

By: Bucy

H.B. No. 2975

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 or registration; creating a criminal offense; imposing a  
8 tax.

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

10 SECTION 1. This Act may be cited as the Texas Regulation of  
11 Cannabis Act.

12 SECTION 2. Subtitle C, Title 6, Health and Safety Code, is  
13 amended by adding Chapter 491 to read as follows:

14 CHAPTER 491. REGULATION OF CANNABIS

15 SUBCHAPTER A. GENERAL PROVISIONS

16 Sec. 491.0001. DEFINITIONS. In this chapter:

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

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

24 (A) the mature stalks of the plant or fiber

1 produced from the stalks;

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

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

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

7 (E) hemp, as that term is defined by Section  
8 121.001, Agriculture Code; or

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

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

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

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

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

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

1 in:

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

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

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

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

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

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

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

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

23 (14) "Marihuana" has the meaning assigned by Section  
24 [481.002](#).

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

1 cannabis products.

2 SUBCHAPTER B. PROTECTIONS FROM LEGAL ACTION RELATED TO CANNABIS

3 Sec. 491.0051. AUTHORIZED CONDUCT: PERSONAL USE OF  
4 CANNABIS. An adult is authorized under this chapter to:

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

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

13 (3) cultivate for personal use not more than 12  
14 cannabis plants in an area on the premises of the adult's private  
15 residence, provided that the cultivation occurs in an enclosed area  
16 that is:

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

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

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

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

25 (i) not more than 12 cannabis plants are  
26 possessed, cultivated, or processed on the premises at one time;

27 and

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

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

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

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

15                   Sec. 491.0052. AUTHORIZED CONDUCT: RETAIL CANNABIS  
16 OPERATIONS. This chapter authorizes the conduct of:

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

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

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

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

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

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

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

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

21           Sec. 491.0054. REGULATION OF CANNABIS ON PRIVATE PROPERTY.  
22 (a) Except as otherwise provided by Subsection (b), a person may  
23 prohibit or restrict the possession, consumption, cultivation,  
24 distribution, processing, sale, or display of cannabis or cannabis  
25 products on property the person owns, occupies, or manages.

26           (b) A person may not prohibit a residential tenant under a  
27 lease agreement from possessing cannabis, cannabis products, or

1 cannabis-related drug paraphernalia or consuming cannabis by means  
2 other than smoking on the premises.

3 (c) A person who allows the consumption of cannabis or a  
4 cannabis product at a place of business the person owns, occupies,  
5 or manages:

6 (1) may not allow a person younger than 21 years of age  
7 to enter the business; and

8 (2) must post a sign at each entrance to the business  
9 stating that a person younger than 21 years of age is not allowed to  
10 enter the business.

11 Sec. 491.0055. CONDUCT NOT AUTHORIZED UNDER THIS CHAPTER.

12 This chapter does not authorize the following conduct:

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

15 (2) smoking or otherwise consuming cannabis in:

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

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

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

22 (D) a public place, unless:

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

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

1                   (E) any place accessible to persons younger than  
2 21 years of age;

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

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

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

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

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

17                   SUBCHAPTER C. DUTIES OF COMMISSION AND DEPARTMENT

18                   Sec. 491.0101. DUTIES OF DEPARTMENT. The department shall  
19 administer this chapter.

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

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

27                   (c) A fee collected under this chapter shall be deposited to



1 the credit of the cannabis regulation account established under  
2 Section 491.0301.

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

6 (1) restrict the use of dangerous pesticides;

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

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

11 (4) restrict the maximum amount of  
12 tetrahydrocannabinol that may be contained in a cannabis product  
13 sold to a consumer;

14 (5) require recordkeeping and monitoring to track the  
15 transfer of cannabis and cannabis products between license holders;  
16 and

17 (6) require security measures, provided that the  
18 security measures do not restrict the cultivation of cannabis  
19 outdoors or in greenhouses.

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

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

22 (1) the operation of cannabis testing facilities;

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

24 (3) packaging and labeling requirements for cannabis  
25 and cannabis products.

