

116TH CONGRESS
1ST SESSION

H. R. 1120

To amend the Internal Revenue Code of 1986 to provide for the taxation and regulation of marijuana products, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 2019

Mr. BLUMENAUER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on the Judiciary, Energy and Commerce, Natural Resources, and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide for the taxation and regulation of marijuana products, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Marijuana Revenue and Regulation Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TAXATION

Sec. 101. Establishment of taxes relating to marijuana products.

TITLE II—REGULATION

Subtitle A—Amendments To Decriminalize Marijuana at the Federal Level

Sec. 201. Decriminalization of marijuana.

Sec. 202. Application of the Controlled Substances Act and Controlled Substances Import and Export Act to marijuana.

Sec. 203. Conforming and ancillary amendments.

Subtitle B—Federal Marijuana Licensing and Related Matters

Sec. 211. Federal marijuana administration.

Sec. 212. Addition of marijuana to certain legal authorities relating to intoxicating liquors.

Subtitle C—Other Amendments Relating to Federal Authority Regarding Marijuana

Sec. 221. Food and Drug Administration.

Sec. 222. Transferring agency functions with regard to marijuana.

Sec. 223. Unfair advertising practices.

Sec. 224. Comptroller General review of laws and regulations.

Sec. 225. Principal trade negotiating objective regarding marijuana, marijuana derivatives, and marijuana products.

TITLE III—FUNDING

Sec. 301. Increased funding for the Alcohol, Tobacco, and Marijuana Tax and Trade Bureau.

1 **TITLE I—TAXATION**
 2 **SEC. 101. ESTABLISHMENT OF TAXES RELATING TO MARI-**
 3 **JUANA PRODUCTS.**

4 (a) IN GENERAL.—Subtitle E of title I of the Inter-
 5 nal Revenue Code of 1986 is amended by adding at the
 6 end the following new chapter:

7 **“CHAPTER 56—MARIJUANA PRODUCTS**

“SUBCHAPTER A. TAX ON MARIJUANA PRODUCTS

“SUBCHAPTER B. OCCUPATIONAL TAX

“SUBCHAPTER C. BOND AND PERMITS

“SUBCHAPTER D. OPERATIONS

“SUBCHAPTER E. PENALTIES

1 **“Subchapter A—Tax on Marijuana Products**

“Sec. 5901. Imposition of tax.

“Sec. 5902. Definitions.

“Sec. 5903. Liability and method of payment.

“Sec. 5904. Exemption from tax.

“Sec. 5905. Credit, refund, or drawback of tax.

2 **“SEC. 5901. IMPOSITION OF TAX.**

3 “(a) IMPOSITION OF TAX.—There is hereby imposed
4 on any marijuana product produced in or imported into
5 the United States a tax equal to—

6 “(1) for any such product sold during the first
7 5 calendar years in which this chapter becomes ef-
8 fective, the applicable percentage of the price for
9 which such product is sold, and

10 “(2) for any product sold during any calendar
11 year after the period described in paragraph (1), the
12 applicable equivalent rate.

13 “(b) APPLICABLE PERCENTAGE.—For purposes of
14 subsection (a)(1), the applicable percentage shall be deter-
15 mined as follows:

16 “(1) For any marijuana product sold during the
17 first 2 calendar years in which this chapter becomes
18 effective, 10 percent.

19 “(2) For any marijuana product sold during the
20 calendar year after the period described in para-
21 graph (1), 15 percent.

1 “(3) For any marijuana product sold during the
2 calendar year after the period described in para-
3 graph (2), 20 percent.

4 “(4) For any marijuana product sold during the
5 calendar year after the period described in para-
6 graph (3), 25 percent.

7 “(c) APPLICABLE EQUIVALENT RATE.—

8 “(1) IN GENERAL.—For purposes of subsection
9 (a)(2), the applicable equivalent rate for each cal-
10 endar year shall be equal to—

11 “(A) in the case of any marijuana product
12 not described in subparagraph (B) which is sold
13 during such year, the applicable rate per ounce
14 of such product (and a proportionate tax at the
15 like rate on all fractional parts of an ounce of
16 such product), and

17 “(B) in the case of any marijuana product
18 containing a marijuana derivative which is sold
19 during such year, the applicable rate per gram
20 of tetrahydrocannabinol in such product (and a
21 proportionate tax at the like rate on all frac-
22 tional parts of a gram of tetrahydrocannabinol
23 in such product).

24 “(2) APPLICABLE RATE.—

1 “(A) IN GENERAL.—For purposes of para-
2 graph (1)(A), the applicable rate per ounce for
3 any calendar year shall be equal to 25 percent
4 of the prevailing sales price of marijuana sold
5 in the United States during the 12-month pe-
6 riod ending one calendar quarter before such
7 calendar year, expressed on a per ounce basis,
8 as determined by the Secretary.

9 “(B) MARIJUANA DERIVATIVES.—For pur-
10 poses of paragraph (1)(B), the applicable rate
11 per gram of tetrahydrocannabinol shall be equal
12 to the quotient obtained by dividing—

13 “(i) the applicable rate per ounce (as
14 determined under subparagraph (A)), by

15 “(ii) 2.83495.

16 “(d) TIME OF ATTACHMENT ON MARIJUANA PROD-
17 UCTS.—The tax under this section shall attach to any
18 marijuana product as soon as such product is in existence
19 as such, whether it be subsequently separated or trans-
20 ferred into any other substance, either in the process of
21 original production or by any subsequent process.

22 **“SEC. 5902. DEFINITIONS.**

23 “For purposes of this chapter:

24 “(1) EXPORT WAREHOUSE.—The term ‘export
25 warehouse’ means a bonded internal revenue ware-

1 house for the storage of marijuana products, upon
2 which the internal revenue tax has not been paid—

3 “(A) for subsequent shipment to a foreign
4 country, Puerto Rico, the Virgin Islands, or a
5 possession of the United States, or

6 “(B) for consumption beyond the jurisdic-
7 tion of the internal revenue laws of the United
8 States.

9 “(2) EXPORT WAREHOUSE PROPRIETOR.—The
10 term ‘export warehouse proprietor’ means any per-
11 son who operates an export warehouse.

12 “(3) IMPORTER.—The term ‘importer’ means
13 any person who—

14 “(A) is in the United States and to whom
15 nontaxpaid marijuana products, produced in a
16 foreign country, Puerto Rico, the Virgin Is-
17 lands, or a possession of the United States, are
18 shipped or consigned,

19 “(B) removes marijuana products for sale
20 or consumption in the United States from a
21 customs bonded warehouse, or

22 “(C) smuggles or otherwise unlawfully
23 brings marijuana or marijuana products into
24 the United States.

1 “(4) MARIJUANA.—The term ‘marijuana’ has
2 the meaning given the term ‘marihuana’ under sec-
3 tion 102(16) of the Controlled Substances Act (21
4 U.S.C. 802(16)).

5 “(5) MARIJUANA DERIVATIVE.—The term
6 ‘marijuana derivative’ means any article containing
7 marijuana, or any derivative thereof, which is not a
8 naturally grown and unadulterated marijuana flow-
9 er.

10 “(6) MARIJUANA ENTERPRISE.—The term
11 ‘marijuana enterprise’ means a producer, export
12 warehouse proprietor, or importer.

13 “(7) MARIJUANA PRODUCT.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), the term ‘marijuana prod-
16 uct’ means any article which contains mari-
17 juana or any marijuana derivative.

18 “(B) EXCEPTIONS.—

19 “(i) IN GENERAL.—The term ‘mari-
20 juana product’ shall not include—

21 “(I) any article containing mari-
22 juana which has been approved by the
23 Food and Drug Administration for
24 sale for therapeutic purposes and is

1 marketed and sold solely for such pur-
2 pose, or

3 “(II) industrial hemp.

4 “(ii) INDUSTRIAL HEMP.—For pur-
5 poses of clause (i)(II), the term ‘industrial
6 hemp’ means the plant *Cannabis sativa* L.
7 and any part of such plant, whether grow-
8 ing or not, with a delta-9 tetrahydrocan-
9 nabinol concentration of not more than 0.3
10 percent on a dry weight basis.

11 “(8) MARIJUANA PRODUCTION FACILITY.—The
12 term ‘marijuana production facility’ means an estab-
13 lishment which is qualified under subchapter C to
14 perform any operation for which such qualification is
15 required under such subchapter.

16 “(9) PRODUCER.—The term ‘producer’ means
17 any person who—

18 “(A) plants, cultivates, harvests, or other-
19 wise produces marijuana or marijuana prod-
20 ucts, or

21 “(B) manufactures, compounds, converts,
22 processes, prepares, or packages marijuana
23 products.

24 “(10) REMOVAL; REMOVE.—The terms ‘re-
25 moval’ or ‘remove’ mean—

1 “(A) the removal of marijuana products
2 from the premises of a producer, or from inter-
3 nal revenue bond under section 5904, as the
4 Secretary shall by regulation prescribe,

5 “(B) release of such products from cus-
6 toms custody, or

7 “(C) smuggling or other unlawful importa-
8 tion of such products into the United States.

