
7 qualifications for the class of license sought established under
8 Section 494.0152; and

9 (2) the applicant is in compliance with any applicable
10 local regulations.

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

14 (c) A license issued or renewed under this section expires
15 as determined by commission rule.

16 Sec. 494.0155. DUTY TO MAINTAIN QUALIFICATIONS. A license
17 holder shall maintain compliance at all times with the
18 qualifications for the applicable class of license established
19 under Section 494.0152.

20 Sec. 494.0156. LICENSE SUSPENSION OR REVOCATION. (a) The
21 commission may at any time suspend or revoke a license issued under
22 this chapter if the commission determines that the license holder
23 has not maintained the qualifications established under Section
24 494.0152 or has failed to comply with a duty imposed under this
25 chapter.

26 (b) The commission shall give written notice to a license
27 holder of a license suspension or revocation under this section and

the grounds for the suspension or revocation. The notice must be sent by certified mail, return receipt requested.

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

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

Sec. 494.0157. CRIMINAL HISTORY BACKGROUND CHECK. (a) In addition to satisfying the other requirements provided by commission rule under this chapter, an applicant for a license under this chapter must submit to the commission a complete and legible set of fingerprints, on a form prescribed by the commission, for the purpose of obtaining criminal history record information from the Department of Public Safety and the Federal Bureau of Investigation.

(b) The commission may deny a license to an applicant who does not comply with the requirement of Subsection (a). Issuance of

1 a license under this chapter is conditioned on the commission
2 obtaining the applicant's criminal history record information
3 under this section.

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

10 SUBCHAPTER E. DUTIES OF LICENSE HOLDERS

11 Sec. 494.0201. DUTIES RELATING TO DISPENSING CANNABIS OR
12 CANNABIS PRODUCTS. Before dispensing cannabis or cannabis products
13 to an adult, a cannabis establishment must make reasonable efforts
14 to verify that:

15 (1) the person receiving the cannabis or cannabis
16 product is an adult;

17 (2) the cannabis or cannabis product complies with
18 commission testing and labeling rules; and

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

22 Sec. 494.0202. DUTIES RELATING TO SECURITY. (a) A license
23 holder shall ensure that the cultivation, processing, sale, or
24 display of cannabis, cannabis products, and cannabis-related drug
25 paraphernalia is not visible from a public place without the use of
26 optical aids or aircraft.

27 (b) A license holder may not cultivate, process, store, or

1 sell cannabis, cannabis products, or cannabis-related drug
2 paraphernalia at a location other than the physical address
3 approved by the commission for the establishment under the license
4 issued to the establishment under this chapter.

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

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

13 (b) A cannabis establishment may not sell tobacco products,
14 as defined by Section 155.001, Tax Code, or alcohol.

15 Sec. 494.0204. MONTHLY SALES REPORT. A cannabis
16 establishment shall monthly submit a report to the comptroller
17 specifying the amount of cannabis sold, the number of cannabis
18 products sold, the number and types of cannabis-related drug
19 paraphernalia sold, and the amount of money collected in sales by
20 the establishment during the preceding month.

21 SUBCHAPTER F. FUNDING FOR REGULATION, OVERSIGHT, TESTING, AND
22 QUALITY CONTROL

23 Sec. 494.0251. CANNABIS REGULATION ACCOUNT. (a) The
24 cannabis regulation account is an account in the general revenue
25 fund administered by the commission.

26 (b) The account consists of:

27 (1) money deposited to the credit of the account under

1 Section 166.0004, Tax Code; and

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

4 (c) Money in the account may be appropriated only to the
5 commission for implementing, enforcing, and administering this
6 chapter.

7 Sec. 494.0252. CANNABIS TESTING AND QUALITY CONTROL
8 ACCOUNT. (a) The cannabis testing and quality control account is
9 an account in the general revenue fund administered by the
10 commission.