26 (b) In establishing standards for packaging and labeling  
27 requirements under Subsection (a)(3), the commission shall require

1 that:

2 (1) cannabis and cannabis products be packaged in  
3 opaque, resealable, child-resistant packaging that does not  
4 resemble and may not be easily confused with typical packaging for  
5 commercially sold candy;

6 (2) cannabis and cannabis products be clearly labeled;  
7 and

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

10 Sec. 491.0104. SECURE TRANSPORTATION OF CANNABIS. The  
11 commission by rule shall establish standards applicable to cannabis  
12 secure transporters, including standards to ensure all cannabis  
13 establishments are properly served.

14 Sec. 491.0105. CONFLICT OF INTEREST. (a) A person who is  
15 involved in the implementation, administration, or enforcement of  
16 this chapter as a member of the commission, an employee of the  
17 department, or a consultant to the commission or the department may  
18 not also hold a pecuniary interest in any entity licensed by the  
19 department under this chapter.

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

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

1       Sec. 491.0106. ANNUAL REPORT. The executive director shall  
2 annually submit to the governor a report providing the following  
3 information regarding licensing and regulation under this chapter:

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

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

8           (3) demographic information pertaining to license  
9 holders;

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

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

16                           SUBCHAPTER D. LICENSING

17       Sec. 491.0151. LICENSE REQUIRED. A person must hold a  
18 license issued by the department under this chapter to operate as a  
19 cannabis grower, cannabis establishment, cannabis secure  
20 transporter, or cannabis testing facility.

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

26       Sec. 491.0153. APPLICATION. (a) A person may apply for an  
27 initial or renewal license under this chapter by submitting a form

1 prescribed by the department along with the application fee in an  
2 amount set by commission rule.

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

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

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

12 (1) the department determines the applicant meets the  
13 qualifications for the class of license sought established under  
14 Section 491.0152; and

15 (2) the applicant is in compliance with any applicable  
16 local regulations.

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

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

23 Sec. 491.0155. DUTY TO MAINTAIN QUALIFICATIONS. A license  
24 holder shall maintain compliance at all times with the  
25 qualifications for the applicable class of license established  
26 under Section 491.0152.

27 Sec. 491.0156. LICENSE SUSPENSION OR REVOCATION. (a) The

1 department may at any time suspend or revoke a license issued under  
2 this chapter if the department determines that the license holder  
3 has not maintained the qualifications established under Section  
4 491.0152 or has failed to comply with a duty imposed under this  
5 chapter.

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

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

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

25 Sec. 491.0157. CRIMINAL HISTORY BACKGROUND CHECK. (a) In  
26 addition to satisfying the other requirements provided by  
27 commission rule under this chapter, an applicant for a license

1 under this chapter must submit to the department a complete and  
2 legible set of fingerprints, on a form prescribed by the  
3 commission, for the purpose of obtaining criminal history record  
4 information from the Department of Public Safety and the Federal  
5 Bureau of Investigation.

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

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

17 SUBCHAPTER E. DUTIES OF LICENSE HOLDERS

18 Sec. 491.0201. DUTIES RELATING TO DISPENSING CANNABIS OR  
19 CANNABIS PRODUCTS. Before dispensing cannabis or cannabis products  
20 to an adult, a cannabis establishment must make reasonable efforts  
21 to verify that:

22 (1) the person receiving the cannabis or cannabis  
23 product is an adult, including by requiring the person receiving  
24 the cannabis or cannabis product to present proof of identification  
25 that satisfies the requirements of Section 491.0402(e) before  
26 receiving the cannabis or product;

27 (2) the cannabis or cannabis product complies with

1 department testing and labeling rules; and

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

5 Sec. 491.0202. DUTIES RELATING TO SECURITY. (a) A license  
6 holder shall ensure that the cultivation, processing, sale, or  
7 display of cannabis, cannabis products, and cannabis-related drug  
8 paraphernalia is not visible from a public place without the use of  
9 optical aids or aircraft.

10 (b) A license holder may not cultivate, process, store, or  
11 sell cannabis, cannabis products, or cannabis-related drug  
12 paraphernalia at a location other than the physical address  
13 approved by the department for the establishment under the license  
14 issued to the establishment under this chapter.