9 “(11) RETAILER.—The term ‘retailer’ means a
10 person who sells marijuana products to consumers.

11 **“SEC. 5903. LIABILITY AND METHOD OF PAYMENT.**

12 “(a) LIABILITY FOR TAX.—

13 “(1) ORIGINAL LIABILITY.—The producer or
14 importer of any marijuana product shall be liable for
15 the taxes imposed thereon by section 5901.

16 “(2) TRANSFER OF LIABILITY.—

17 “(A) IN GENERAL.—When marijuana
18 products are transferred, without payment of
19 tax, pursuant to section 5904, the liability for
20 tax shall be transferred in accordance with the
21 provisions of this paragraph.

22 “(B) TRANSFER BETWEEN PRODUCER AND
23 EXPORT WAREHOUSE PROPRIETOR.—In the
24 case of marijuana products which are trans-
25 ferred between the bonded premises of pro-

1 ducers and export warehouse proprietors, the
2 transferee shall become liable for the tax upon
3 receipt by the transferee of such articles, and
4 the transferor shall thereupon be relieved of
5 their liability for such tax.

6 “(C) TRANSFER FROM CUSTOMS CUSTODY
7 TO PRODUCER.—In the case of marijuana prod-
8 ucts which are released in bond from customs
9 custody for transfer to the bonded premises of
10 a producer, the transferee shall become liable
11 for the tax on such articles upon release from
12 customs custody, and the importer shall there-
13 upon be relieved of their liability for such tax.

14 “(D) RETURNED TO BOND.—All provisions
15 of this chapter applicable to marijuana products
16 in bond shall be applicable to such articles re-
17 turned to bond upon withdrawal from the mar-
18 ket or returned to bond after previous removal
19 for a tax-exempt purpose.

20 “(b) METHOD OF PAYMENT OF TAX.—

21 “(1) IN GENERAL.—

22 “(A) DETERMINATION AND PAYMENT OF
23 TAX.—The taxes imposed by section 5901 shall
24 be determined at the time of removal of the
25 marijuana products. Such taxes shall be paid on

1 the basis of return. The Secretary shall, by reg-
2 ulations, prescribe the period or the event for
3 which such return shall be made and the infor-
4 mation to be furnished on such return.

5 “(B) POSTPONEMENT.—Any postponement
6 under this subsection of the payment of taxes
7 determined at the time of removal shall be con-
8 ditioned upon the filing of such additional
9 bonds, and upon compliance with such require-
10 ments, as the Secretary may prescribe for the
11 protection of the revenue. The Secretary may,
12 by regulations, require payment of tax on the
13 basis of a return prior to removal of the mari-
14 juana products where a person defaults in the
15 postponed payment of tax on the basis of a re-
16 turn under this subsection or regulations pre-
17 scribed thereunder.

18 “(C) ADMINISTRATION AND PENALTIES.—
19 All administrative and penalty provisions of this
20 title, insofar as applicable, shall apply to any
21 tax imposed by section 5901.

22 “(2) TIME FOR PAYMENT OF TAXES.—

23 “(A) IN GENERAL.—Except as otherwise
24 provided in this paragraph, in the case of taxes
25 on marijuana products removed during any

1 semimonthly period under bond for deferred
2 payment of tax, the last day for payment of
3 such taxes shall be the 14th day after the last
4 day of such semimonthly period.

5 “(B) IMPORTED ARTICLES.—In the case of
6 marijuana products which are imported into the
7 United States, the following provisions shall
8 apply:

9 “(i) IN GENERAL.—The last day for
10 payment of tax shall be the 14th day after
11 the last day of the semimonthly period
12 during which the article is entered into the
13 customs territory of the United States.

14 “(ii) SPECIAL RULE FOR ENTRY OF
15 WAREHOUSING.—Except as provided in
16 clause (iv), in the case of an entry for
17 warehousing, the last day for payment of
18 tax shall not be later than the 14th day
19 after the last day of the semimonthly pe-
20 riod during which the article is removed
21 from the first such warehouse.

22 “(iii) FOREIGN TRADE ZONES.—Ex-
23 cept as provided in clause (iv) and in regu-
24 lations prescribed by the Secretary, articles
25 brought into a foreign trade zone shall,

1 notwithstanding any other provision of law,
2 be treated for purposes of this subsection
3 as if such zone were a single customs
4 warehouse.

5 “(iv) EXCEPTION FOR ARTICLES DES-
6 TINED FOR EXPORT.—Clauses (ii) and (iii)
7 shall not apply to any article which is
8 shown to the satisfaction of the Secretary
9 to be destined for export.

10 “(C) MARIJUANA PRODUCTS BROUGHT
11 INTO THE UNITED STATES FROM PUERTO
12 RICO.—In the case of marijuana products which
13 are brought into the United States from Puerto
14 Rico, the last day for payment of tax shall be
15 the 14th day after the last day of the semi-
16 monthly period during which the article is
17 brought into the United States.

18 “(D) SPECIAL RULE WHERE DUE DATE
19 FALLS ON SATURDAY, SUNDAY, OR HOLIDAY.—
20 Notwithstanding section 7503, if, but for this
21 subparagraph, the due date under this para-
22 graph would fall on a Saturday, Sunday, or a
23 legal holiday (as defined in section 7503), such
24 due date shall be the immediately preceding day

1 which is not a Saturday, Sunday, or such a hol-
2 iday.

3 “(E) SPECIAL RULE FOR UNLAWFULLY
4 PRODUCED MARIJUANA PRODUCTS.—In the
5 case of any marijuana products produced in the
6 United States at any place other than the
7 premises of a producer that has filed the bond
8 and obtained the permit required under this
9 chapter, tax shall be due and payable imme-
10 diately upon production.

11 “(3) PAYMENT BY ELECTRONIC FUND TRANS-
12 FER.—Any person who in any 12-month period, end-
13 ing December 31, was liable for a gross amount
14 equal to or exceeding \$5,000,000 in taxes imposed
15 on marijuana products by section 5901 (or section
16 7652) shall pay such taxes during the succeeding
17 calendar year by electronic fund transfer (as defined
18 in section 5061(e)(2)) to a Federal Reserve Bank.
19 Rules similar to the rules of section 5061(e)(3) shall
20 apply to the \$5,000,000 amount specified in the pre-
21 ceding sentence.

22 “(c) DEFINITION OF PRICE.—

23 “(1) CONTAINERS, PACKING AND TRANSPOR-
24 TATION CHARGES.—In determining, for the purposes
25 of this chapter, the price for which an article is sold,

1 there shall be included any charge for coverings and
2 containers of whatever nature, and any charge inci-
3 dent to placing the article in condition packed ready
4 for shipment, but there shall be excluded the amount
5 of tax imposed by this chapter, whether or not stat-
6 ed as a separate charge. A transportation, delivery,
7 insurance, installation, or other charge (not required
8 by the preceding sentence to be included) shall be
9 excluded from the price only if the amount thereof
10 is established to the satisfaction of the Secretary in
11 accordance with regulations.

12 “(2) CONSTRUCTIVE SALE PRICE.—

13 “(A) IN GENERAL.—If an article is sold di-
14 rectly to consumers, sold on consignment, or
15 sold (otherwise than through an arm’s length
16 transaction) at less than the fair market price,
17 or if the price for which the article sold cannot
18 be determined, the tax under section 5901(a)
19 shall be computed on the price for which such
20 articles are sold, in the ordinary course of
21 trade, by producers thereof, as determined by
22 the Secretary.

23 “(B) ARM’S LENGTH.—

24 “(i) IN GENERAL.—For purposes of
25 this section, a sale is considered to be

1 made under circumstances otherwise than
2 at arm's length if—

3 “(I) the parties are members of
4 the same controlled group, whether or
5 not such control is actually exercised
6 to influence the sale price, or

7 “(II) the sale is made pursuant
8 to special arrangements between a
9 producer and a purchaser.

10 “(ii) CONTROLLED GROUPS.—

11 “(I) IN GENERAL.—The term
12 ‘controlled group’ has the meaning
13 given to such term by subsection (a)
14 of section 1563, except that ‘more
15 than 50 percent’ shall be substituted
16 for ‘at least 80 percent’ each place it
17 appears in such subsection.

18 “(II) CONTROLLED GROUPS
19 WHICH INCLUDE NONINCORPORATED
20 PERSONS.—Under regulations pre-
21 scribed by the Secretary, principles
22 similar to the principles of subclause
23 (I) shall apply to a group of persons
24 under common control where one or

1 more of such persons is not a corpora-
2 tion.

3 “(d) PARTIAL PAYMENTS AND INSTALLMENT AC-
4 COUNTS.—

5 “(1) PARTIAL PAYMENTS.—In the case of—

6 “(A) a contract for the sale of an article
7 wherein it is provided that the price shall be
8 paid by installments and title to the article sold
9 does not pass until a future date notwith-
10 standing partial payment by installments,

11 “(B) a conditional sale, or

12 “(C) a chattel mortgage arrangement
13 wherein it is provided that the sales price shall
14 be paid in installments,

15 there shall be paid upon each payment with respect
16 to the article a percentage of such payment equal to
17 the rate of tax in effect on the date such payment
18 is due.

