Section 1

Section 26000 of the Business and Professions Code is amended to read:

Division 10. Cannabis and Cannabinoids

26000. (a) This division shall be known, and may be cited, as the Medicinal and Adult-Use Cannabis Regulation and Safety Act.

(b) The purpose and intent of this division is ~~to~~

(1) To establish a comprehensive system to control and regulate the cultivation, distribution, transport, storage, manufacturing, processing, and sale of both of the following:

(~~1~~A) Medicinal cannabis and medicinal cannabis products for patients with valid physician's recommendations.

(~~2~~B) Adult-use cannabis and adult-use cannabis products for adults 21 years of age and over and cannabis products intended for use on, or consumption by, animals.

(2) To establish a comprehensive system to control and regulate the manufacturing, distribution, transport, storage, and sale of hemp-derived cannabinoid products, as provided in Chapter 27 (commencing with Section 26340).

(3) To prohibit synthetic cannabinoids and certain other cannabinoid products, and to provide for the effective enforcement of state laws relating to cannabinoid products, as provided in Chapter 28 (commencing with Section 26360).

(c) In the furtherance of subdivision (b), this division sets forth the power and duties of the state agencies responsible for controlling and regulating the commercial medicinal and adult-use cannabis industry and hemp-derived cannabinoid products and synthetic cannabinoids.

(d) The Legislature may, by majority vote, enact laws to implement this division, provided those laws are consistent with the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act as to matters addressed by that Act.

Sec. 2

Section 26001 of the Business and Professions Code is amended to read:

For purposes of this division, the following definitions apply:

(a) "A-license" means a state license issued under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation, or are intended for use on, or consumption by, animals. An A-license also authorizes an A-licensee to engage in

the manufacture, distribution, testing, or sale, as applicable, of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

(b) "A-licensee" means any person holding a license under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation, or are intended for use on, or consumption by, animals. An A-licensee may also engage in the manufacture, distribution, testing, or sale, as applicable, of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

. . .

(r) "Delivery" means the commercial transfer of cannabis or cannabis products, or of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340), to a customer. "Delivery" also includes the use by a retailer of any technology platform.

. . .

(u) "Distribution" means the procurement, sale, and transport of cannabis and cannabis products, and of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340), between licensees.

(v) "Distributor" means a licensee that is authorized to engage in the distribution of cannabis and cannabis products, and of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

. . .

(aa) "Labeling" means any label or other written, printed, or graphic matter upon a cannabis product or a hemp-derived cannabinoid product as defined in Section 26340, upon its container or wrapper, or that accompanies any cannabis product or hemp-derived cannabinoid product.

. . .

(ak) "Manufacture" means to compound, blend, extract, infuse, package, label, or otherwise make or prepare a cannabis product, or a hemp-derived cannabinoid product as provided in Chapter 27 (commencing with Section 26340).

. . .

(ao) "Operation" means any act for which licensure is required under the provisions of this division, ~~or~~ including any commercial transfer of cannabis or cannabis products or of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

(aq) "Package" means any container or receptacle used for holding cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340.

. . .

(aw) "Purchaser" means the customer who is engaged in a transaction with a licensee for purposes of obtaining cannabis or cannabis products, or hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

(ax) "Retailer" means a person authorized to engage in the retail sale and delivery to customers of cannabis or cannabis products, and of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340).

(ay) "Sell," "sale," and "to sell" include any transaction whereby, for any consideration, title to cannabis or cannabis products, or to hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340), is transferred from one person to another, and includes the delivery of cannabis or cannabis products, or hemp-derived cannabinoid products, pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products, or hemp-derived cannabinoid products, by a licensee to the licensee from whom the cannabis or cannabis product, or hemp-derived cannabinoid product, was purchased.

(az) "Testing laboratory" means a laboratory, facility, or entity in the state that offers or performs tests of cannabis or cannabis products, or of hemp-derived cannabinoid products as provided in Chapter 27 (commencing with Section 26340), and that is both of the following:

(1) Accredited by an accrediting body that is independent from all other persons involved in commercial cannabis activity in the state.

(2) Licensed by the department.

(ba) "Unique identifier" means an alphanumeric code or designation issued pursuant to the track and trace program established by the department and used for reference to a specific plant on a licensed premises and any cannabis or cannabis product derived or manufactured from that plant, or for reference to a specific hemp-derived cannabinoid product as provided in Chapter 27 (commencing with Section 26340).

. . . .

Sec. 3

Section 26030 of the Business and Professions Code is amended to read:

26030. Grounds for disciplinary action include, but are not limited to, all of the following:

(a) Failure to comply with the provisions of this division or any rule or regulation adopted pursuant to this division.

(b) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 2 (commencing with Section 480) of Division 1.5 or discipline of a license pursuant to Chapter 3 (commencing with Section 490) of Division 1.5.

(c) Any other grounds contained in regulations adopted by the department pursuant to this division.

(d) Failure to comply with any state law including, but not limited to, the payment of taxes as required under the Revenue and Taxation Code, except as provided for in this division or other California law.

(e) Knowing violations of any state or local law, ordinance, or regulation conferring worker protections or legal rights on the employees of a licensee.

(f) Failure to comply with the requirement of a local ordinance regulating ~~commercial cannabis~~ activity requiring a license under this division.

(g) The intentional and knowing sale of cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, by an A-licensee to a person under 21 years of age.

(h) The intentional and knowing sale of medicinal cannabis or medicinal cannabis products by an M-licensee to a person without a physician's recommendation.

(i) Failure to maintain safe conditions for inspection by the department.

(j) Failure to comply with any operating procedure submitted to the department pursuant to subdivision (b) of Section 26051.5.

(k) Failure to comply with license conditions established pursuant to subdivision (b) of Section 26060.1.

Sec. 4

Section 26031 of the Business and Professions Code is amended to read:

26031. The department may suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by the department and fine a licensee, after proper notice and hearing to the licensee, except as provided in Section 26031.01, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director shall have all the powers granted therein.

(b) The department may suspend or revoke a license when a local agency has notified the department that a licensee within its jurisdiction is in violation of state rules and regulations relating to ~~commercial cannabis~~ activities requiring a license

under this division, and the department, through an investigation, has determined that the violation is grounds for suspension or revocation of the license.

(c) The department may take disciplinary action against a licensee for any violation of this division when the violation was committed by the licensee's officers, directors, owners, agents, or employees while acting on behalf of the licensee or engaged in ~~commercial cannabis~~ activity requiring a license under this division.

(d) The suspension or expiration of a license issued by the department, or its suspension, forfeiture, or cancellation by order of the department or by order of a court of law, or its surrender without the written consent of the department, shall not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the department of its authority to institute or continue a disciplinary proceeding against the licensee upon any ground provided by law or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground.

Sec. 5

Section 26031.6 of the Business and Professions Code is amended to read:

26031.6. (a) It is a violation of this division for a person to use or possess the universal symbol described in paragraph (7) of subdivision (c) of Section 26130 in connection with commercial activity other than ~~commercial cannabis~~ activity licensed under this division. For purposes of this section, use or possession of the universal symbol in connection with commercial activity includes, but is not limited to, possession of any package, label, or advertisement of any kind bearing the universal symbol, whether or not that package, label, or advertisement is affixed to, or otherwise associated with, cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340.

(b) A person using or possessing the universal symbol in connection with commercial activity shall do both of the following:

(1) Maintain records establishing that the use or possession is in connection with ~~commercial cannabis~~ activity licensed pursuant to this division.

(2) Produce those records upon demand of a peace officer, an employee of the department, or an employee of the California Department of Tax and Fee Administration.