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

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

17 Sec. 494.0253. CANNABIS ESTABLISHMENT REGULATION AND
18 OVERSIGHT LOCAL SHARE ACCOUNT; PAYMENT FROM ACCOUNT. (a) In this
19 section:

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

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

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

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

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

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

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

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

21 (g) Not later than April 1 of the year following the end of a
22 fiscal year for which a qualifying local government is entitled to a
23 cannabis establishment regulation assistance payment, the
24 qualifying local government may submit an application to the
25 comptroller to receive a cannabis establishment regulation
26 assistance payment for that fiscal year. The application must be
27 made on a form prescribed by the comptroller. The comptroller may

1 require the qualifying local government to submit any information
2 the comptroller needs to determine the amount of the cannabis
3 establishment regulation assistance payment to which the
4 qualifying local government is entitled.

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

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

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

Sec. 494.0254. DISCRETIONARY SERVICES PROGRAM SUPPORT ACCOUNT. (a) The discretionary services program support account is an account in the general revenue fund administered by the comptroller.

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

(c) Money in the account may be appropriated only for the purpose of providing funding for:

(1) accredited crime laboratories;

(2) research and programming to assist veterans experiencing substance use disorders, addiction issues, and other drug-related mental health issues;

(3) community development, including affordable housing and child-care services; and

(4) investments in statewide infrastructure, including water and the electrical grid.

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. PROHIBITED LOCAL REGULATION. Except as otherwise provided by this subchapter, a political subdivision of this state may not enact, adopt, or enforce a rule, ordinance, order, resolution, or other regulation that prohibits or

unreasonably restricts the cultivation, production, processing, dispensing, transportation, or possession of cannabis or cannabis products or the operation of a cannabis grower, cannabis establishment, cannabis secure transporter, or cannabis testing facility as authorized by this chapter.

Sec. 494.0303. PERMISSIBLE LOCAL REGULATION. A political subdivision may adopt regulations consistent with this chapter governing the hours of operation, location, manner of conducting business, and number of cannabis growers, cannabis establishments, or cannabis testing facilities.

Sec. 494.0304. LOCAL OPTION ELECTION: SALE OF CANNABIS AND CANNABIS PRODUCTS. (a) The sale of cannabis and cannabis products is authorized in each authorized voting unit in this state unless that status is changed by a local option election in the same authorized voting unit. A local option election authorized under this section must be held in the same manner as a local option election to prohibit or authorize the sale of alcoholic beverages as provided by Chapter 501, Election Code.

(b) An authorized voting unit that has exercised the right of local option election retains the status adopted, whether prohibition or legalization of the sale of cannabis and cannabis products, until that status is changed by a subsequent local option election in the same authorized voting unit.

Sec. 494.0305. CONTINUANCE OF OPERATION OF CANNABIS ESTABLISHMENT FOLLOWING LOCAL OPTION ELECTION. Notwithstanding any other provision of this code, a person who has been issued a cannabis establishment license may not subsequently be denied an

original or renewal license for the same location on the ground that the sale of cannabis and cannabis products has been prohibited in the area by a local option election. A person holding a license at the time of the election or issued a license as authorized by this section may exercise all privileges granted by this code to the holder of a cannabis establishment license, except selling cannabis and cannabis products to ultimate consumers.

Sec. 494.0306. 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. 494.0307. COMPLAINTS. (a) A political subdivision or health authority shall maintain a record of any complaints made to the political subdivision or health authority regarding the operations of a cannabis establishment.

(b) A political subdivision or health authority shall investigate a complaint or refer the complaint to the commission, as appropriate.

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

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

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

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

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

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

16 (c) An offense under this section is a Class A misdemeanor.

17 (d) It is a defense to prosecution under Subsection (a)(1)
18 that the person to whom the cannabis or cannabis products were sold
19 or given presented to the defendant apparently valid proof of
20 identification.

21 (e) A proof of identification satisfies the requirements of
22 Subsection (d) if it contains a physical description and photograph
23 consistent with the person's appearance, purports to establish that
24 the person is 21 years of age or older, and was issued by a
25 governmental agency. The proof of identification may include a
26 driver's license issued by this state or another state, a passport,
27 or an identification card issued by a state or the federal

1 government.