19 “(2) SALES OF INSTALLMENT ACCOUNTS.—If
20 installment accounts, with respect to payments on
21 which tax is being computed as provided in para-
22 graph (1), are sold or otherwise disposed of, then
23 paragraph (1) shall not apply with respect to any
24 subsequent payments on such accounts (other than
25 subsequent payments on returned accounts with re-

1 spect to which credit or refund is allowable by rea-
2 son of section 6416(b)(5)), but instead—

3 “(A) there shall be paid an amount equal
4 to the difference between—

5 “(i) the tax previously paid on the
6 payments on such installment accounts,
7 and

8 “(ii) the total tax which would be pay-
9 able if such installment accounts had not
10 been sold or otherwise disposed of (com-
11 puted as provided in paragraph (1)), ex-
12 cept that

13 “(B) if any such sale is pursuant to the
14 order of, or subject to the approval of, a court
15 of competent jurisdiction in a bankruptcy or in-
16 solvency proceeding, the amount computed
17 under subparagraph (A) shall not exceed the
18 sum of the amounts computed by multiplying—

19 “(i) the proportionate share of the
20 amount for which such accounts are sold
21 which is allocable to each unpaid install-
22 ment payment, by

23 “(ii) the rate of tax under this chap-
24 ter in effect on the date such unpaid in-
25 stallment payment is or was due.

1 The sum of the amounts payable under this
2 subsection in respect of the sale of any article
3 shall not exceed the total tax.

4 **“SEC. 5904. EXEMPTION FROM TAX.**

5 “(a) IN GENERAL.—Marijuana products on which
6 the internal revenue tax has not been paid or determined
7 may, subject to such regulations as the Secretary shall
8 prescribe, be withdrawn from the bonded premises of any
9 producer in approved containers free of tax and not for
10 resale for use—

11 “(1) exclusively in scientific research by a lab-
12 oratory,

13 “(2) by a proprietor of a marijuana production
14 facility in research, development, or testing (other
15 than consumer testing or other market analysis) of
16 processes, systems, materials, or equipment, relating
17 to marijuana or marijuana operations, under such
18 limitations and conditions as to quantities, use, and
19 accountability as the Secretary may by regulations
20 require for the protection of the revenue, or

21 “(3) by the United States or any governmental
22 agency thereof, any State, any political subdivision
23 of a State, or the District of Columbia, for non-
24 consumption purposes.

1 “(b) MARIJUANA PRODUCTS TRANSFERRED OR RE-
2 MOVED IN BOND FROM DOMESTIC FACTORIES AND EX-
3 PORT WAREHOUSES.—

4 “(1) IN GENERAL.—Subject to such regulations
5 and under such bonds as the Secretary shall pre-
6 scribe, a producer or export warehouse proprietor
7 may transfer marijuana products, without payment
8 of tax, to the bonded premises of another producer
9 or export warehouse proprietor, or remove such arti-
10 cles, without payment of tax, for shipment to a for-
11 eign country, Puerto Rico, the Virgin Islands, or a
12 possession of the United States, or for consumption
13 beyond the jurisdiction of the internal revenue laws
14 of the United States.

15 “(2) LABELING.—Marijuana products may not
16 be transferred or removed under this subsection un-
17 less such products bear such marks, labels, or no-
18 tices as the Secretary shall by regulations prescribe.

19 “(c) MARIJUANA PRODUCTS RELEASED IN BOND
20 FROM CUSTOMS CUSTODY.—Marijuana products im-
21 ported or brought into the United States may be released
22 from customs custody, without payment of tax, for deliv-
23 ery to a producer or export warehouse proprietor if such
24 articles are not put up in packages, in accordance with

1 such regulations and under such bond as the Secretary
2 shall prescribe.

3 “(d) MARIJUANA PRODUCTS EXPORTED AND RE-
4 TURNED.—Marijuana products classifiable under item
5 9801.00.10 of the Harmonized Tariff Schedule of the
6 United States (relating to duty on certain articles pre-
7 viously exported and returned), as in effect on the date
8 of the enactment of the Marijuana Revenue and Regula-
9 tion Act, may be released from customs custody, without
10 payment of that part of the duty attributable to the inter-
11 nal revenue tax for delivery to the original producer of
12 such marijuana products or to the export warehouse pro-
13 prietor authorized by such producer to receive such prod-
14 ucts, in accordance with such regulations and under such
15 bond as the Secretary shall prescribe. Upon such release
16 such products shall be subject to this chapter as if they
17 had not been exported or otherwise removed from internal
18 revenue bond.

19 **“SEC. 5905. CREDIT, REFUND, OR DRAWBACK OF TAX.**

20 “(a) CREDIT OR REFUND.—

21 “(1) IN GENERAL.—Credit or refund of any tax
22 imposed by this chapter or section 7652 shall be al-
23 lowed or made (without interest) to the producer,
24 importer, or export warehouse proprietor on proof
25 satisfactory to the Secretary that the claimant pro-

1 ducer, importer, or export warehouse proprietor has
2 paid the tax on—

3 “(A) marijuana products withdrawn from
4 the market by the claimant, or

5 “(B) such products lost (otherwise than by
6 theft) or destroyed, by fire, casualty, or act of
7 God, while in the possession or ownership of the
8 claimant.

9 “(2) MARIJUANA PRODUCTS LOST OR DE-
10 STROYED IN BOND.—

11 “(A) EXTENT OF LOSS ALLOWANCE.—No
12 tax shall be collected in respect of marijuana
13 products lost or destroyed while in bond, except
14 that such tax shall be collected—

15 “(i) in the case of loss by theft, unless
16 the Secretary finds that the theft occurred
17 without connivance, collusion, fraud, or
18 negligence on the part of the proprietor of
19 marijuana production facility, owner, con-
20 signor, consignee, bailee, or carrier, or
21 their employees or agents,

22 “(ii) in the case of voluntary destruc-
23 tion, unless such destruction is carried out
24 as provided in paragraph (3), and

1 “(iii) in the case of an unexplained
2 shortage of marijuana products.

3 “(B) PROOF OF LOSS.—In any case in
4 which marijuana products are lost or destroyed,
5 whether by theft or otherwise, the Secretary
6 may require the proprietor of a marijuana pro-
7 duction facility or other person liable for the
8 tax to file a claim for relief from the tax and
9 submit proof as to the cause of such loss. In
10 every case where it appears that the loss was by
11 theft, the burden shall be upon the proprietor
12 of the marijuana production facility or other
13 person responsible for the tax under section
14 5901 to establish to the satisfaction of the Sec-
15 retary that such loss did not occur as the result
16 of connivance, collusion, fraud, or negligence on
17 the part of the proprietor of the marijuana pro-
18 duction facility, owner, consignor, consignee,
19 bailee, or carrier, or their employees or agents.

20 “(C) REFUND OF TAX.—In any case where
21 the tax would not be collectible by virtue of sub-
22 paragraph (A), but such tax has been paid, the
23 Secretary shall refund such tax.

24 “(D) LIMITATIONS.—Except as provided in
25 subparagraph (E), no tax shall be abated, re-

1 mitted, credited, or refunded under this para-
2 graph where the loss occurred after the tax was
3 determined. The abatement, remission, credit,
4 or refund of taxes provided for by subpara-
5 graphs (A) and (C) in the case of loss of mari-
6 juana products by theft shall only be allowed to
7 the extent that the claimant is not indemnified
8 against or recompensed in respect of the tax for
9 such loss.

10 “(E) APPLICABILITY.—The provisions of
11 this paragraph shall extend to and apply in re-
12 spect of marijuana products lost after the tax
13 was determined and before completion of the
14 physical removal of the marijuana products
15 from the bonded premises.

16 “(3) VOLUNTARY DESTRUCTION.—The propri-
17 etor of a marijuana production facility or other per-
18 sons liable for the tax imposed by this chapter or by
19 section 7652 with respect to any marijuana product
20 in bond may voluntarily destroy such products, but
21 only if such destruction is under such supervision
22 and under such regulations as the Secretary may
23 prescribe.

24 “(4) LIMITATION.—Any claim for credit or re-
25 fund of tax under this subsection shall be filed with-

1 in 6 months after the date of the withdrawal from
2 the market, loss, or destruction of the products to
3 which the claim relates, and shall be in such form
4 and contain such information as the Secretary shall
5 by regulations prescribe.

6 “(b) DRAWBACK OF TAX.—There shall be an allow-
7 ance of drawback of tax paid on marijuana products, when
8 shipped from the United States, in accordance with such
9 regulations and upon the filing of such bond as the Sec-
10 retary shall prescribe.

11 **“Subchapter B—Occupational Tax**

“Sec. 5911. Imposition and rate of tax.

“Sec. 5912. Payment of tax.

“Sec. 5913. Provisions relating to liability for occupational taxes.

“Sec. 5914. Application to State laws.