(c) Each individual package, label, advertisement, or other document or object of any kind bearing the universal symbol in violation of this section shall constitute a separate violation of this section.

(d) (1) A package, label, advertisement, or other document or object of any kind bearing the universal symbol in violation of this section is contraband and shall be

seized and summarily forfeited to the state, subject to subdivision (e). A peace officer or an employee of the department may summarily seize such contraband.

(2) Failure to maintain or produce records as required pursuant to subdivision (b) in connection with a package, label, advertisement, or other document or object of any kind bearing the universal symbol shall establish that the package, label, advertisement, or other document or object is contraband for purposes of this subdivision.

(e) A person from whom a package, label, advertisement, or other document or object is seized pursuant to subdivision (d) may petition the superior court of the county in which the seizure occurred within 10 days of the seizure to seek the return of the package, label, advertisement, or other document or object. The petitioner shall bear the burden of proving, by a preponderance of the evidence, that the package, label, advertisement, or other document or object was not used or possessed in connection with commercial activity other than ~~commercial cannabis~~ activity licensed pursuant to this division.

(f) This section does not prohibit the educational, informational, or other noncommercial use or possession of the universal symbol.

Sec. 6

Section 26039.1 of the Business and Professions Code is amended to read:

26039.1. (a) When the department has evidence that cannabis or a cannabis product or a hemp-derived cannabinoid product as defined in Section 26340 (collectively, "products"), is adulterated or misbranded, the department shall notify the licensee. The licensee may conduct a voluntary recall of the affected ~~cannabis or cannabis~~ product and may remediate the ~~cannabis or cannabis~~ product, if approved by the department, or shall destroy the affected ~~cannabis or cannabis~~ product under the supervision of the department.

(b) The department may issue a mandatory recall order and require the licensee to immediately cease distribution of ~~cannabis or a cannabis~~ product, and recall the ~~cannabis or cannabis~~ product if the department determines both of the following:

(1) The cultivation, manufacture, distribution, or sale of the cannabis or cannabis product, or the manufacture, distribution, or sale of the hemp-derived cannabinoid product, creates or poses an immediate and serious threat to human life or health.

(2) Other procedures available to the department to remedy or prevent the occurrence of the situation would result in an unreasonable delay.

(c) The department shall provide the licensee an opportunity for an informal proceeding on the matter, as determined by the department, within five days, on the actions required by the order and on why the ~~cannabis or cannabis~~ affected

product should not be recalled. Following the proceeding, the order shall be affirmed, modified, or set aside as determined appropriate by the department.

(d) The department's powers set forth in this section expressly include the power to order movement, segregation, isolation, or destruction of cannabis or cannabis products, or of hemp-derived cannabinoid products, as well as the power to hold ~~cannabis or cannabis~~ such products in place.

(e) If the department determines it is necessary, it may issue the mandatory recall order, may conduct the recall, and may use all appropriate measures to obtain reimbursement from the licensee for any and all costs associated with these orders. All funds obtained by the department from these efforts shall be deposited in the Cannabis Control Fund, and shall be available for use by the department upon appropriation by the Legislature.

(f) It is unlawful to move or allow to be moved ~~cannabis or a cannabis~~ any product subject to an order issued pursuant to this section unless that person has first obtained written authorization from the department.

Sec. 7

Section 26039.3 of the Business and Professions Code is amended to read:

26039.3. (a) If the department finds or has probable cause to believe that cannabis or a cannabis product or a hemp-derived cannabinoid product as defined in Section 26340 (collectively, "products") is adulterated or misbranded within the meaning of this division, or the sale of ~~the cannabis or cannabis~~ any product would be in violation of this division, the department shall affix to the ~~cannabis or cannabis~~ affected product, or component thereof, a tag or other appropriate marking. The department shall give notice that the ~~cannabis or cannabis~~ affected product is, or is suspected of being, adulterated or misbranded, or the sale of the ~~cannabis or cannabis~~ product would be in violation of this division and has been embargoed and that the ~~cannabis or cannabis~~ product shall not be removed or disposed of by sale or otherwise until permission for removal or disposal is given by the department or a court.

(b) (1) It is unlawful to remove, sell, or dispose of any embargoed ~~cannabis or an embargoed cannabis~~ product without written permission of the department or a court. The removal, sale, or disposal of each ~~item of~~ embargoed ~~cannabis or cannabis product~~ item without written permission of the department constitutes a violation of this subdivision. A violation of this subdivision is subject to a citation and fine of not more than ten thousand dollars ($10,000).

(2) Notwithstanding paragraph (1), a licensed cultivator may request permission for the continued cultivation or harvesting of the cannabis subject to embargo. The

department may authorize, and may impose conditions on, the continued cultivation or harvesting of the cannabis subject to embargo.

(c) If the adulteration or misbranding can be corrected by proper labeling or additional processing of the ~~cannabis or cannabis~~ affected product and all of the provisions of this division can be complied with, the licensee may request that the department remove the tag or other marking to permit correction. If, under the supervision of the department, the adulteration or misbranding has been corrected, the department may remove the tag or other marking. Cannabis and cannabis products found at an unlicensed location, or cultivated, processed, produced, or manufactured at an unlicensed location, or derived from an unlicensed source, cannot be corrected and shall be destroyed. Hemp-derived cannabinoid products found at a location without a license required by Chapter 27 (commencing with Section 26340), or manufactured, distributed, or offered for sale at a location without a license required by Chapter 27, or derived from a source prohibited by Chapter 27, cannot be corrected and shall be destroyed.

(d) If the department finds that ~~cannabis or a cannabis~~ product that is embargoed is not adulterated or misbranded, or that its sale is not otherwise in violation of this division, the department may remove the tag or other marking.

(e) The ~~cannabis or cannabis~~ affected product may be destroyed by the licensee or product owner pursuant to a corrective action plan approved by the department and under the supervision of the department. The ~~cannabis or cannabis~~ product shall be destroyed at the expense of the licensee or product owner.

(f) The department may condemn ~~cannabis or a cannabis~~ a product under the provisions of this section. A proceeding for condemnation shall be subject to appropriate notice to, and the opportunity for a hearing with regard to, the person or licensee affected in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(1) Upon a finding by the administrative law judge that the ~~cannabis or cannabis~~ product is adulterated or misbranded, or that its sale is otherwise in violation of this division, the administrative law judge may direct the ~~cannabis or cannabis~~ product to be destroyed at the expense of the licensee or product owner and under the supervision of the department. The licensee or owner of the affected ~~cannabis or cannabis~~ product shall pay fees and reasonable costs, including the costs of storage, testing, and supervision, incurred by the department in investigating and prosecuting the action taken pursuant to this section.

(2) Upon a finding by the administrative law judge that the adulteration or misbranding can be corrected by proper labeling or additional processing of the ~~cannabis or cannabis~~ product and that all provisions of this division can be complied with, the administrative law judge may direct the ~~cannabis or cannabis~~ products to be brought into compliance under the department's supervision. The licensee shall pay fees and reasonable costs, including the costs of storage, testing, and

supervision, incurred by the department in investigating and prosecuting the action. After the costs, fees, and expenses have been paid, the department may release the embargo and remove the tag or other marking and supervise the corrective action.

Sec. 8

Section 26039.4 of the Business and Professions Code is amended to read:

26039.4. A peace officer, including a peace officer with the department, may seize cannabis and cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, in any of the following circumstances:

(a) The cannabis or cannabis product, or the hemp-derived cannabinoid product, is subject to recall or embargo by the department.