15 (c) A license holder shall adopt reasonable security  
16 measures necessary to restrict access to areas where cannabis,  
17 cannabis products, or cannabis-related drug paraphernalia are  
18 stored and to prevent theft of cannabis, cannabis products, and  
19 cannabis-related drug paraphernalia.

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

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

25 (c) A cannabis establishment may sell cannabis or cannabis  
26 products only between the hours of 10 a.m. and 9 p.m. each day.

27 (d) A cannabis establishment:

1           (1) may not allow a person younger than 21 years of age  
2 to enter the establishment; and

3           (2) must post a sign at each entrance to the  
4 establishment stating that a person younger than 21 years of age is  
5 not allowed to enter the establishment.

6           Sec. 491.0204. MONTHLY SALES REPORT. A cannabis  
7 establishment shall monthly submit a report to the comptroller  
8 specifying the amount of cannabis sold, the number of cannabis  
9 products sold, the number and types of cannabis-related drug  
10 paraphernalia sold, and the amount of money collected in sales by  
11 the establishment during the preceding month.

12           SUBCHAPTER F. REGISTRATION OF CERTAIN INDIVIDUALS

13           Sec. 491.0251. REGISTRATION REQUIRED. (a) An individual  
14 who is an employee of a cannabis establishment that dispenses  
15 cannabis or a cannabis product must apply for and obtain a  
16 registration under this section.

17           (b) An applicant for a registration under this section must:

18                   (1) be at least 21 years of age;

19                   (2) submit a complete set of fingerprints to the  
20 department in the manner required by department rule;

21                   (3) pass a fingerprint-based criminal history  
22 background check as required by Section 491.0157; and

23                   (4) submit to the department a fee in an amount  
24 prescribed by department rule.

25           (c) A registration expires on the second anniversary of the  
26 date of the registration's issuance, unless suspended or revoked  
27 under rules adopted under this chapter.



1           SUBCHAPTER G. FUNDING FOR REGULATION AND OVERSIGHT

2           Sec. 491.0301. CANNABIS REGULATION ACCOUNT. (a) The  
3 cannabis regulation account is an account in the general revenue  
4 fund administered by the department.

5           (b) The account consists of fees deposited to the credit of  
6 the account under 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. 491.0302. CANNABIS ESTABLISHMENT REGULATION AND  
10 OVERSIGHT LOCAL SHARE ACCOUNT; PAYMENT FROM ACCOUNT. (a) In this  
11 section:

12           (1) "Account" means the cannabis establishment  
13 regulation and oversight local share account created under this  
14 section.

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

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

20           (b) The cannabis establishment regulation and oversight  
21 local share account is an account in the general revenue fund  
22 administered by the comptroller.

23           (c) The account consists of money deposited to the credit of  
24 the account under Section 166.0005, Tax Code.

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

1       (e) To serve the state purpose of ensuring that local  
2 governments in which cannabis establishments are located may  
3 effectively participate in the regulation and oversight of those  
4 establishments, a qualifying local government is entitled to a  
5 cannabis establishment regulation assistance payment from the  
6 state for each fiscal year that the local government is a qualifying  
7 local government.

8       (f) Except as provided by Subsection (j), the amount of the  
9 cannabis establishment regulation assistance payment to which a  
10 qualifying local government is entitled for a fiscal year is equal  
11 to the cost incurred by the local government to enforce regulations  
12 adopted under Subchapter H.

13       (g) Not later than April 1 of the year following the end of a  
14 fiscal year for which a qualifying local government is entitled to a  
15 cannabis establishment regulation assistance payment, the  
16 qualifying local government may submit an application to the  
17 comptroller to receive a cannabis establishment regulation  
18 assistance payment for that fiscal year. The application must be  
19 made on a form prescribed by the comptroller. The comptroller may  
20 require the qualifying local government to submit any information  
21 the comptroller needs to determine the amount of the cannabis  
22 establishment regulation assistance payment to which the  
23 qualifying local government is entitled.