12 **“SEC. 5911. IMPOSITION AND RATE OF TAX.**

13 “(a) IN GENERAL.—Any person engaged in business
14 as a producer or an export warehouse proprietor shall pay
15 a tax of \$1,000 per year (referred to in this subchapter
16 as an ‘occupational tax’) in respect of each premises at
17 which such business is carried on.

18 “(b) PENALTY FOR FAILURE TO REGISTER.—Any
19 person engaged in business as a producer or an export
20 warehouse proprietor who willfully fails to pay the occupa-
21 tion tax shall be fined not more than \$5,000, or impris-
22 oned not more than 2 years, or both, for each such offense.

1 **“SEC. 5912. PAYMENT OF TAX.**

2 “(a) **CONDITION PRECEDENT TO CARRYING ON**
3 **BUSINESS.**—No person shall be engaged in or carry on
4 any trade or business subject to the occupational tax until
5 such person has paid such tax.

6 “(b) **COMPUTATION.**—

7 “(1) **IN GENERAL.**—The occupational tax shall
8 be imposed—

9 “(A) as of on the first day of July in each
10 year, or

11 “(B) on commencing any trade or business
12 on which such tax is imposed.

13 “(2) **PERIOD.**—In the case of a tax imposed
14 under subparagraph (A) of paragraph (1), the occu-
15 pational tax shall be reckoned for 1 year, and in the
16 case of subparagraph (B) of such paragraph, it shall
17 be reckoned proportionately, from the first day of
18 the month in which the liability to such tax com-
19 menced, to and including the 30th day of June fol-
20 lowing.

21 “(c) **METHOD OF PAYMENT.**—

22 “(1) **PAYMENT BY RETURN.**—The occupational
23 tax shall be paid on the basis of a return under such
24 regulations as the Secretary shall prescribe.

25 “(2) **STAMP DENOTING PAYMENT OF TAX.**—
26 After receiving a properly executed return and re-

1 “(2) STORAGE.—Nothing contained in para-
2 graph (1) shall require imposition of an occupational
3 tax for the storage of marijuana products at a loca-
4 tion other than the place where such products are
5 sold or offered for sale.

6 “(3) PLACE.—

7 “(A) IN GENERAL.—For purposes of this
8 section, the term ‘place’ means the entire office,
9 plant or area of the business in any one loca-
10 tion under the same proprietorship.

11 “(B) DIVISIONS.—For purposes of this
12 paragraph, any passageways, streets, highways,
13 rail crossings, waterways, or partitions dividing
14 the premises shall not be deemed sufficient sep-
15 aration to require an additional occupational
16 tax, if the various divisions are otherwise con-
17 tiguous.

18 “(d) DEATH OR CHANGE OF LOCATION.—

19 “(1) IN GENERAL.—In addition to the person
20 who has paid the occupational tax for the carrying
21 on of any business at any place, any person de-
22 scribed in paragraph (2) may secure the right to
23 carry on, without incurring any additional occupa-
24 tional tax, the same business at the same place for

1 the remainder of the taxable period for which the oc-
2 cupational tax was paid.

3 “(2) ELIGIBLE PERSONS.—The persons de-
4 scribed in this paragraph are the following:

5 “(A) The surviving spouse or child, or ex-
6 ecutor or administrator or other legal represent-
7 ative, of a deceased taxpayer.

8 “(B) A husband or wife succeeding to the
9 business of his or her living spouse.

10 “(C) A receiver or trustee in bankruptcy,
11 or an assignee for benefit of creditors.

12 “(D) The partner or partners remaining
13 after death or withdrawal of a member of a
14 partnership.

15 “(3) CHANGE OF LOCATION.—When any person
16 moves to any place other than the place for which
17 occupational tax was paid for the carrying on of any
18 business, such person may secure the right to carry
19 on, without incurring additional occupational tax,
20 the same business at the new location for the re-
21 mainder of the taxable period for which the occupa-
22 tional tax was paid. To secure the right to carry on
23 the business without incurring additional occupa-
24 tional tax, the successor, or the person relocating
25 their business, must register the succession or relo-

1 cation with the Secretary in accordance with regula-
 2 tions prescribed by the Secretary.

3 “(e) FEDERAL AGENCIES OR INSTRUMENTAL-
 4 ITIES.—Any tax imposed by this subchapter shall apply
 5 to any agency or instrumentality of the United States un-
 6 less such agency or instrumentality is granted by statute
 7 a specific exemption from such tax.

8 **“SEC. 5914. APPLICATION TO STATE LAWS.**

9 “The payment of any tax imposed by this subchapter
 10 for carrying on any trade or business shall not be held
 11 to—

12 “(1) exempt any person from any penalty or
 13 punishment provided by the laws of any State for
 14 carrying on such trade or business within such
 15 State, or in any manner to authorize the commence-
 16 ment or continuance of such trade or business con-
 17 trary to the laws of such State or in places prohib-
 18 ited by municipal law, or

19 “(2) prohibit any State from placing a duty or
 20 tax on the same trade or business, for State or other
 21 purposes.

22 **“Subchapter C—Bond and Permits**

“Sec. 5921. Establishment and bond.

“Sec. 5922. Application for permit.

“Sec. 5923. Permit.

1 **“SEC. 5921. ESTABLISHMENT AND BOND.**

2 “(a) PROHIBITION ON PRODUCTION OUTSIDE OF
3 BONDED MARIJUANA PRODUCTION FACILITY.—

4 “(1) IN GENERAL.—Except as authorized by
5 the Secretary or on the bonded premises of a mari-
6 juana production facility duly authorized to produce
7 marijuana products according to law—

8 “(A) no marijuana may be planted, cul-
9 tivated, harvested, or grown in any building or
10 on any premises, and

11 “(B) no marijuana product may be manu-
12 factured, compounded, converted, processed,
13 prepared, or packaged in any building or on
14 any premises.

15 “(2) AUTHORIZED PRODUCERS ONLY.—No per-
16 son other than a producer which has filed the bond
17 required under subsection (b) and received a permit
18 described in section 5923 may produce any mari-
19 juana product.

20 “(b) BOND.—

21 “(1) WHEN REQUIRED.—Every person, before
22 commencing business as a producer or an export
23 warehouse proprietor, shall file such bond, condi-
24 tioned upon compliance with this chapter and regu-
25 lations issued thereunder, in such form, amount, and
26 manner as the Secretary shall by regulation pre-

1 scribe. A new or additional bond may be required
2 whenever the Secretary considers such action nec-
3 essary for the protection of the revenue.

4 “(2) APPROVAL OR DISAPPROVAL.—No person
5 shall engage in such business until he receives notice
6 of approval of such bond. A bond may be dis-
7 approved, upon notice to the principal on the bond,
8 if the Secretary determines that the bond is not ade-
9 quate to protect the revenue.

10 “(3) CANCELLATION.—Any bond filed here-
11 under may be canceled, upon notice to the principal
12 on the bond, whenever the Secretary determines that
13 the bond no longer adequately protects the revenue.

14 **“SEC. 5922. APPLICATION FOR PERMIT.**

15 “(a) IN GENERAL.—Every person, before com-
16 mencing business as a marijuana enterprise, and at such
17 other time as the Secretary shall by regulation prescribe,
18 shall make application for the permit provided for in sec-
19 tion 5923. The application shall be in such form as the
20 Secretary shall prescribe and shall set forth, truthfully and
21 accurately, the information called for on the form. Such
22 application may be rejected and the permit denied if the
23 Secretary, after notice and opportunity for hearing, finds
24 that—

1 “(1) the premises on which it is proposed to
2 conduct the marijuana enterprise are not adequate
3 to protect the revenue,

4 “(2) the activity proposed to be carried out at
5 such premises does not meet such minimum capacity
6 or activity requirements as the Secretary may pre-
7 scribe, or

8 “(3) such person (including, in the case of a
9 corporation, any officer, director, or principal stock-
10 holder and, in the case of a partnership, a part-
11 ner)—

12 “(A) is, by reason of their business experi-
13 ence, financial standing, or trade connections or
14 by reason of previous or current legal pro-
15 ceedings involving a felony violation of any
16 other provision of Federal criminal law relating
17 to marijuana or marijuana products, not likely
18 to maintain operations in compliance with this
19 chapter,

20 “(B) has been convicted of a felony viola-
21 tion of any provision of Federal or State crimi-
22 nal law relating to marijuana or marijuana
23 products, or

1 “(C) has failed to disclose any material in-
2 formation required or made any material false
3 statement in the application therefor.

4 **“SEC. 5923. PERMIT.**

5 “(a) ISSUANCE.—A person shall not engage in busi-
6 ness as a marijuana enterprise without a permit to engage
7 in such business. Such permit, conditioned upon compli-
8 ance with this chapter and regulations issued thereunder,
9 shall be issued in such form and in such manner as the
10 Secretary shall by regulation prescribe. A new permit may
11 be required at such other time as the Secretary shall by
12 regulation prescribe.