(b) The cannabis or cannabis product, or the hemp-derived cannabinoid product, is subject to destruction pursuant to this division.

(c) The cannabis or cannabis product, or the hemp-derived cannabinoid product, is seized related to an investigation or disciplinary action for violation of this division.

Sec. 9

Section 26039.5 of the Business and Professions Code is amended to read:

26039.5. (a) Cannabis or a cannabis product is misbranded if it is any of the following:

(1) Cultivated, processed, manufactured, packed, or held in a location not duly licensed as provided in this division.

(2) Consists of cannabis or cannabis product that was cultivated, processed, manufactured, packed, or held in a location not duly licensed as provided in this division.

(3) Its labeling is false or misleading in any particular.

(4) Its labeling or packaging does not conform to the requirements of Section 26120 or any other labeling or packaging requirement established pursuant to this division.

~~(b~~(b) A hemp-derived cannabinoid product, as defined in Section 26340, is misbranded if it is any of the following:

(1) Manufactured, distributed, or held in a location not duly licensed as provided in this division.

(2) Its labeling is false or misleading in any particular.

(4) Its labeling or packaging does not conform to labeling or packaging requirement established pursuant to this division.

(c) It is unlawful to cultivate, process, manufacture, sell, deliver, hold, or offer for sale cannabis or a cannabis product, or a hemp-derived cannabinoid product, that is misbranded.

(ed) It is unlawful to misbrand cannabis or a cannabis product, or a hemp-derived cannabinoid product.

(de) It is unlawful to receive in commerce cannabis or a cannabis product, or a hemp-derived cannabinoid product, that is misbranded or to distribute, deliver, or offer for delivery any such cannabis or cannabis product or hemp-derived cannabinoid product.

Sec. 10

Section 26039.6 of the Business and Professions Code is amended to read:

26039.6. (a) Cannabis or a cannabis product, or a hemp-derived cannabinoid product as defined in Section 26340, is adulterated if it is any of the following:

(1) It has been produced, prepared, packed, or held under unsanitary conditions in which it may have become contaminated with filth or in which it may have been rendered injurious.

(2) It consists, in whole or in part, of any filthy, putrid, or decomposed substance.

(3) It bears or contains any poisonous or deleterious substance that may render it injurious to users under the conditions of use suggested in the labeling or under conditions that are customary or usual.

(4) It bears or contains a substance that is restricted or limited under this division or regulations promulgated pursuant to this division and the level of substance in the product exceeds the limits specified pursuant to this division or in regulation.

(5) Its concentrations differ from, or its purity or quality is below, that which it is represented to possess.

(6) The methods, facilities, or controls used for its cultivation, manufacture, packing, or holding do not conform to, or are not operated or administered in conformity with, practices established by regulations adopted under this division to ensure that the cannabis or cannabis product, or the hemp-derived cannabinoid product, meets the requirements of this division as to safety and has the concentrations it purports to have and meets the quality and purity characteristics that it purports or is represented to possess.

(7) Its container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health.

(8) It is an edible cannabis product or hemp-derived cannabinoid product and a substance has been mixed or packed with it after testing by a testing laboratory so as to reduce its quality or concentration or if a substance has been substituted, wholly or in part, for the edible cannabis product or hemp-derived cannabinoid product.

(b) It is unlawful to cultivate, manufacture, distribute, sell, deliver, hold, or offer for sale cannabis or a cannabis product or a hemp-derived cannabinoid product that is adulterated.

(c) It is unlawful to adulterate cannabis or a cannabis product or a hemp-derived cannabinoid product.

(d) It is unlawful to receive in commerce cannabis or a cannabis product, or a hemp-derived cannabinoid product, that is adulterated or to distribute, deliver, or proffer for delivery any such cannabis or cannabis product or hemp-derived cannabinoid product.

Sec. 11

Section 26080 of the Business and Professions Code is amended to read:

26080. (a) Except as provided in Chapter 25 (commencing with Section 26300), this division does not authorize or permit a licensee to transport or distribute, or cause to be transported or distributed, cannabis or cannabis products outside the state.

(b) A local jurisdiction shall not prevent transportation of cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, on public roads by a licensee transporting cannabis or cannabis products, or hemp-derived cannabinoid products, in compliance with this division.

Sec. 12

Section 26150 of the Business and Professions Code is amended to read:

26150. For purposes of this chapter:

(a) "Advertise" means the publication or dissemination of an advertisement.

(b) "Advertisement" includes any written or verbal statement, illustration, or depiction which is calculated to induce sales of cannabis or cannabis products, or of hemp-derived cannabinoid products as defined in Section 26340, including any written, printed, graphic, or other material, billboard, sign, or other outdoor display, public transit card, other periodical literature, publication, or in a radio or television broadcast, or in any other media; except that such term shall not include:

(1) Any label affixed to any cannabis or cannabis products, or to any hemp-derived cannabinoid products as defined in Section 26340, or any individual covering, carton, or other wrapper of that container that constitutes a part of the labeling under provisions of this division.

(2) Any editorial or other reading material, such as a news release, in any periodical or publication or newspaper for the publication of which no money or valuable consideration is paid or promised, directly or indirectly, by any licensee, and which is not written by or at the direction of the licensee.

(c) "Advertising sign" is any sign, poster, display, billboard, or any other stationary or permanently affixed advertisement promoting the sale of cannabis or cannabis products, or of hemp-derived cannabinoid products as defined in Section 26340, which are not cultivated, manufactured, distributed, or sold on the same lot.

(d) "Health-related statement" means any statement related to health, and includes statements of a curative or therapeutic nature that, expressly or by implication, suggest a relationship between the consumption of cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, and health benefits, or effects on health.

(e) "Market" or "Marketing" means any act or process of promoting or selling cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, including, but not limited to, sponsorship of sporting events, point-of-sale advertising, and development of products specifically designed to appeal to certain demographics.

Sec. 13

Section 26152 of the Business and Professions Code is amended to read:

26152. A licensee shall not do any of the following:

(a) Advertise or market in a manner that is false or untrue in any material particular, or that, irrespective of falsity, directly, or by ambiguity, omission, or inference, or by the addition of irrelevant, scientific, or technical matter, tends to create a misleading impression.

(b) Publish or disseminate advertising or marketing containing any statement concerning a brand or product that is inconsistent with any statement on the labeling thereof.

(c) Publish or disseminate advertising or marketing containing any statement, design, device, or representation which tends to create the impression that the cannabis originated in a particular place or region, unless the label of the advertised product bears an appellation of origin, and such appellation of origin appears in the advertisement.

(d) Advertise or market on a billboard or similar advertising device located on an Interstate Highway or on a State Highway which crosses the California border.

(e) Advertise or market cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, in a manner intended to encourage consumption by persons under 21 years of age ~~to consume cannabis or cannabis products~~.

(f) Publish or disseminate advertising or marketing that is attractive to children.

(g) Advertise or market cannabis or cannabis products, or hemp-derived cannabinoid products as defined in Section 26340, on an advertising sign within 1,000 feet of a day care center, school providing instruction in kindergarten or any grades 1 to 12, inclusive, playground, or youth center.

(h) Publish or disseminate advertising or marketing while the licensee's license is suspended.

Sec. 14

Section 26180 of the Business and Professions Code is amended to read:

26180. The department shall establish a scale of application, licensing, and renewal fees, based upon the cost of enforcing this division, as follows:

(a) The department shall charge each licensee a licensure and renewal fee, as applicable. The licensure and renewal fee shall be calculated to cover the costs of administering this division. The licensure fee may vary depending upon the varying costs associated with administering the various regulatory requirements of this division as they relate to the nature and scope of the different licensure activities, including, but not limited to, the track and trace program required pursuant to Section 26067, but shall not exceed the reasonable regulatory costs to the department.