24       (h) A qualifying local government that does not submit an  
25 application to the comptroller by the date prescribed by Subsection  
26 (g) is not entitled to a cannabis establishment regulation  
27 assistance payment for the fiscal year for which that deadline

1 applies.

2 (i) The comptroller shall review each application by a local  
3 government to determine whether the local government is entitled to  
4 a cannabis establishment regulation assistance payment. If the  
5 comptroller determines that the local government is entitled to the  
6 payment, the comptroller shall remit the payment using available  
7 money in the account to the qualifying local government not later  
8 than the 30th day after the date the application for the payment is  
9 made.

10 (j) If at the time a cannabis establishment regulation  
11 assistance payment must be remitted to a qualifying local  
12 government under Subsection (i) the comptroller determines the  
13 available amount in the account is insufficient to make the  
14 payment, the comptroller may reduce the amount of the payment to the  
15 qualifying local government. If more than one payment must be  
16 remitted at a time when the available amount in the account is  
17 insufficient to make those payments, the comptroller shall make  
18 reduced payments to each qualifying local government. The  
19 comptroller shall allocate the reductions in the amount of the  
20 payments in a manner that is proportionate to the number of cannabis  
21 establishments in each qualifying local government.

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

24 SUBCHAPTER H. LOCAL REGULATION AND OVERSIGHT

25 Sec. 491.0351. DEFINITION. In this subchapter, "health  
26 authority" has the meaning assigned by Section [431.002](#).

27 Sec. 491.0352. PROHIBITED LOCAL REGULATION. A political

1 subdivision of this state may not enact, adopt, or enforce a rule,  
2 ordinance, order, resolution, or other regulation that prohibits or  
3 unreasonably restricts the cultivation, production, processing,  
4 dispensing, transportation, or possession of cannabis or cannabis  
5 products or the operation of a cannabis grower, cannabis  
6 establishment, cannabis secure transporter, or cannabis testing  
7 facility as authorized by this chapter.

8 Sec. 491.0353. PERMISSIBLE LOCAL REGULATION. A political  
9 subdivision may adopt regulations consistent with this chapter  
10 governing the hours of operation, location, manner of conducting  
11 business, and number of cannabis growers, cannabis establishments,  
12 or cannabis testing facilities.

13 Sec. 491.0354. PUBLIC HEALTH INSPECTIONS. A health  
14 authority may, on presenting appropriate credentials to the license  
15 holder or employee of the cannabis establishment:

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

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

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

24 Sec. 491.0355. COMPLAINTS. (a) A political subdivision or  
25 health authority shall maintain a record of any complaints made to  
26 the political subdivision or health authority regarding the  
27 operations of a cannabis establishment.



1 than 21 years of age.

2 (d) It is a defense to prosecution under Subsection (a)(1)  
3 that the person to whom the cannabis or cannabis product was sold or  
4 given presented to the defendant apparently valid proof of  
5 identification.

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

14 SECTION 3. Section 122.103(c), Agriculture Code, is amended  
15 to read as follows:

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

21 SECTION 4. Section 411.0891(a), Government Code, is amended  
22 to read as follows:

23 (a) The department may obtain as provided by Subsection  
24 (a-1) criminal history record information that relates to a person  
25 who:

26 (1) is an applicant for or holds a registration issued  
27 by the director under Subchapter C, Chapter 481, Health and Safety

1 Code, that authorizes the person to manufacture, distribute,  
2 analyze, or conduct research with a controlled substance;

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

7 (2-a) is an applicant for or holds a license issued  
8 under Chapter 491, Health and Safety Code, to be a cannabis grower,  
9 cannabis establishment, cannabis secure transporter, or cannabis  
10 testing facility, as defined by Section 491.0001, Health and Safety  
11 Code;

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

16 (4) is an applicant for or holds certification by the  
17 department as an inspection station or an inspector under  
18 Subchapter G, Chapter 548, Transportation Code, holds an inspection  
19 station or inspector certificate issued under that subchapter, or  
20 is the owner of an inspection station operating under that chapter;

21 (5) is an applicant for or holds a certificate of  
22 registration issued by the department under Chapter 1956,  
23 Occupations Code, to act as a metal recycling entity;

24 (6) is an applicant for or holds a license to carry a  
25 handgun issued by the department under Subchapter H, or is an  
26 applicant for or holds a certification as an instructor issued by  
27 the department under this chapter;

1           (7) is an applicant for or holds a Capitol access pass  
2 issued by the department under Section 411.0625; or

3           (8) is an applicant for or holds a license or  
4 commission issued by the department under Chapter 1702, Occupations  
5 Code.