13 “(b) SUSPENSION OR REVOCATION.—

14 “(1) SHOW CAUSE HEARING.—If the Secretary
15 has reason to believe that any person holding a per-
16 mit—

17 “(A) has not in good faith complied with
18 this chapter, or with any other provision of this
19 title involving intent to defraud,

20 “(B) has violated the conditions of such
21 permit,

22 “(C) has failed to disclose any material in-
23 formation required or made any material false
24 statement in the application for such permit,

1 “(D) has failed to maintain their premises
2 in such manner as to protect the revenue,

3 “(E) is, by reason of previous or current
4 legal proceedings involving a felony violation of
5 any other provision of Federal criminal law re-
6 lating to marijuana, not likely to maintain oper-
7 ations in compliance with this chapter, or

8 “(F) has been convicted of a felony viola-
9 tion of any provision of Federal or State crimi-
10 nal law relating to marijuana or marijuana
11 products,

12 the Secretary shall issue an order, stating the facts
13 charged, citing such person to show cause why their
14 permit should not be suspended or revoked.

15 “(2) ACTION FOLLOWING HEARING.—If, after
16 hearing, the Secretary finds that such person has
17 not shown cause why their permit should not be sus-
18 pended or revoked, such permit shall be suspended
19 for such period as the Secretary deems proper or
20 shall be revoked.

21 “(c) INFORMATION REPORTING.—The Secretary may
22 require—

23 “(1) information reporting by any person issued
24 a permit under this section, and

1 “(2) information reporting by such other per-
2 sons as the Secretary deems necessary to carry out
3 this chapter.

4 “(d) INSPECTION OR DISCLOSURE OF INFORMA-
5 TION.—For rules relating to inspection and disclosure of
6 returns and return information, see section 6103(o).

7 **“Subchapter D—Operations**

“Sec. 5931. Inventories, reports, and records.

“Sec. 5932. Packaging and labeling.

“Sec. 5933. Purchase, receipt, possession, or sale of marijuana products after
removal.

“Sec. 5934. Restrictions relating to marks, labels, notices, and packages.

“Sec. 5935. Restriction on importation of previously exported marijuana prod-
ucts.

8 **“SEC. 5931. INVENTORIES, REPORTS, AND RECORDS.**

9 “Every producer, importer, and export warehouse
10 proprietor shall—

11 “(1) make a true and accurate inventory at the
12 time of commencing business, at the time of con-
13 cluding business, and at such other times, in such
14 manner and form, and to include such items, as the
15 Secretary shall by regulation prescribe, with such in-
16 ventories to be subject to verification by any internal
17 revenue officer,

18 “(2) make reports containing such information,
19 in such form, at such times, and for such periods as
20 the Secretary shall by regulation prescribe, and

21 “(3) keep such records in such manner as the
22 Secretary shall by regulation prescribe, with such

1 records to be available for inspection by any internal
2 revenue officer during business hours.

3 **“SEC. 5932. PACKAGING AND LABELING.**

4 “(a) PACKAGES.—All marijuana products shall, be-
5 fore removal, be put up in such packages as the Secretary
6 shall by regulation prescribe.

7 “(b) MARKS, LABELS, AND NOTICES.—Every pack-
8 age of marijuana products shall, before removal, bear the
9 marks, labels, and notices if any, that the Secretary by
10 regulation prescribes.

11 “(c) LOTTERY FEATURES.—No certificate, coupon,
12 or other device purporting to be or to represent a ticket,
13 chance, share, or an interest in, or dependent on, the event
14 of a lottery shall be contained in, attached to, or stamped,
15 marked, written, or printed on any package of marijuana
16 products.

17 “(d) INDECENT OR IMMORAL MATERIAL PROHIB-
18 ITED.—No indecent or immoral picture, print, or rep-
19 resentation shall be contained in, attached to, or stamped,
20 marked, written, or printed on any package of marijuana
21 products.

22 “(e) EXCEPTIONS.—Subject to regulations prescribed
23 by the Secretary, marijuana products may be exempted
24 from subsections (a) and (b) if such products are—

25 “(1) for experimental purposes, or

1 “(2) transferred to the bonded premises of an-
2 other producer or export warehouse proprietor or re-
3 leased in bond from customs custody for delivery to
4 a producer.

5 **“SEC. 5933. PURCHASE, RECEIPT, POSSESSION, OR SALE OF**
6 **MARIJUANA PRODUCTS AFTER REMOVAL.**

7 “(a) RESTRICTION.—No person shall—

8 “(1) with intent to defraud the United States,
9 purchase, receive, possess, offer for sale, or sell or
10 otherwise dispose of, after removal, any marijuana
11 products—

12 “(A) upon which the tax has not been paid
13 or determined in the manner and at the time
14 prescribed by this chapter or regulations there-
15 under, or

16 “(B) which, after removal without payment
17 of tax pursuant to section 5904, have been di-
18 verted from the applicable purpose or use speci-
19 fied in that section,

20 “(2) with intent to defraud the United States,
21 purchase, receive, possess, offer for sale, or sell or
22 otherwise dispose of, after removal, any marijuana
23 products which are not put up in packages as re-
24 quired under section 5932 or which are put up in

1 packages not bearing the marks, labels, and notices,
2 as required under such section, or

3 “(3) otherwise than with intent to defraud the
4 United States, purchase, receive, possess, offer for
5 sale, or sell or otherwise dispose of, after removal,
6 any marijuana products which are not put up in
7 packages as required under section 5932 or which
8 are put up in packages not bearing the marks, la-
9 bels, and notices, as required under such section.

10 “(b) EXCEPTION.—Paragraph (3) of subsection (a)
11 shall not prevent the sale or delivery of marijuana prod-
12 ucts directly to consumers from proper packages, nor
13 apply to such articles when so sold or delivered.

14 “(c) LIABILITY TO TAX.—Any person who possesses
15 marijuana products in violation of paragraph (1) or (2)
16 of subsection (a) shall be liable for a tax equal to the tax
17 on such articles.

18 **“SEC. 5934. RESTRICTIONS RELATING TO MARKS, LABELS,**
19 **NOTICES, AND PACKAGES.**

20 “No person shall, with intent to defraud the United
21 States, destroy, obliterate, or detach any mark, label, or
22 notice prescribed or authorized, by this chapter or regula-
23 tions thereunder, to appear on, or be affixed to, any pack-
24 age of marijuana products before such package is emptied.

1 **“SEC. 5935. RESTRICTION ON IMPORTATION OF PRE-**
2 **VIOUSLY EXPORTED MARIJUANA PRODUCTS.**

3 “(a) EXPORT LABELED MARIJUANA PRODUCTS.—

4 “(1) IN GENERAL.—Marijuana products pro-
5 duced in the United States and labeled for expor-
6 tation under this chapter—

7 “(A) may be transferred to or removed
8 from the premises of a producer or an export
9 warehouse proprietor only if such articles are
10 being transferred or removed without tax in ac-
11 cordance with section 5904,

12 “(B) may be imported or brought into the
13 United States, after their exportation, only if
14 such articles either are eligible to be released
15 from customs custody with the partial duty ex-
16 emption provided in section 5904(d) or are re-
17 turned to the original producer of such article
18 as provided in section 5904(c), and

19 “(C) may not be sold or held for sale for
20 domestic consumption in the United States un-
21 less such articles are removed from their export
22 packaging and repackaged by the original pro-
23 ducer into new packaging that does not contain
24 an export label.

25 “(2) ALTERATIONS BY PERSONS OTHER THAN
26 ORIGINAL PRODUCER.—This section shall apply to

1 articles labeled for export even if the packaging or
 2 the appearance of such packaging to the consumer
 3 of such articles has been modified or altered by a
 4 person other than the original producer so as to re-
 5 move or conceal or attempt to remove or conceal (in-
 6 cluding by the placement of a sticker over) any ex-
 7 port label.

8 “(3) EXPORTS INCLUDE SHIPMENTS TO PUER-
 9 TO RICO.—For purposes of this section, section
 10 5904(d), section 5941, and such other provisions as
 11 the Secretary may specify by regulations, references
 12 to exportation shall be treated as including a ref-
 13 erence to shipment to the Commonwealth of Puerto
 14 Rico.

15 “(b) EXPORT LABEL.—For purposes of this section,
 16 an article is labeled for export or contains an export label
 17 if it bears the mark, label, or notice required under section
 18 5904(b).

19 **“Subchapter E—Penalties**

“Sec. 5941. Civil penalties.

“Sec. 5942. Criminal penalties.

20 **“SEC. 5941. CIVIL PENALTIES.**

21 “(a) OMITTING THINGS REQUIRED OR DOING
 22 THINGS FORBIDDEN.—Whoever willfully omits, neglects,
 23 or refuses to comply with any duty imposed upon them
 24 by this chapter, or to do, or cause to be done, any of the

1 things required by this chapter, or does anything prohib-
2 ited by this chapter, shall in addition to any other penalty
3 provided in this title, be liable to a penalty of \$10,000,
4 to be recovered, with costs of suit, in a civil action, except
5 where a penalty under subsection (b) or (c) or under sec-
6 tion 6651 or 6653 or part II of subchapter A of chapter
7 68 may be collected from such person by assessment.

8 “(b) FAILURE TO PAY TAX.—Whoever fails to pay
9 any tax imposed by this chapter at the time prescribed
10 by law or regulations, shall, in addition to any other pen-
11 alty provided in this title, be liable to a penalty of 10 per-
12 cent of the tax due but unpaid.