(b) The total fees assessed pursuant to this division shall be set at an amount that will fairly and proportionately generate sufficient total revenue to fully cover the total costs of administering this division.

(c) All license fees shall be set on a scaled basis by the department, dependent on the size of the business.

~~(d~~(d) The department shall consider adjustments to fees assessed pursuant to this division in light of the incorporation of hemp-derived cannabinoid products into businesses licensed and regulated by the department, pursuant to Chapter 27 (commencing with Section 26340) of this division. It is the intent of the Legislature that fees for cultivation license types not be increased pursuant to this subdivision.

e) The department shall deposit all fees collected in a fee account to be established in the Cannabis Control Fund. Moneys in the fee account shall be used, upon appropriation by the Legislature, by the department for the administration of this division.

Sec. 15

Chapter 27 (commencing with Section 26340) is added to Division 10 of the Business and Professions Code, to read:

Chapter 27. Hemp-Derived Cannabinoid Products

26340. For purposes of this chapter, the following definitions apply:

(a) "Hemp" or "industrial hemp" has the same meaning as in Section 11018.5 of the Health and Safety Code.

(b) "Hemp-derived cannabinoid product" has the same meaning as in Section 26360.

(c) "Pure CBD" has the same meaning as in Section 111920 of the Health and Safety Code.

(d) "Hemp-derived CBD product" has the same meaning as in Section 111920 of the Health and Safety Code.

26341. (a) Hemp-derived cannabinoid products shall not be manufactured or sold in this State, or distributed or otherwise transported to or within this State, except as provided in this chapter.

(b) This chapter does not prohibit the transportation or shipment through this State of hemp-derived cannabinoid products produced in accordance with subtitle G of the federal Agricultural Marketing Act of 1946, to the extent such transportation or shipment through the State is protected by federal law.

(c) Unless otherwise specified, pure CBD and hemp-derived CBD products shall be considered hemp-derived cannabinoid products for purposes of this division, and shall be subject to regulation in the same manner as other hemp-derived cannabinoid products.

26342. (a) Except as provided for pure CBD in subdivision (b) and hemp-derived CBD products in subdivision (c), hemp-derived cannabinoid products shall not be:

(1) Manufactured in this State except by a manufacturer licensed pursuant to this division, or a licensed microbusiness authorized to engage in manufacturing.

(2) Distributed or otherwise transported within this State except by a distributor licensed pursuant to this division, or a licensed microbusiness authorized to engage in distribution. This paragraph does not restrict transportation or shipment through the State as provided in subdivision (b) of Section 26341.

(3) Sold within this State except by a retailer licensed pursuant to this division, or a licensed microbusiness authorized to engage in retail sales.

(b) (1) Pure CBD shall not be:

(A) Manufactured, extracted, or otherwise produced in this State except by a manufacturer licensed pursuant to this division, or a licensed microbusiness authorized to engage in manufacturing.

(B) Sold at retail in this State, except as part of a hemp-derived CBD product in final form as determined by the department in regulation.

(2) Pure CBD may be sold or otherwise transferred to a non-licensee by a distributor licensed pursuant to this division, or by a licensed microbusiness authorized to engage in distribution, or by any person located outside the State, subject to the following conditions:

(A) The putative pure CBD is first tested, by a testing laboratory licensed pursuant to this division, to confirm that it qualifies as pure CBD as defined in Section 26340.

(B) The pure CBD is to be used only in hemp-derived CBD products manufactured, distributed, and sold pursuant to Part 5 of Division 104 of the Health and Safety Code.

(C) Such additional requirements as the department may by regulation establish.

(c) A hemp-derived CBD product may be sold or otherwise transferred to a non-licensee by a distributor licensed pursuant to this division, or by a licensed microbusiness authorized to engage in distribution, or by any person located outside the State, subject to the following conditions:

(1) The putative hemp-derived CBD product is first tested, by a testing laboratory licensed pursuant to this division, to confirm that it qualifies as a hemp-derived CBD product as defined in Section 26340.

(2) The hemp-derived CBD product is to be distributed and sold pursuant to Part 5 of Division 104 of the Health and Safety Code.

(3) Such additional requirements as the department may by regulation establish.

(d) (1) Except as otherwise provided in subdivisions (b) and (c), hemp-derived cannabinoid products subject to this division shall not be subject to Part 5 of Division 104 of the Health and Safety Code.

(2) Hemp-derived cannabinoid products subject to Part 5 of Division 104 of the Health and Safety Code, as provided in subdivisions (b) and (c), shall be subject to

testing and other inspection, seizure, embargo, recall, forfeiture, and destruction by the department, consistent with the procedures established by this division for the department's testing and other inspection, seizure, embargo, recall, forfeiture, and destruction of other hemp-derived cannabinoid products. This paragraph does not in any way limit any other authority otherwise conferred by law, including but not limited to authority conferred upon the Department of Public Health to enforce Part 5 of Division 104 of the Health and Safety Code.

(3) Nothing in this section limits the department's authority to establish regulations interpreting, clarifying, or otherwise implementing the definitions of "pure CBD" and "hemp-derived CBD products."

26343. (a) A manufacturer licensed pursuant to this division, or a licensed microbusiness authorized to engage in manufacturing, may manufacture hemp-derived cannabinoid products.

(b) Except as otherwise provided in this chapter, the manufacture of hemp-derived cannabinoid products shall be subject to the same conditions and restrictions imposed on the manufacture of cannabis products by this division and its implementing regulations. This includes, without limitation, all of the following:

(1) Restrictions based on the classification of a license as Manufacturing Level 1 or Manufacturing 2, or another license type established by the department.

(2) Chapter 13 (commencing with Section 26130) of this division, except for paragraph (6) of subdivision (c) of Section 26130.

(3) Other requirements or restrictions imposed on manufacturing under regulations established by the department.

(4) Other conditions imposed by the department on a specific license.

(c) A licensee who manufactures a hemp-derived cannabinoid product shall not sell or otherwise transfer that hemp-derived cannabinoid product or pure CBD to any person other than a licensee authorized to engage in distribution pursuant to Section 26344.

(d) A licensee who manufactures any hemp-derived cannabinoid product or pure CBD shall, for a period prescribed by the department in regulation, maintain records demonstrating that the hemp-derived cannabinoid product or pure CBD is not, and does not in any way contain, any substance that is a controlled substance under the federal Controlled Substances Act.

26344. (a) A distributor licensed pursuant to this division, or a licensed microbusiness authorized to engage in distribution, may engage in the distribution of hemp-derived cannabinoid products.

(b) Except as otherwise provided in this chapter, the distribution of hemp-derived cannabinoid products shall be subject to the same conditions and restrictions imposed on the distribution of cannabis products by this division and its implementing regulations. This includes, without limitation, all of the following:

(1) Restrictions based on the licensee's license type.

(2) Section 26070, except for the following:

(A) Paragraph (1) of subdivision (a).

(B) Subparagraph (A) of paragraph (3) of subdivision (a).

(C) Subdivisions (j) and (k).

(3) Section 26110.

(4) Other requirements or restrictions imposed on distribution under regulations established by the department.

(5) Other conditions imposed by the department on a specific license.

(c) Except as authorized by subdivision (d), a licensee engaged in distribution of a hemp-derived cannabinoid product or pure CBD shall not purchase, sell, or otherwise transfer that hemp-derived cannabinoid product to or from any person not licensed pursuant to this division.