6           SECTION 5. Section 434.017(a), Government Code, is amended  
7 to read as follows:

8           (a) The fund for veterans' assistance is a special fund in  
9 the state treasury outside the general revenue fund. The fund is  
10 composed of:

11           (1) money transferred to the fund at the direction of  
12 the legislature;

13           (2) gifts and grants contributed to the fund;

14           (3) the earnings of the fund;

15           (4) money transferred to the fund from proceeds of the  
16 lottery game operated under Section 466.027 or transferred to the  
17 fund under Section 466.408(b);

18           (5) money deposited to the credit of the fund under  
19 Section 502.1746, Transportation Code;

20           (6) money deposited to the credit of the fund under  
21 Sections 521.008 and 522.0295, Transportation Code;

22           (7) money deposited to the credit of the fund under  
23 Section 12.007, Parks and Wildlife Code; ~~and~~

24           (8) money deposited to the credit of the fund under  
25 Section 411.1741; and

26           (9) money deposited to the credit of the fund under  
27 Section 166.0005, Tax Code.



1 SECTION 6. Section 443.202(a), Health and Safety Code, is  
2 amended to read as follows:

3 (a) This section does not apply to low-THC cannabis  
4 regulated under Chapter 487 or cannabis regulated under Chapter  
5 491.

6 SECTION 7. Section 443.2025(a), Health and Safety Code, is  
7 amended to read as follows:

8 (a) This section does not apply to low-THC cannabis  
9 regulated under Chapter 487 or cannabis regulated under Chapter  
10 491.

11 SECTION 8. Subchapter E, Chapter 461A, Health and Safety  
12 Code, is amended by adding Section 461A.205 to read as follows:

13 Sec. 461A.205. CHEMICAL DEPENDENCY PREVENTION, TREATMENT,  
14 AND REHABILITATION ACCOUNT. (a) The chemical dependency  
15 prevention, treatment, and rehabilitation account is an account in  
16 the general revenue fund administered by the department.

17 (b) The account consists of money deposited to the account  
18 under Section 166.0005, Tax Code.

19 (c) Money in the account may be appropriated only to the  
20 department for purposes related to the prevention, treatment, and  
21 rehabilitation of chemical dependency.

22 SECTION 9. Section 481.062, Health and Safety Code, is  
23 amended to read as follows:

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

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

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

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

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

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

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

25                   (B) a practitioner or an ultimate user possessing  
26 the substance as a participant in a federally approved therapeutic  
27 research program that the commissioner has reviewed and found, in

1 writing, to contain a medically responsible research protocol; [~~or~~]

2 (6) a dispensing organization licensed under Chapter  
3 [487](#) that possesses low-THC cannabis;

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

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

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

11 SECTION 10. Section [481.111](#), Health and Safety Code, is  
12 amended by adding Subsections (g) and (h) to read as follows:

13 (g) Sections [481.113](#), [481.116](#), [481.120](#), [481.121](#), and  
14 [481.125](#) do not apply to a person who engages in the acquisition,  
15 possession, production, processing, cultivation, delivery,  
16 transportation, disposal, transfer, or use of a raw material used  
17 in or by-product created by the production or cultivation of  
18 cannabis or cannabis products if the conduct is expressly  
19 authorized by Subchapter B, Chapter 491.

