

116TH CONGRESS  
1ST SESSION

# S. 420

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

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 7, 2019

Mr. WYDEN introduced the following bill; which was read twice and referred to the Committee on Finance

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## 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 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.

○