13 “(c) SALE OF MARIJUANA OR MARIJUANA PRODUCTS
14 FOR EXPORT.—

15 “(1) Every person who sells, relands, or receives
16 within the jurisdiction of the United States any
17 marijuana products which have been labeled or
18 shipped for exportation under this chapter,

19 “(2) every person who sells or receives such re-
20 landed marijuana products, and

21 “(3) every person who aids or abets in such
22 selling, relanding, or receiving,

23 shall, in addition to the tax and any other penalty provided
24 in this title, be liable for a penalty equal to the greater
25 of \$10,000 or 10 times the amount of the tax imposed

1 by this chapter. All marijuana products reloaded within
2 the jurisdiction of the United States shall be forfeited to
3 the United States and destroyed. All vessels, vehicles, and
4 aircraft used in such reloading or in removing such mari-
5 juana products from the place where reloaded, shall be
6 forfeited to the United States.

7 “(d) APPLICABILITY OF SECTION 6665.—The pen-
8 alties imposed by subsections (b) and (c) shall be assessed,
9 collected, and paid in the same manner as taxes, as pro-
10 vided in section 6665(a).

11 “(e) CROSS REFERENCES.—For penalty for failure to
12 make deposits or for overstatement of deposits, see section
13 6656.

14 **“SEC. 5942. CRIMINAL PENALTIES.**

15 “(a) FRAUDULENT OFFENSES.—Whoever, with in-
16 tent to defraud the United States—

17 “(1) engages in business as a marijuana enter-
18 prise without filing the application and obtaining the
19 permit where required by this chapter or regulations
20 thereunder,

21 “(2) fails to keep or make any record, return,
22 report, or inventory, or keeps or makes any false or
23 fraudulent record, return, report, or inventory, re-
24 quired by this chapter or regulations thereunder,

1 “(3) refuses to pay any tax imposed by this
2 chapter, or attempts in any manner to evade or de-
3 feat the tax or the payment thereof,

4 “(4) sells or otherwise transfers, contrary to
5 this chapter or regulations thereunder, any mari-
6 juana products subject to tax under this chapter, or

7 “(5) with intent to defraud the United States,
8 purchases, receives, possesses, offers for sale, or sells
9 or otherwise disposes of, any marijuana product—

10 “(A) upon which the tax has not been paid
11 or determined in the manner and at the time
12 prescribed by this chapter or regulations there-
13 under, or

14 “(B) which, without payment of tax pursu-
15 ant to section 5904, have been diverted from
16 the applicable purpose or use specified in that
17 section,

18 shall, for each such offense, be fined not more than
19 \$10,000, or imprisoned not more than 5 years, or both.

20 “(b) OFFENSES RELATING TO RETAIL TRANS-
21 ACTIONS.—Any retailer who sells, in any single trans-
22 action, more than 1 ounce of any marijuana product (or
23 in the case of any marijuana product containing a mari-
24 juana derivative, an equivalent amount, as established by
25 the Secretary) shall be, upon conviction, fined not more

1 than \$10,000, or imprisoned for not more than 5 years,
2 or both.

3 “(c) OTHER OFFENSES.—Whoever, otherwise than
4 as provided in subsections (a) and (b) and section
5 5911(b), violates any provision of this chapter, or of regu-
6 lations prescribed thereunder, shall, for each such offense,
7 be fined not more than \$1,000, or imprisoned not more
8 than 1 year, or both.

9 “(d) LIABILITY TO TAX.—Any person who possesses
10 marijuana products in violation of subsection (a) shall be
11 liable for a tax equal to the tax on such articles.”.

12 (b) STUDY.—Not later than 2 years after the date
13 of the enactment of this Act, and every 5 years thereafter,
14 the Secretary of the Treasury, or the Secretary’s delegate,
15 shall—

16 (1) conduct a study concerning the characteris-
17 tics of the marijuana industry, including the number
18 of persons operating marijuana enterprises at each
19 level of such industry, the volume of sales, the
20 amount of tax collected each year, and the areas of
21 evasion, and

22 (2) submit to Congress recommendations to im-
23 prove the regulation of the industry and the admin-
24 istration of the related tax.

1 (c) CONFORMING AMENDMENT.—Section
2 6103(o)(1)(A) of the Internal Revenue Code of 1986 is
3 amended by striking “and firearms” and inserting “fire-
4 arms, and marijuana”.

5 (d) CLERICAL AMENDMENT.—The table of chapters
6 for subtitle E of title I of the Internal Revenue Code of
7 1986 is amended by adding at the end the following new
8 chapter:

“CHAPTER 56. MARIJUANA PRODUCTS”.

9 (e) EFFECTIVE DATE.—

10 (1) IN GENERAL.—The amendments made by
11 this section shall apply to sales, and applications for
12 permits under section 5922 of the Internal Revenue
13 Code of 1986 (as added by subsection (a)), after
14 180 days after the date of the enactment of this Act.

15 (2) SPECIAL RULES FOR EXISTING BUSI-
16 NESSES.—In the case of any producer operating
17 under a permit issued on or before the date of the
18 enactment of this Act under State law, the require-
19 ments under section 5922 of such Code (as so
20 added) shall apply beginning on the date that is 6
21 months after the date of the enactment of this Act.

1 **TITLE II—REGULATION**
2 **Subtitle A—Amendments To De-**
3 **criminalize Marijuana at the**
4 **Federal Level**

5 **SEC. 201. DECRIMINALIZATION OF MARIJUANA.**

6 (a) **REMOVAL FROM SCHEDULE OF CONTROLLED**
7 **SUBSTANCES.**—Notwithstanding any other provision of
8 the Controlled Substances Act (21 U.S.C. 801 et seq.),
9 the Attorney General shall, not later than 60 days after
10 the date of the enactment of this Act, issue a final order
11 that removes marijuana in any form from all schedules
12 under section 202(c) of that Act (21 U.S.C. 812(c)).

13 (b) **CONFORMING AMENDMENT TO REMOVE LEGIS-**
14 **LATIVE DEADWOOD.**—Subsection (c) of section 202 of the
15 Controlled Substances Act (21 U.S.C. 812) is amended
16 to read as follows:

17 “(c) **CROSS REFERENCE TO SCHEDULES OF CON-**
18 **TROLLED SUBSTANCES.**—Schedules I, II, III, IV, and V
19 shall consist of the drugs and other substances (by what-
20 ever official name, common or usual name, chemical name,
21 or brand name designated) that are set forth in the respec-
22 tive schedules in part 1308 of title 21, Code of Federal
23 Regulations, as they may be amended from time to time,
24 or in any successor regulation.”.

1 **SEC. 202. APPLICATION OF THE CONTROLLED SUBSTANCES**
2 **ACT AND CONTROLLED SUBSTANCES IMPORT**
3 **AND EXPORT ACT TO MARIJUANA.**

4 Part A of the Controlled Substances Act (21 U.S.C.
5 801 et seq.) is amended by adding at the end the fol-
6 lowing:

7 **“SEC. 103. APPLICATION TO MARIHUANA.**

8 “(a) GENERAL NONAPPLICATION.—Except as pro-
9 vided in this section, this title and title III do not apply
10 to marihuana.

11 “(b) EXCEPTION: PROHIBITION ON CERTAIN TRANS-
12 PORTATIONS AND SHIPMENTS.—It shall be unlawful to
13 ship or transport marihuana from any place outside a
14 State, territory, or district of the United States, or other
15 place noncontiguous to but subject to the jurisdiction of
16 the United States, into that State, territory, or district
17 of the United States, or place, when such marihuana is
18 intended by any person interested therein to be received,
19 possessed, sold, or in any manner used, in violation of any
20 law of such State, territory, district, or place.

21 “(c) PENALTY.—Whoever knowingly violates sub-
22 section (b) shall be fined under title 18, United States
23 Code, or imprisoned not more than one year, or both.”.

24 **SEC. 203. CONFORMING AND ANCILLARY AMENDMENTS.**

25 (a) MODIFICATION OF DEFINITION OF “FELONY
26 DRUG OFFENSE”.—Section 102(44) of the Controlled

1 Substances Act (21 U.S.C. 802(44)) is amended by strik-
2 ing “marihuana,”.

3 (b) ELIMINATION OF MARIJUANA PENALTY PROVI-
4 SIONS.—Part D of the Controlled Substances Act (21
5 U.S.C. 841 et seq.) is amended—

6 (1) in section 401—

7 (A) by striking subsection (b)(1)(A)(vii);

8 (B) by striking subsection (b)(1)(B)(vii);

9 (C) by striking subsection (b)(1)(D); and

10 (D) by striking subsection (b)(4);

11 (2) in section 402(c)(2)(B), by striking “mari-
12 huana,”;

13 (3) in section 403(d)(1), by striking “mari-
14 huana,”;

15 (4) in section 418(a), by striking the last sen-
16 tence;

17 (5) in section 419(a), by striking the last sen-
18 tence;

19 (6) in section 422(d), in the matter preceding
20 paragraph (1), by striking “marijuana,”; and

21 (7) in section 422(d)(5), by striking “, such as
22 a marihuana cigarette,”.