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

23 SECTION 11. Section [551.004](#), Occupations Code, is amended  
24 by amending Subsection (a) and adding Subsection (a-1) to read as  
25 follows:

26 (a) This subtitle does not apply to:

27 (1) a practitioner licensed by the appropriate state

1 board who supplies a patient of the practitioner with a drug in a  
2 manner authorized by state or federal law and who does not operate a  
3 pharmacy for the retailing of prescription drugs;

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

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

9 (4) a home and community support services agency that  
10 possesses a dangerous drug as authorized by Section 142.0061,  
11 142.0062, or 142.0063, Health and Safety Code; [~~or~~]

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

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

23 (7) a person who transfers cannabis without  
24 remuneration as authorized by Section 491.0051, Health and Safety  
25 Code.

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

27 (1) "Cannabis," "cannabis establishment," "cannabis

1 grower," "cannabis product," "cannabis secure transporter," and  
2 "cannabis testing facility" have the meanings assigned by Section  
3 491.0001, Health and Safety Code.

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

7 SECTION 12. Section 151.313(c), Tax Code, is amended to  
8 read as follows:

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

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

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

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

17 (4) is not food; and

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

20 SECTION 13. Section 151.314, Tax Code, is amended by adding  
21 Subsection (i) to read as follows:

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

25 SECTION 14. Section 151.316, Tax Code, is amended by adding  
26 Subsection (e) to read as follows:

27 (e) The exemption provided by Subsection (a)(5) does not

1 apply to cannabis, as defined by Section 491.0001, Health and  
2 Safety Code.

3 SECTION 15. Subtitle E, Title 2, Tax Code, is amended by  
4 adding Chapter 166 to read as follows:

5 CHAPTER 166. TAX ON CANNABIS AND RELATED PRODUCTS

6 Sec. 166.0001. DEFINITIONS. In this chapter, "cannabis"  
7 and "cannabis product" have the meanings assigned by Section  
8 491.0001, Health and Safety Code.

9 Sec. 166.0002. APPLICABILITY. This section does not apply  
10 to low-THC cannabis regulated under Chapter 487, Health and Safety  
11 Code.

12 Sec. 166.0003. 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:

15 (1) 20 percent of the sales price of cannabis or a  
16 cannabis product for a sale from a cannabis establishment to a  
17 consumer; or

18 (2) 15 percent of the sales price of cannabis or a  
19 cannabis product for a sale from a cannabis grower to a cannabis  
20 establishment.

21 Sec. 166.0004. APPLICATION OF OTHER PROVISIONS OF CODE.

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

24 (b) Except as provided by this chapter:

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

1 collected, and enforced; and

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

5 Sec. 166.0005. DISPOSITION OF PROCEEDS. The comptroller  
6 shall deposit the proceeds from the tax imposed under this chapter  
7 as follows:

8 (1) 10 percent to the credit of the cannabis  
9 establishment regulation and oversight local share account under  
10 Section 491.0302, Health and Safety Code;

11 (2) 15 percent to the credit of the chemical  
12 dependency prevention, treatment, and rehabilitation account under  
13 Section 461A.205, Health and Safety Code;

14 (3) 25 percent to the credit of the fund for veterans'  
15 assistance under Section 434.017, Government Code; and

16 (4) the remainder to the credit of the permanent  
17 school fund.

18 SECTION 16. (a) Not later than July 1, 2026, the Texas  
19 Commission of Licensing and Regulation shall adopt rules as  
20 required to implement, administer, and enforce Chapter 491, Health  
21 and Safety Code, as added by this Act.

22 (b) Not later than November 1, 2026, the Texas Department of  
23 Licensing and Regulation shall begin licensing cannabis growers,  
24 cannabis establishments, cannabis secure transporters, and  
25 cannabis testing facilities in accordance with Chapter 491, Health  
26 and Safety Code, as added by this Act, provided that the applicants  
27 for a license have met all requirements for approval under Chapter

1 491, Health and Safety Code, as added by this Act.

2           SECTION 17. The changes in law made by this Act do not  
3 affect tax liability accruing before the effective date of this  
4 Act. That liability continues in effect as if this Act had not been  
5 enacted, and the former law is continued in effect for the  
6 collection of taxes due and for civil and criminal enforcement of  
7 the liability for those taxes.

8           SECTION 18. This Act takes effect September 1, 2025.