(d) A licensed distributor may do all of the following in connection with the distribution of hemp-derived cannabinoid products:

(1) Purchase harvested hemp. The department may regulate distributors' purchase of harvested hemp, and harvested hemp in the possession of a distributor.

(A) Hemp purchased pursuant to this subdivision shall have been cultivated in compliance with the Agricultural Marketing Act of 1946 and the following, as applicable:

(i) Division 24 (commencing with Section 81000) of the Food and Agricultural Code.

(ii) The laws of another state authorizing the cultivation of hemp in a manner consistent with federal law.

(iii) Other requirements established by the United States Department of Agriculture.

(B) A distributor who purchases hemp pursuant to this paragraph shall maintain records demonstrating compliance with subparagraph (A) for a period prescribed by the Department in regulation.

(C) The Department shall, by regulation, provide for the incorporation of hemp purchased pursuant to this paragraph into the track and trace program established by Chapter 6.5 (commencing with Section 26067) of this division.

(2) Purchase hemp-derived cannabinoid products manufactured outside this State, for distribution within this State. The department shall, by regulation, provide for the incorporation of such hemp-derived cannabinoid products and pure CBD into the track and trace program established by Chapter 6.5 (commencing with Section 26067) of this division.

(3) Engage in the non-retail sale of hemp-derived cannabinoid products manufactured within this State to purchasers outside this State. The department shall, by regulation, establish a mechanism for such hemp-derived cannabinoid products to exit the track and trace program established by Chapter 6.5 (commencing with Section 26067) of this division.

(4) Engage in the non-retail sale of pure CBD to any person not licensed under this division, as provided in subdivision (b) of Section 26342. The department shall, by regulation, establish a mechanism for pure CBD to exit the track and trace program established by Chapter 6.5 (commencing with Section 26067) of this division when sold pursuant to this paragraph.

(d) A distributor who purchases, sells, or otherwise transfers any hemp-derived cannabinoid product to or from any person not licensed under this division shall, for a period prescribed by the department in regulation, maintain records demonstrating that the hemp-derived cannabinoid product or pure CBD is not, and does not in any way contain, any substance that is a controlled substance under the federal Controlled Substances Act.

26345. (a) A retailer licensed pursuant to this division, or a licensed microbusiness authorized to engage in retail, may engage in the retail sale of hemp-derived cannabinoid products.

(b) Except as otherwise provided in this chapter, the retail sale of hemp-derived cannabinoid products shall be subject to the same conditions and restrictions imposed on the retail sale of cannabis products by this division and its implementing regulations. This includes, without limitation, all of the following:

(1) Restrictions based on the licensee's license type.

(2) Paragraph (6) of subdivision (c) of Section 26130.

(3) Subdivision (a) of Section 26140. Hemp-derived cannabinoid products shall be sold only to adults 21 years of age and older.

(4) Paragraph (1) of subdivision (a), and subdivisions (j) and (k), of Section 26070.

(5) Section 26070.1.

(6) Section 26070.2

(7) Subdivision (b) of Section 26070.3.

(8) For retail sales via delivery, all of the following:

(A) Subdivisions (b), (c), (d), (e), and (i) of Section 26070.

(B) Section 26090.

(9) Other requirements or restrictions imposed on retail sale under regulations established by the department.

(10) Other conditions imposed by the department on a specific license.

(c) A licensee engaged in retail sale of hemp-derived cannabinoid products shall not purchase or otherwise transfer such hemp-derived cannabinoid products from any person other than a licensee authorized to engage in distribution pursuant to Section 26344.

(d) This section applies to retail sale of hemp-derived CBD products by a licensed retailer, or a licensed microbusiness authorized to engage in retail. This section does not apply to retail sale of hemp-derived CBD products by a non-licensee.

26346. All hemp-derived cannabinoid products sold in this State, except for hemp-derived CBD products sold by a non-licensee, shall be subject to the following:

(a) The testing and quality-assurance requirements imposed on cannabis products by Chapter 10 (commencing with Section 26100) and Chapter 11 (commencing with Section 26110) of this division, or to other requirements established by the department in regulation that the department determines are sufficient to protect consumer health and safety. The department shall, by regulation, require all retailers licensed under this division to produce the certificate of analysis for any product sold at retail under this division to the customer, upon request.

(b) Paragraphs (1) through (6) of subdivision (c) of Section 26130, and related regulations established by the department.

(3) The following provisions of Section 26120, and related regulations established by the department:

(A) Subdivisions (a), (b), (d), and (e).

(B) Paragraphs (3), (5), (6), (7), and (9) of subdivision (c).

26347. Except as otherwise provided in this chapter, a licensee shall not purchase, sell, or otherwise transfer any of the following to or from any person not licensed pursuant to this division:

(a) Hemp.

(b) Pure CBD.

(c) Hemp-derived cannabinoid products, including hemp-derived CBD products. This section does not prohibit retail sale of hemp-derived CBD products, in final form as determined by the department in regulation, by a licensed retailer.

26348. (a) In enacting this chapter, it is the intent of the Legislature to ensure the protection of public health, safety, and general welfare, and to establish consistency between the regulation of hemp-derived cannabinoid products and the regulation of adult-use cannabis products.

(b) (1) The department shall, by regulation, provide for the incorporation of hemp-derived cannabinoid products, and pure CBD manufactured by a licensee, into the track and trace program established by Chapter 6.5 (commencing with Section 26067) of this division, including the use of unique identifiers for hemp-derived cannabinoid products.

(2) The department may, by regulation, impose such additional requirements in connection with, or additional restrictions on, hemp-derived cannabinoid products as it deems necessary to protect public health, safety, or general welfare, and to establish consistency with the department's regulations concerning cannabis and cannabis products.

(c) Notwithstanding any other law, the department may adopt emergency regulations to implement this chapter and any provision of this division amended in connection with the enactment of this chapter. The provisions of Section 26013 shall be applicable to emergency regulations adopted or readopted pursuant to this section. The adoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(d) This section shall become operative upon its effective date.

26349. Except as provided in Section 26348, this chapter shall become operative upon the earlier of the following:

(a) The effective date of regulations established by the department pursuant to Section 26348.

(b) January 1, 2027.

Sec. 16

Chapter 28 (commencing with Section 26360) is added to Division 10 of the Business and Professions Code, to read:

Chapter 28. Further Prohibitions and Enforcement

26360. For purposes of this chapter, the following definitions apply:

(a) "Hemp" or "industrial hemp" has the same meaning as in Section 11018.5 of the Health and Safety Code.

(b) "Hemp-derived cannabinoid product" means any product, whether in intermediate or final form and regardless of other characteristics, that:

(1) Contains hemp or is in any way derived, in whole or in part, from hemp.

(2) Does not contain, and is not derived even in part from, cannabis or cannabis products. A product that contains cannabis or cannabis products, or is derived even in part from cannabis or cannabis products, shall be a cannabis product for purposes of this division, even if that product also contains hemp or is derived in part from hemp.

(3) Does not contain, and is not derived even in part from, any synthetic cannabinoid, as defined by the department in regulation.

(4) Is not, and does not in any way contain, any substance that is a controlled substance under the federal Controlled Substances Act. Nothing in this chapter authorizes the manufacturing, distribution, transport, storage, or sale of any substance, or any product that in any way contains any substance, that is a controlled substance under the federal Controlled Substances Act.

(5) Is intended for human or animal consumption, including topical use, or is an ingredient in or other precursor to a product intended for human or animal consumption.