23 (c) REMOVAL OF PROHIBITION ON IMPORT AND EX-
24 PORT.—Section 1010 of the Controlled Substances Import
25 and Export Act (21 U.S.C. 960) is amended—

1 (1) by striking subparagraph (G) of subsection
2 (b)(1);

3 (2) by striking subparagraph (G) of subsection
4 (b)(2); and

5 (3) by striking paragraph (4) of subsection (b).

6 (d) LIMITING THE APPLICATION OF THE NATIONAL
7 FOREST SYSTEM DRUG CONTROL ACT OF 1986 TO CON-
8 TROLLED SUBSTANCES OTHER THAN MARIJUANA.—The
9 National Forest System Drug Control Act of 1986 is
10 amended—

11 (1) in section 15002(a) (16 U.S.C. 559b(a)) by
12 striking “marijuana and other”;

13 (2) in section 15003(2) (16 U.S.C. 559c(2)) by
14 striking “marijuana and other”; and

15 (3) in section 15004(2) (16 U.S.C. 559d(2)) by
16 striking “marijuana and other”.

17 (e) INTERCEPTION OF COMMUNICATIONS.—Section
18 2516 of title 18, United States Code, is amended—

19 (1) in subsection (1)(e), by striking “mari-
20 huana,”; and

21 (2) in subsection (2) by striking “marihuana,”.

22 (f) NATIONAL YOUTH ANTI-DRUG MEDIA CAM-
23 PAIGN.—Section 709 of the Office of National Drug Con-
24 trol Policy Reauthorization Act of 1998 (21 U.S.C. 1708)

1 is amended by striking subsection (j) (relating to preven-
2 tion of marijuana use).

3 **Subtitle B—Federal Marijuana**
4 **Licensing and Related Matters**

5 **SEC. 211. FEDERAL MARIJUANA ADMINISTRATION.**

6 The Federal Alcohol Administration Act (27 U.S.C.
7 201 et seq.) is amended by adding at the end the fol-
8 lowing:

9 **“TITLE III—MARIJUANA**

10 **“SEC. 301. UNLAWFUL BUSINESSES WITHOUT MARIJUANA**
11 **PERMIT.**

12 “(a) IMPORT.—It shall be unlawful, except pursuant
13 to a permit issued under this title by the Secretary of the
14 Treasury (hereinafter in this title referred to as the ‘Sec-
15 retary’)—

16 “(1) to engage in the business of importing
17 marijuana into the United States; or

18 “(2) for any person so engaged to sell, offer or
19 deliver for sale, contract to sell, or ship, in interstate
20 or foreign commerce, directly or indirectly or
21 through an affiliate, marijuana so imported.

22 “(b) MANUFACTURE AND SALE.—It shall be unlaw-
23 ful, except pursuant to a permit issued under this title
24 by the Secretary—

1 “(1) to engage in the business of cultivating,
2 producing, manufacturing, packaging, or warehous-
3 ing marijuana; or

4 “(2) for any person so engaged to sell, offer or
5 deliver for sale, contract to sell, or ship, in interstate
6 or foreign commerce, directly or indirectly or
7 through an affiliate, marijuana so cultivated, pro-
8 duced, manufactured, packaged, or warehoused.

9 “(c) RESALE.—It shall be unlawful, except pursuant
10 to a permit issued under this title by the Secretary—

11 “(1) to engage in the business of purchasing
12 marijuana for resale at wholesale; or

13 “(2) for any person so engaged to receive or to
14 sell, offer or deliver for sale, contract to sell, or ship,
15 in interstate or foreign commerce, directly or indi-
16 rectly or through an affiliate, marijuana so pur-
17 chased.

18 “(d) REMEDIES FOR VIOLATIONS.—

19 “(1) CRIMINAL FINE.—

20 “(A) GENERALLY.—Whoever violates this
21 section shall be fined not more than \$1,000.

22 “(B) SETTLEMENT IN COMPROMISE.—The
23 Secretary may decide not to refer a violation of
24 this section to the Attorney General for pros-
25 ecution but instead to collect a payment from

1 the violator of no more than \$500 for that vio-
2 lation.

3 “(2) CIVIL ACTION FOR RELIEF.—The Attorney
4 General may, in a civil action, obtain appropriate re-
5 lief to prevent and restrain a violation of this title.

6 **“SEC. 302. PROCEDURE FOR ISSUANCE OF MARIJUANA**
7 **PERMITS.**

8 “(a) WHO ENTITLED TO PERMIT.—

9 “(1) GENERALLY.—The Secretary shall issue a
10 permit for operations requiring a permit under sec-
11 tion 301 unless the Secretary finds that—

12 “(A) the applicant (or if the applicant is a
13 corporation, any of its officers, directors, or
14 principal stockholders) has been convicted of a
15 disqualifying offense;

16 “(B) the applicant is, by reason of busi-
17 ness experience, financial standing, or trade
18 connections, not likely to commence operations
19 within a reasonable period or to maintain such
20 operations in conformity with Federal law; or

21 “(C) the operations proposed to be con-
22 ducted by the applicant are in violation of the
23 law of the State in which they are to be con-
24 ducted.

1 “(2) DISQUALIFYING OFFENSES.—For the pur-
2 poses of paragraph (1)—

3 “(A) GENERALLY.—Except as provided in
4 subparagraph (B) a disqualifying offense is an
5 offense related to the production, consumption,
6 or sale of marijuana that is—

7 “(i) a felony under Federal or State
8 law, if the conviction occurred not later
9 than 5 years before the date of the applica-
10 tion; or

11 “(ii) a misdemeanor under Federal
12 law, if the conviction occurred not later
13 than 3 years before the date of the applica-
14 tion.

15 “(B) EXCLUDED OFFENSES.—A disquali-
16 fying offense does not include a Federal or
17 State offense based on conduct that—

18 “(i) was legal under State law in the
19 State when and where the conduct took
20 place; or

21 “(ii) is, as of the date of the applica-
22 tion, no longer an offense in that State.

23 “(b) REFUSAL OF PERMIT; HEARING.—If upon ex-
24 amination of any application for a permit the Secretary
25 has reason to believe that the applicant is not entitled to

1 such permit, the Secretary shall so notify the applicant
2 and, upon request by the applicant, afford the applicant
3 due notice and opportunity for hearing on the application.
4 If the Secretary, after affording such notice and oppor-
5 tunity for hearing, still finds that the applicant is not enti-
6 tled to a permit hereunder, the Secretary shall by order
7 deny the application stating the findings which are the
8 basis for the order.

9 “(c) FORM OF APPLICATION.—

10 “(1) GENERALLY.—The Secretary shall—

11 “(A) prescribe the manner and form of ap-
12 plications for permits under this title (including
13 the facts to be set forth in the application);

14 “(B) prescribe the form of such permits;

15 “(C) specify in any permit the authority
16 conferred by the permit and the conditions of
17 that permit in accordance with this title.

18 “(2) SEPARATE TYPES OF APPLICATIONS AND
19 PERMITS.—To the extent deemed necessary by the
20 Secretary for the efficient administration of this
21 title, the Secretary may require separate applications
22 and permits with respect to the various classes of
23 marijuana, and with respect to the various classes of
24 persons entitled to permits under this title.

1 “(3) DISCLAIMER.—The issuance of a permit
2 under this title does not deprive the United States
3 of any remedy for a violation of law.

4 “(d) CONDITIONS.—A permit under this title shall be
5 conditioned upon—

6 “(1) compliance with all other Federal laws re-
7 lating to production, sale and consumption of mari-
8 juana, as well as compliance with all State laws re-
9 lating to said activities in the State in which the per-
10 mit applicant resides and does business; and

11 “(2) payment to the Secretary of a reasonable
12 permit fee in an amount determined by the Sec-
13 retary to be sufficient over time to offset the cost of
14 implementing and overseeing all aspects of mari-
15 juana regulation by the Federal Government.

16 “(e) REVOCATION, SUSPENSION, AND ANNUL-
17 MENT.—

18 “(1) GENERALLY.—After due notice and oppor-
19 tunity for hearing, the Secretary may order a permit
20 under this title—

21 “(A) revoked or suspended for such period
22 as the Secretary deems appropriate, if the Sec-
23 retary finds that the permittee has willfully vio-
24 lated any of the conditions of the permit, but

1 for a first violation of the conditions the permit
2 shall be subject to suspension only;

3 “(B) revoked if the Secretary finds that
4 the permittee has not engaged in the operations
5 authorized by the permit for a period of more
6 than 2 years; or

7 “(C) annulled if the Secretary finds that
8 the permit was procured through fraud, or mis-
9 representation, or concealment of material fact.

10 “(2) ORDER TO STATE BASIS FOR ORDER.—

11 The order shall state the findings which are the
12 basis for the order.

13 “(f) SERVICE OF ORDERS.—Each order of the Sec-
14 retary with respect to any denial of application, suspen-
15 sion, revocation, annulment, or other proceedings, shall be
16 served—

17 “(1) in person by any officer or employee of the
18 Secretary designated by him or any internal revenue
19 or customs officer authorized by the Secretary for
20 the purpose; or

21 “(2) by mailing the order by registered mail,
22 addressed to the applicant or respondent at his last
23 known address in the records of the Secretary.