2 Sec. 494.0353. ELECTRONIC VERIFICATION OF CONSUMER'S
3 IDENTIFICATION. (a) A cannabis establishment license holder may
4 not sell or deliver cannabis or a cannabis product unless, before
5 initiating the sale or delivery, the license holder verifies that
6 the purchaser or recipient of the delivery is 21 years of age or
7 older.

8 (b) A license holder shall verify a purchaser's or
9 recipient's age under Subsection (a) by:

10 (1) personally inspecting the provided proof of
11 identification;

12 (2) scanning the provided proof of identification with
13 a device capable of deciphering electronically readable
14 information on a driver's license, commercial driver's license, or
15 identification certificate;

16 (3) using identification authentication software
17 approved by the Department of Public Safety; and

18 (4) using any other identification security features
19 the commission determines appropriate.

20 (c) A proof of identification provided by a purchaser or
21 recipient under this section must contain a physical description
22 and photograph consistent with the person's appearance, purport to
23 establish that the person is 21 years of age or older, and have been
24 issued by a governmental agency. The proof of identification may
25 include a driver's license or identification certificate issued by
26 the Department of Public Safety, a passport, or a military
27 identification card.

1 (d) A license holder may not sell or deliver cannabis or a
2 cannabis product to a purchaser or recipient unless the person
3 presents an apparently valid, unexpired proof of identification.

4 SECTION 2.02. Subtitle E, Title 2, Tax Code, is amended by
5 adding Chapter 166 to read as follows:

6 CHAPTER 166. TAX ON CANNABIS AND RELATED PRODUCTS

7 Sec. 166.0001. DEFINITIONS. In this chapter, "cannabis"
8 and "cannabis product" have the meanings assigned by Section
9 494.0001, Health and Safety Code.

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

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

14 Sec. 166.0003. APPLICATION OF OTHER PROVISIONS OF CODE.
15 (a) The tax imposed under this chapter is in addition to the taxes
16 imposed under Chapter 151.

17 (b) Except as provided by this chapter:

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

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

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

1 (1) 20 percent to the credit of the cannabis
2 regulation account under Section 494.0251, Health and Safety Code;

3 (2) 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;

6 (3) 10 percent to the credit of the cannabis testing
7 and quality control account under Section 494.0252, Health and
8 Safety Code;

9 (4) five percent to the credit of the Compassionate
10 Use Program established under Chapter 487, Health and Safety Code,
11 for marketing and increasing awareness of the program; and

12 (5) the remainder to the credit of the discretionary
13 services program support account under Section 494.0254, Health and
14 Safety Code.

15 ARTICLE 3. EXPUNCTION

16 SECTION 3.01. Subchapter A, Chapter 55A, Code of Criminal
17 Procedure, is amended by adding Article 55A.007 to read as follows:

18 Art. 55A.007. CERTAIN DECRIMINALIZED CANNABIS-RELATED
19 OFFENSES. A person to whom this subchapter applies is entitled to
20 the expunction of all records and files related to the arrest,
21 including, as applicable, any records and files related to a
22 conviction of the offense, if:

23 (1) the person is convicted of or placed on deferred
24 adjudication community supervision under Subchapter C, Chapter
25 42A, for the offense for which the person was arrested;

26 (2) the person was arrested for an offense under
27 Section 481.116, 481.121, or 481.125, Health and Safety Code, that:

1 (A) was committed before December 1, 2025; and

2 (B) involved only conduct that would have been
3 authorized under Section 494.0051 of that code if that conduct had
4 occurred on or after December 1, 2025; and

5 (3) as applicable:

6 (A) the person's sentence, including any term of
7 confinement or period of community supervision imposed and payment
8 of all fines and costs imposed, is finally discharged; or

9 (B) the person received a dismissal and discharge
10 under Article 42A.111 for the offense.