(A) Products intended for human or animal consumption include, but are not limited to, all edible products, including all beverages; all inhalable products; and all lotions, creams, or other topical products.

(B) Ingredients or other precursors to a product intended for human or animal consumption include, but are not limited to, all resins, oils, salts, extracts, and other derivatives of hemp, to the extent the resins, oils, salts, extracts, and other derivatives play any role whatsoever in any product intended for human or animal consumption.

(6) Contains any detectable amount of any cannabinoid.

26361. The following are prohibited in this State:

(a) The manufacture, distribution, and sale of any synthetic cannabinoid, as defined by the department in regulation, or any product containing any detectable amount of any synthetic cannabinoid.

(b) The manufacture, distribution, and sale of any hemp-derived cannabinoid product, except as provided in Chapter 27 of this division and Chapter 9 (commencing with Section 111920) of Part 5 of Division 104 of the Health and Safety Code, as applicable.

(b) The manufacture and sale of any inhalable hemp-derived cannabinoid product. This includes, but is not limited to, the manufacture and sale of inhalable hemp-derived CBD products.

(c) The retail sale of hemp flower in any form.

26362. In addition to such other penalties and remedies as may otherwise be provided by law, and without in any way limiting such penalties and remedies or any power otherwise conferred on any state or local agency or official:

(a) Any manufacture, distribution, or sale in violation of Section 26361 shall be subject to the same administrative, civil, and criminal penalties, in the same manner, as provided by the laws of this State in connection with the unlicensed manufacture, distribution, or sale, as applicable, of cannabis or cannabis products.

(b) Any violation of Section 26361, and any unlicensed commercial cannabis activity in violation of this division, shall be grounds for the suspension or revocation of any license or permit held pursuant to Divisions 8.6 (commencing with Section 22970) and 9 (commencing with Section 23000) of this code and Part 7 (commencing with Section 113700) of Division 104 of the Health and Safety Code.

(c) Any state or local official otherwise authorized by law to test or otherwise inspect, seize, embargo, recall, forfeit, or destroy cannabis or cannabis products from unlicensed persons may exercise that same authority, in the same manner, as to any product manufactured, distributed, or sold in violation of Section 26361.

26363. Notwithstanding any other law, the department may adopt emergency regulations to implement this chapter. The provisions of Section 26013 shall be applicable to emergency regulations adopted or readopted pursuant to this section. The adoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

Sec. 17

Section 11018.5 of the Health and Safety Code is amended to read:

11018.5. (a) "Industrial hemp" or "hemp" means an agricultural product, whether growing or not, that is limited to types of the plant Cannabis sativa L. and any part of that plant, including the seeds of the plant and all derivatives, extracts, the resin extracted from any part of the plant, cannabinoids, isomers, acids, salts, and salts of isomers, with a delta-9 tetrahydrocannabinol concentration of no more than 0.3 percent on a dry weight basis. "Industrial hemp" or "hemp" does not include cannabinoids produced, in whole or in part, using chemical synthesis.

(b) Industrial hemp shall not be subject to the provisions of this division or of Division 10 (commencing with Section 26000) of the Business and Professions Code, but instead shall be regulated by the Department of Food and Agriculture in accordance with the provisions of Division 24 (commencing with Section 81000) of the Food and Agricultural Code, inclusive. This subdivision does not limit the regulation of hemp-derived cannabinoid products pursuant to Chapter 27 (commencing with Section 26340) of Division 10 of the Business and Professions Code.

Sec. 18

Section 110036 of the Health and Safety Code is repealed.

Sec. 19

Section 110065 of the Health and Safety Code is amended to read:

110065. (a) The department may adopt any regulations that it determines are necessary for the enforcement of this part. The regulations shall be adopted by the department in the manner prescribed by Chapter 3.5(commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The department shall, insofar as practicable, make these regulations conform with those adopted under the federal act or by the United States Department of Agriculture or by the Internal Revenue Service of the United States Treasury Department.

(b) (1) The department may adopt emergency regulations to implement this division.

(2) The department may readopt any emergency regulation authorized by this section that is the same as, or substantially equivalent to, an emergency regulation previously adopted as authorized by this section. That readoption shall be limited to one time for each regulation.

(3) Notwithstanding any other law, the initial adoption of emergency regulations and the readoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public

peace, health, safety, or general welfare. The initial emergency regulations and the readopted emergency regulations authorized by this section shall be each submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than180 days, by which time final regulations shall be adopted.

~~(c) Initial regulations regarding industrial hemp shall be exempt from the Administrative Procedure Act (Chapter3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), except that the department shall post the proposed regulations on its internet website for public comment for 30 days. The comments received shall be considered by the department and the final adopted regulations shall be filed with the Office of Administrative Law for publication in the California Code of Regulations. This exemption does not apply to regulations adopted pursuant to Section 111921.3 or 111922.~~

Sec. 20

Section 110407 of the Health and Safety Code is amended to read:

110407. (a) A manufacturer, distributor, or seller of ~~an industrial~~a non-intoxicating hemp product~~-~~, as defined in Section 111920, shall not include on the label of the product, or publish or disseminate in advertising or marketing, any health-related statement that is untrue in any particular manner as to the health effects of consuming products containing industrial hemp or ~~cannabinoids, extracts, or derivatives~~any extract or derivative from industrial hemp in violation of this part.

(b) For purposes of this section, "health-related statement" means a statement related to health, and includes a statement of a curative or therapeutic nature that, expressly or impliedly, suggests a relationship between the consumption of industrial hemp or any extract or derivative from industrial hemp ~~products~~ and health benefits or effects on health. However, "health-related statement" does not include statements required to be made pursuant to federal Food and Drug Administration regulations for active ingredients in prescription drugs, nonprescription over-the-counter drugs containing inactive ingredients, or structure-function claims allowed for dietary supplements made in accordance with the Federal Food, Drug, and Cosmetic Act (21 U.S.C. Sec. 343(r)(6)).

Sec. 21

Section 110469 of the Health and Safety Code is amended to read:

110469. (a) A wholesale food manufacturing facility that manufactures ~~products that contain industrial hemp~~non-intoxicating hemp products, as defined in Section 111920, shall be registered in accordance with Section 110460 and shall comply

with good manufacturing practices as defined in Section 110105 and as determined by the department in regulation.

(b) Industrial hemp shall not be used in dietary supplements or food products unless the manufacturer demonstrates ~~both~~ all of the following:

(1~~) All parts of the~~ The industrial hemp used is limited to non-cannabinoid hemp plant ~~used in dietary supplements~~material or ~~food products come~~pure CBD, as each is defined in Section 111920.

(2) The industrial hemp comes from a state or country that has an established and approved industrial hemp program that meets any applicable requirements in federal law regarding the lawful and safe cultivation of hemp, and that inspects or regulates hemp under a food safety program or equivalent criteria to ensure safety for human or animal consumption.

(3) The industrial hemp used in the non-intoxicating hemp product is in compliance with the governing laws of the state or country of origin, including but not limited to the food safety program or equivalent criteria.