24 “(g) DURATION.—

1 “(1) GENERAL RULE.—Except as otherwise
2 provided in this subsection, a permit issued under
3 this title shall continue in effect until suspended, re-
4 voked, or annulled as provided in this title, or volun-
5 tarily surrendered.

6 “(2) EFFECT OF TRANSFER.—If operations
7 under a permit issued under this title are trans-
8 ferred, the permit automatically terminates 30 days
9 after the date of that transfer, unless an application
10 is made by the transferee before the end of that pe-
11 riod for a permit under this title for those oper-
12 ations. If such an application is made, the out-
13 standing permit shall continue in effect until such
14 application is finally acted on by the Secretary.

15 “(3) DEFINITION OF TRANSFER.—For the pur-
16 poses of this section, the term ‘transfer’ means any
17 change of ownership or control, whether voluntary or
18 by operation of law.

19 “(h) JUDICIAL REVIEW.—A permittee or applicant
20 for a permit under this title may obtain judicial review
21 under chapter 7 of title 5, United States Code, of the de-
22 nial of the application of that applicant or, in the case
23 of a permittee, the denial of an application by the trans-
24 feree of that permittee.

25 “(i) STATUTE OF LIMITATIONS.—

1 “(1) IN GENERAL.—No proceeding for the sus-
2 pension or revocation of a permit for violation of any
3 condition thereof relating to compliance with Federal
4 law shall be instituted by the Secretary more than
5 18 months after conviction of the violation of Fed-
6 eral law, or, if no conviction has been had, more
7 than 3 years after the violation occurred.

8 “(2) COMPROMISE.—No permit shall be sus-
9 pended or revoked for a violation of any such condi-
10 tion thereof if the alleged violation of Federal law
11 has been compromised by any officer of the Govern-
12 ment authorized to compromise such violation.

13 **“SEC. 303. DEFINITIONS.**

14 “In this title—

15 “(1) the term ‘marijuana’ has the meaning
16 given the term ‘marihuana’ in section 102 of the
17 Controlled Substances Act (21 U.S.C. 802); and

18 “(2) the term ‘State’ includes the District of
19 Columbia, Puerto Rico, and any territory or posses-
20 sion of the United States.”.

1 **SEC. 212. ADDITION OF MARIJUANA TO CERTAIN LEGAL AU-**
2 **THORITIES RELATING TO INTOXICATING LIQ-**
3 **UORS.**

4 (a) WILSON ACT.—The Act of August 8, 1890 (com-
5 monly known as the Wilson Act or the Original Packages
6 Act; 27 U.S.C. 121), is amended—

7 (1) by inserting “, or marijuana,” after “intoxi-
8 cating liquors or liquids”; and

9 (2) by striking “such liquids or liquors” and in-
10 sserting “such liquids, liquors, or marijuana”.

11 (b) WEBB-KENYON ACT.—The Act of March 1, 1913
12 (commonly known as the Webb-Kenyon Act; 27 U.S.C.
13 122), is amended—

14 (1) by inserting “marijuana or any” after
15 “whatsoever, of any”; and

16 (2) by inserting “marijuana or” after “which
17 said”.

18 (c) VICTIMS OF TRAFFICKING AND VIOLENCE PRO-
19 TECTION ACT OF 2000.—Section 2 of the Victims of Traf-
20 ficking and Violence Protection Act of 2000 (27 U.S.C.
21 122a) is amended—

22 (1) in subsection (a)—

23 (A) by redesignating paragraphs (3) and
24 (4) as paragraphs (4) and (5), respectively; and

25 (B) by inserting after paragraph (2) the
26 following new paragraph:

1 COHOL, TOBACCO, MARIJUANA, FIREARMS AND EXPLO-
2 SIVES.—

3 (1) REDESIGNATION.—The Bureau of Alcohol,
4 Tobacco, Firearms and Explosives is hereby re-
5 named the “Bureau of Alcohol, Tobacco, Marijuana,
6 Firearms and Explosives”.

7 (2) REFERENCES.—Any reference to the Bu-
8 reau of Alcohol, Tobacco, Firearms and Explosives
9 in any law, regulation, map, document, record, or
10 other paper of the United States shall be deemed to
11 be a reference to the Bureau of Alcohol, Tobacco,
12 Marijuana, Firearms and Explosives.

13 (c) REDESIGNATION OF ALCOHOL AND TOBACCO
14 TAX AND TRADE BUREAU AS ALCOHOL, TOBACCO, AND
15 MARIJUANA TAX AND TRADE BUREAU.—

16 (1) REDESIGNATION.—Section 1111(d) of the
17 Homeland Security Act of 2002 (6 U.S.C. 531(d))
18 is amended by striking “Tax and Trade Bureau”
19 each place it appears and inserting “Alcohol, To-
20 bacco, and Marijuana Tax and Trade Bureau”.

21 (2) REFERENCES.—Any reference to the Tax
22 and Trade Bureau or the Alcohol and Tobacco Tax
23 and Trade Bureau in any law, regulation, map, doc-
24 ument, record, or other paper of the United States

1 shall be deemed to be a reference to the Alcohol, To-
2 bacco, and Marijuana Tax and Trade Bureau.

3 **SEC. 223. UNFAIR ADVERTISING PRACTICES.**

4 (a) IN GENERAL.—It shall be unlawful for any per-
5 son engaged in the business of importing marijuana into
6 the United States, or cultivating, producing, manufac-
7 turing, packaging, or warehousing marijuana, or pur-
8 chasing marijuana for resale at wholesale, directly or indi-
9 rectly or through an affiliate, to publish or disseminate
10 or cause to be published or disseminated by radio broad-
11 cast, or in any newspaper, periodical or other publication
12 or by any sign or outdoor advertisement or any other
13 printed or graphic matter, any advertisement of mari-
14 juana, if such advertisement is in, or is calculated to in-
15 duce sales in, interstate or foreign commerce, or is dis-
16 seminated by mail, unless such advertisement is in con-
17 formity with such regulations, to be prescribed by the Sec-
18 retary of the Treasury, or the Secretary’s delegate (re-
19 ferred to in this section as the “Secretary”), as will—

20 (1) prevent deception of the consumer with re-
21 spect to the products advertised and as will prohibit,
22 irrespective of falsity, such statements relating to
23 manufacturing processes, analyses, guaranties, and
24 scientific or irrelevant matters as the Secretary finds
25 to be likely to mislead the consumer;

1 (2) provide the consumer with adequate infor-
2 mation as to the identity and quality of the products
3 advertised, the characteristics thereof, and the per-
4 son responsible for the advertisement;

5 (3) prohibit statements that are disparaging of
6 a competitor's products or are false, misleading, ob-
7 scene, or indecent; and

8 (4) prevent statements inconsistent with any
9 statement on the labeling of the products advertised.

10 (b) **NONAPPLICATION TO PUBLISHERS AND BROAD-**
11 **CASTERS.**—The prohibitions of this section and regula-
12 tions thereunder shall not apply to the publisher of any
13 newspaper, periodical, or other publication, or radio broad-
14 caster, unless such publisher or radio broadcaster is en-
15 gaged in the business of importing marijuana into the
16 United States, or cultivating, producing, manufacturing,
17 packaging, or warehousing marijuana, or purchasing
18 marijuana for resale at wholesale, directly or indirectly or
19 through an affiliate.

20 **SEC. 224. COMPTROLLER GENERAL REVIEW OF LAWS AND**
21 **REGULATIONS.**

22 The Comptroller General shall conduct a review of
23 Federal laws, regulations, and policies to determine if any
24 changes in them are desirable in the light of the purposes
25 and provisions of this Act. Not later than 2 years after

1 the date of the enactment of this Act, the Comptroller
2 General shall make to Congress and the relevant agencies
3 such recommendations relating to the results of that re-
4 view as the Comptroller General deems appropriate.

5 **SEC. 225. PRINCIPAL TRADE NEGOTIATING OBJECTIVE RE-**
6 **GARDING MARIJUANA, MARIJUANA DERIVA-**
7 **TIVES, AND MARIJUANA PRODUCTS.**

8 The principal negotiating objectives of the United
9 States with respect to trade shall include the removal of
10 unjustified foreign barriers to trade in marijuana, mari-
11 juana derivatives, and marijuana products.

12 **TITLE III—FUNDING**

13 **SEC. 301. INCREASED FUNDING FOR THE ALCOHOL, TO-**
14 **BACCO, AND MARIJUANA TAX AND TRADE BU-**
15 **REAU.**

16 In addition to any other amounts authorized to be
17 appropriated to the Alcohol, Tobacco, and Marijuana Tax
18 and Trade Bureau, there is authorized to be appropriated,
19 for each of the fiscal years 2019 and 2020, \$10,000,000,
20 which shall be used to carry out this Act and the amend-
21 ments made by this Act.

○