11 SECTION 3.02. Article 55A.251, Code of Criminal Procedure,
12 is amended to read as follows:

13 Art. 55A.251. FILING OF PETITION. (a) A person who is
14 entitled to expunction of records and files under Article 55A.002,
15 55A.004, or 55A.005 or Subchapter B, or a person who is eligible for
16 expunction of records and files under Article 55A.101, may, subject
17 to Article 55A.252, file an ex parte petition for expunction in a
18 district court for the county in which:

19 (1) the petitioner was arrested; or

20 (2) the offense was alleged to have occurred.

21 (b) A person who is entitled to expunction of records and
22 files under Article 55A.007 may file an ex parte petition for
23 expunction in the court that convicted the person or placed the
24 person on deferred adjudication community supervision.

25 SECTION 3.03. Article 55A.257, Code of Criminal Procedure,
26 is amended to read as follows:

27 Art. 55A.257. DEPARTMENT OF PUBLIC SAFETY MAY FILE PETITION

ON PERSON'S BEHALF. The director of the Department of Public Safety or the director's authorized representative may file on behalf of a person described by Article 55A.251(a) [~~55A.251~~] or 55A.256 an ex parte petition for expunction in a district court for the county in which:

(1) the person was arrested; or

(2) the offense was alleged to have occurred.

SECTION 3.04. Subchapter H, Chapter 55A, Code of Criminal Procedure, is amended by adding Article 55A.3565 to read as follows:

Art. 55A.3565. RETENTION AND INSPECTION OF CERTAIN RECORDS AFTER EXPUNCTION OF DECRIMINALIZED CANNABIS-RELATED OFFENSE. (a) This article applies only to records and files for which an expunction order has been issued on the basis of an entitlement under Article 55A.007.

(b) Notwithstanding any other law, the law enforcement agency, the prosecuting attorney responsible for investigating the offense for which the expunction order was issued, and the clerk of the applicable court may retain the records and files relating to the arrest for the offense, including any records and files related to a conviction of the offense, to be used only:

(1) for the investigation or prosecution of another offense arising out of the same transaction for which the person who is the subject of the order was arrested; or

(2) by the office of the governor in determining whether to issue a pardon or commute a sentence.

(c) The records and files for which the expunction order was

1 issued are not open for inspection by anyone, except that the
2 records and files are open for inspection by the person who is the
3 subject of the order or for the purposes described by Subsection
4 (b).

5 ARTICLE 4. CONFORMING CHANGES

6 SECTION 4.01. Section 122.103(c), Agriculture Code, is
7 amended to read as follows:

8 (c) A qualified applicant who along with the application
9 submits proof to the department that the applicant holds a license
10 under Chapter 487 or 494, Health and Safety Code, is not required to
11 pay an application fee, and the department shall issue the license
12 to the applicant within the time prescribed by Subsection (b).

13 SECTION 4.02. Sections 411.091(a) and (b), Government Code,
14 are amended to read as follows:

15 (a) The Texas Alcoholic Beverage Commission is entitled to
16 obtain from the department criminal history record information
17 maintained by the department that the commission believes is
18 necessary for the enforcement or administration of the Alcoholic
19 Beverage Code and Chapter 494, Health and Safety Code.

20 (b) Criminal history record information obtained by the
21 commission under Subsection (a) may be used only for the
22 enforcement and administration of the Alcoholic Beverage Code and
23 Chapter 494, Health and Safety Code.

24 SECTION 4.03. Section 443.202(a), Health and Safety Code,
25 is amended to read as follows:

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

1 494.

2 SECTION 4.04. Section 443.2025(a), Health and Safety Code,
3 is amended to read as follows:

4 (a) This section does not apply to low-THC cannabis
5 regulated under Chapter 487 or cannabis regulated under Chapter
6 494.