~~(2) The industrial hemp cultivator or grower is in good standing and in compliance with the governing laws of the state or country of origin.~~

Sec. 22

Section 110611 of the Health and Safety Code is amended to read:

110611. Except as provided in Section 25621.5 of the Business and Professions Code, a dietary supplement, food, or beverage is not adulterated by the inclusion of industrial hemp, as defined in Section 11018.5, as long as the ~~cannabinoids, extracts, or derivatives from industrial hemp meet~~ dietary supplement, food, or beverage is a non-intoxicating hemp product, as defined in Section 111920, and otherwise meets the requirements established in Chapter 9 (commencing with Section 111920). The sale of a dietary supplement, food, or beverage that ~~includes industrial~~is a non-intoxicating hemp ~~or cannabinoids, extracts, or derivatives from industrial hemp~~product, as defined in Section 111920, shall not be restricted or prohibited based solely on the inclusion of industrial hemp provided that the ~~cannabinoids, extracts, or derivatives from industrial hemp meet~~non-intoxicating hemp product meets the requirements of Chapter 9 (commencing with Section 111920).

Sec. 23

Section 111691 of the Health and Safety Code is amended to read:

111691. A cosmetic is not adulterated because it includes industrial hemp, as defined in Section 11018.5, as long as the ~~cannabinoids, extracts, or derivatives from industrial hemp meet~~cosmetic is a non-intoxicating hemp product, as defined in Section 111920, and otherwise meets the requirements established in Chapter 9 (commencing with Section 111920). The sale of a cosmetic that ~~includes industrial~~is a non-intoxicating hemp ~~or cannabinoids, extracts, or derivatives from industrial hemp~~product, as defined in Section 111920, shall not be restricted or prohibited based solely on the inclusion of industrial hemp provided that the ~~cannabinoids, extracts, or derivatives from industrial hemp meet~~non-intoxicating hemp product meets the requirements established in Chapter 9 (commencing with Section 111920).

Sec. 24

Chapter 9 (commencing with Section 111920) of Part 5 of Division 104 of the Health and Safety Code is repealed.

Sec. 25

Chapter 9 (commencing with Section 111920) is added to Part 5 of Division 104 of the Health Safety Code, to read:

Chapter 9. Non-intoxicating hemp products.

Article 1. Definitions.

111920. For purposes of this chapter, the following definitions apply:

(a) "Department" means the Department of Public Health.

(b) "Hemp" or "industrial hemp" has the same meaning as in Section 11018.5 of the Health and Safety Code.

(c) "Hemp-derived CBD product" means any hemp-derived cannabinoid product that contains cannabidiol (CBD), but that does not contain any detectable amount of any other cannabinoid. For purposes of this subdivision, "hemp-derived cannabinoid product" has the same meaning as in Section 26360 of the Business and Professions Code.

(d) "Hemp product" or "industrial hemp product" means any product that contains hemp or is in any way derived from hemp, in whole or in part.

(e) "Independent testing laboratory" means a laboratory that meets all of the following requirements:

(1) Does not have a direct or indirect interest in the entity for which testing is being done.

(2) Does not have a direct or indirect interest in a facility that cultivates, processes, distributes, dispenses, or sells raw hemp products in this state or in another jurisdiction.

(3) Does not have a license issued pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, other than as a licensed testing laboratory.

(4) Is either of the following:

(A) A testing laboratory licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, if otherwise required by law or if the licensed testing lab has notified the Department of Cannabis Control.

(B) Accredited by a third-party accrediting body as a competent testing laboratory pursuant to ISO/IEC 17025 of the International Organization for Standardization. This subparagraph shall not apply where testing by a testing laboratory licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code is otherwise required by law.

(f) "Non-cannabinoid hemp plant material" means both of the following:

(1) The stalks of the hemp plant, fiber produced from those stalks, and any other derivative, mixture, preparation, or manufacture of those stalks, provided that the stalks, fiber, derivative, mixture, preparation, or manufacture:

(A) Does not contain any detectable amount of any cannabinoid.

(B) Is not derived, in whole or in part, from any cannabinoid, or from any resin, oil, salt, extract, or other derivative of hemp containing any cannabinoid.

(2) The whole grain, oil, cake, nut, or hull of the seeds of the hemp plant, or any other compound, derivative, mixture, preparation, or manufacture of those seeds, provided that the grain, oil, cake, nut, or hull, or other compound, derivative, mixture, preparation, or manufacture:

(A) Does not contain any detectable amount of any cannabinoid.

(B) Is not derived, in whole or in part, from any cannabinoid, or from any resin, oil, salt, extract, or other derivative of hemp containing any cannabinoid.

(g) "Non-intoxicating hemp product" means either of the following:

(1) A hemp-derived CBD product.

(2) A product that contains only non-cannabinoid hemp plant material.

(h) "Pure CBD" means any resin, oil, salt, extract, or other substance that:

(1) Is entirely derived from hemp. For purposes of this chapter, pure CBD does not include any resin, oil, salt, extract, or other substance that is in any way derived, in whole or in part, from cannabis.

(2) Contains cannabidiol (CBD).

(3) Does not contain any detectable amount of any other cannabinoid, except that pure CBD may include one or more other cannabinoids if the Department of Public Health has previously determined, by regulation, that each relevant cannabinoid does not cause intoxication and does not pose any threat to human or animal health or safety. The inclusion of such other cannabinoids in pure CBD shall be subject to such conditions and restrictions, including but not limited to quantitative limits, as the Department of Public Health may by regulation establish.

Article 2. General Requirements.

111921. A hemp product may be sold pursuant to this chapter, and shall not be considered adulterated pursuant to this part, only if it satisfies all of the following:

(a) It is a non-intoxicating hemp product.

(b) It is a dietary supplement, food, beverage, or cosmetic. If the hemp product is a beverage, the beverage shall be non-alcoholic.

(c) An independent testing laboratory has confirmed both of the following:

(1) It does not contain any detectable amount of any cannabinoid other than cannabidiol (CBD), except that the product may contain one or more other cannabinoids if the Department of Public Health has previously determined, by regulation, that each relevant cannabinoid does not cause intoxication and does not pose any threat to human or animal health or safety. The inclusion of such other cannabinoids shall be subject to such conditions and restrictions, including but not limited to quantitative limits, as the Department of Public Health may by regulation establish.

(2) It meets any additional requirements established by the department in regulation.

(d) The hemp used in connection with the non-intoxicating hemp product was grown in compliance with the Agricultural Marketing Act of 1946 and the following, as applicable:

(1) Division 24 (commencing with Section 81000) of the Food and Agricultural Code.

(2) The laws of another state authorizing the cultivation of hemp in a manner consistent with federal law.

(3) Other requirements established by the United States Department of Agriculture.

111922. (a) On an after the earliest date that the entirety of Chapter 27 (commencing with Section 26340) of Division 10 of the Business and Professions Code is operative:

(1) Pure CBD shall not be extracted or otherwise produced within this State except as provided in Chapter 27 (commencing with Section 26340) of Division 10 of the Business and Professions Code.

(2) Pure CBD shall not be incorporated into, used as an ingredient in, or otherwise used to produce, within this State, any non-intoxicating hemp product unless the pure CBD has first been tested by a testing laboratory licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code to confirm that it is pure CBD.

(b) Prior to the earliest date that the entirety of Chapter 27 (commencing with Section 26340) of Division 10 of the Business and Professions Code is operative, pure CBD shall not be subject to that chapter, but shall instead be subject only to this part.

Article 3. Packaging and Labeling.

111923. (a) An industrial hemp product that is a dietary supplement, food, or beverage shall not be distributed or sold in the state without packaging and labeling on the product that includes all of the following information:

(1) A label, scannable barcode, internet website, or quick response (QR) code linked to the certificate of analysis of the final form product batch by an independent testing laboratory that provides all of the following information:

(A) The product name.

(B) The name of the product's manufacturer, packer, or distributor, and their address and telephone number.

(C) True and accurate information about the nature and quantity of any contaminants detected during testing by an independent testing laboratory.