7 SECTION 4.05. Section 481.062, Health and Safety Code, is
8 amended to read as follows:

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

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

17 (2) a common or contract carrier, a warehouseman, or
18 an employee of a carrier or warehouseman whose possession of the
19 controlled substance is in the usual course of business or
20 employment;

21 (3) an ultimate user or a person in possession of the
22 controlled substance under a lawful order of a practitioner or in
23 lawful possession of the controlled substance if it is listed in
24 Schedule V;

25 (4) an officer or employee of this state, another
26 state, a political subdivision of this state or another state, or
27 the United States who is lawfully engaged in the enforcement of a

1 law relating to a controlled substance or drug or to a customs law
2 and authorized to possess the controlled substance in the discharge
3 of the person's official duties;

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

6 (A) a Department of State Health Services
7 official, a medical school researcher, or a research program
8 participant possessing the substance as authorized under
9 Subchapter G; or

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

14 (6) a dispensing organization licensed under Chapter
15 487 that possesses low-THC cannabis;

16 (7) a cannabis grower, cannabis establishment,
17 cannabis secure transporter, or cannabis testing facility licensed
18 under Chapter 494 that possesses cannabis or cannabis products; or

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

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

23 SECTION 4.06. Section 481.111, Health and Safety Code, is
24 amended by adding Subsections (g) and (h) to read as follows:

25 (g) Sections 481.113, 481.116, 481.120, 481.121, and
26 481.125 do not apply to a person who engages in the acquisition,
27 possession, production, processing, cultivation, delivery,

1 transportation, disposal, transfer, or use of a raw material used
2 in or by-product created by the production or cultivation of
3 cannabis or cannabis products if the conduct is expressly
4 authorized by Subchapter B, Chapter 494.

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

8 SECTION 4.07. Section 551.004, Occupations Code, is amended
9 by amending Subsection (a) and adding Subsection (a-1) to read as
10 follows:

11 (a) This subtitle does not apply to:

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

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

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

21 (4) a home and community support services agency that
22 possesses a dangerous drug as authorized by Section 142.0061,
23 142.0062, or 142.0063, Health and Safety Code; ~~or~~

24 (5) a dispensing organization~~[, as defined by Section~~
25 ~~487.001, Health and Safety Code,~~] that cultivates, processes, and
26 dispenses low-THC cannabis, as authorized by Chapter 487, Health
27 and Safety Code, to a patient listed in the compassionate-use

registry established under that chapter;

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

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

(a-1) For purposes of this section:

(1) "Cannabis," "cannabis establishment," "cannabis grower," "cannabis product," "cannabis secure transporter," and "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 4.08. 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;

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

2 (4) is not food; and

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

5 SECTION 4.09. Section 151.314, Tax Code, is amended by
6 adding Subsection (i) to read as follows:

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

10 SECTION 4.10. Section 151.316, Tax Code, is amended by
11 adding Subsection (e) to read as follows:

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

15 ARTICLE 5. TRANSITION; EFFECTIVE DATE

16 SECTION 5.01. (a) Not later than July 1, 2026, the Texas
17 Alcoholic Beverage Commission shall adopt rules as required to
18 implement, administer, and enforce Chapter 494, Health and Safety
19 Code, as added by this Act.

20 (b) Not later than November 1, 2026, the Texas Alcoholic
21 Beverage Commission shall begin licensing cannabis growers,
22 cannabis establishments, cannabis secure transporters, and
23 cannabis testing facilities in accordance with Chapter 494, Health
24 and Safety Code, as added by this Act, provided that the applicants
25 for a license have met all requirements for approval under Chapter
26 494, Health and Safety Code, as added by this Act.

27 SECTION 5.02. The changes in law made by this Act do not

1 affect tax liability accruing before the effective date of this
2 Act. That liability continues in effect as if this Act had not been
3 enacted, and the former law is continued in effect for the
4 collection of taxes due and for civil and criminal enforcement of
5 the liability for those taxes.

6 SECTION 5.03. The changes in law made by this Act to Chapter
7 [55A](#), Code of Criminal Procedure, apply to an expunction of arrest
8 records and files relating to an offense that was committed before
9 the effective date of this Act.

10 SECTION 5.04. This Act takes effect December 1, 2025.