(2) The product expiration or best by date, if applicable.

(3) A statement indicating that children or those who are pregnant or breastfeeding should avoid using the product prior to consulting with a health care professional about its safety.

(4) A true and accurate statement as whether the federal Food and Drug Administration has evaluated the product for safety or efficacy.

(b) An industrial hemp human food and beverage product shall not be labeled, marketed, or advertised as a product intended to produce an intoxicating effect.

Article 4. Further prohibitions, restrictions, and regulations.

111924. Nothing in this chapter authorizes the manufacture or sale of any of the following:

(a) Any inhalable product.

(b) Any alcoholic beverage.

(c) Any product containing nicotine or tobacco.

(d) Any other product or category of product that the department determines, by regulation, to pose a potential risk to human or animal health, safety, or general welfare.

111925. (a) The department may, by regulation, impose additional requirements in connection with, and additional restrictions on, non-intoxicating hemp products and the sale thereof, including but not limited to the use of pure CBD as an ingredient in non-intoxicating hemp products. These may include, but need not be limited to, limits on allowable amounts of cannabidiol (CBD) or other ingredients, restrictions on allowable types of products, recordkeeping and inspection requirements, and other requirements the department deems necessary to protect public health, safety, or general welfare.

(b) Notwithstanding any other law, the department may adopt emergency regulations to implement this chapter. The adoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

Article 5. Construction with other laws.

111926. Hemp-derived cannabinoid products subject to Chapter 27 (commencing with Section 26340) of Division 10 of the Business and Professions Code shall not be subject to this part, but shall instead be subject to Division 10 (commencing with Section 26000) of the Business and Professions Code, except as otherwise provided by Division 10 of the Business and Professions Code.

111927. This chapter does not apply to any medical device, or to any prescription or nonprescription drug, subject to regulation under the Federal Food, Drug, and Cosmetic Act.

Article 6. Enforcement.
111930.
(a) (1) A peace officer or a state official who possesses seizure authority may seize or embargo an industrial hemp product in any of the following circumstances:

(A) The industrial hemp product is subject to recall, quarantine, or embargo by the department.

(B) The industrial hemp product is subject to condemnation and destruction by the department or a court of law.

(C) The industrial hemp product is seized related to an investigation or disciplinary action by the department.

(2) Whenever a peace officer or state official who possesses seizure authority finds, or has probable cause to believe, that any industrial hemp is unlawful, or that the sale of that industrial hemp product would be in violation of this part, that peace officer or state official may seize or embargo the industrial hemp product under the provisions of this article.

(b) The peace officer or state official may affix a tag or other appropriate marking to the industrial hemp product.

(c) The peace officer or state official shall give notice that the industrial hemp product is, or is suspected of being, unlawful, or that its sale would be in violation of this part, and that the industrial hemp product has been seized or embargoed.

(d) When the peace officer or state official has found that the seized or embargoed industrial hemp product is lawful, and that its sale would not otherwise be in violation of this part, the peace officer or state official shall remove any tag or other marking previously affixed to the industrial hemp product.

(e) When a peace officer or state official under this section finds, or has reasonable cause to believe, that the embargo will be violated, that peace officer or state official may remove the embargoed industrial hemp product to a place of safekeeping.

(f) It is unlawful for a person to remove, sell, or dispose of an industrial hemp product seized, detained, or embargoed under the provisions of this article without permission of the peace officer or other official responsible for the seizure, detention, or embargo, or a court of competent jurisdiction.

111930.1.

(a) A peace officer or state official who takes an action under Section 111930 shall:

(1) Request voluntary condemnation and destruction of the seized or embargoed industrial hemp product by the retailer or other owner.

(2) Commence proceedings in the superior court in whose jurisdiction the seized or embargoed industrial hemp product is located, for condemnation and destruction of the industrial hemp product against the retailer or other owner.

(3) Release the embargo or otherwise return the seized industrial hemp product if compliance with this chapter has been established.

(b) In the absence of a court order, the seized or embargoed industrial hemp product may be destroyed pursuant to the written consent of the retailer or other owner or their respective attorney or authorized representative.

(c) (1) If the court finds that the seized or embargoed industrial hemp product is unlawful, or that its sale would otherwise be in violation of this part, the seized or embargoed industrial hemp product shall, after entry of the judgment, be destroyed at the expense of the claimant, retailer, owner, or manufacturer. Fees and costs shall be assigned to the retailer unless the retailer proves that fees and costs should be assigned to a claimant, owner, or manufacturer.

(2) If the court finds that a seized or embargoed industrial hemp product's unlawful condition can be corrected and when all provisions of this part can be complied with, then, after entry of the judgment and after costs, fees, and expenses have been paid and a sufficient bond conditioned that the industrial hemp product will be brought into compliance, the court may, by order, direct that the industrial hemp product be delivered to the claimant, retailer, owner, or manufacturer to be brought into compliance. The expense of any required supervision shall be paid by the claimant, owner, or manufacturer. Fees and costs shall be assigned to the retailer unless the retailer proves that fees and costs should be assigned to a claimant, owner, or manufacturer. The bond shall be discharged when the court finds that the industrial hemp product is no longer held for sale in violation of this part and that all of the expenses of supervision have been paid.

(d) Under this section, all fees and costs associated with the investigation, the condemnation, and the destruction of the illegal industrial hemp product, including, but not limited to, the costs of storage and testing, shall be incurred by the claimant, retailer, owner, or manufacturer of the industrial hemp. Fees and costs shall be assigned to the retailer unless the retailer proves that fees and costs should be assigned to a claimant, owner, or manufacturer.

111930.2.

(a) A person in violation of this chapter regarding the retail sale of industrial hemp shall be subject to civil penalties of up to two thousand five hundred dollars ($2,500) per violation.

(b) In assessing a penalty under this section, a court shall give due consideration to the appropriateness of the amount of the civil penalty with respect to factors the court determines to be relevant, including all of the following:

(1) The gravity of the violation.

(2) The good faith, or lack thereof, of the person responsible for the violation.

(3) Any history of previous violations by the person responsible for the violation.

(4) Whether, and to what extent, the person responsible for the violation profited from the violation.

(c) An action for civil penalties under this section may be brought by the Attorney General on behalf of the people or on behalf of the department or another state agency, by a county counsel or district attorney, or by a city attorney or city prosecutor.

(d) (1) If an action for civil penalties pursuant to this section is brought by the Attorney General on behalf of the people or on behalf of the department or another

state agency, the penalty shall first be used to reimburse the Attorney General and the department or the state agency for the costs of investigating and prosecuting the action, including expert fees and reasonable attorney's fees, with the remainder, if any, to be deposited into the General Fund.

(2) If an action for civil penalties pursuant to this section is brought by a county counsel or district attorney, the penalty shall first be used to reimburse the county counsel or district attorney for the costs of bringing the action for civil penalties and for the costs of investigating and prosecuting the action, including expert fees and reasonable attorney's fees, with the remainder, if any, to be deposited into the county's designated fund.

(3) If the action for civil penalties pursuant to this section is brought by a city attorney or city prosecutor, the penalty collected shall first be used to reimburse the city attorney or city prosecutor for the costs of bringing the action for civil penalties and for the costs of investigating and prosecuting the action, including expert fees and reasonable attorney's fees, with the remainder, if any, to be deposited into the city's designated fund.

(e) An action for civil penalties pursuant to this section shall not be commenced unless the action is filed within three years from the date of the violation.

111930.3.
(a) In addition to any other criminal penalties provided under this part, violations of this chapter regarding the retail sale of industrial hemp is a misdemeanor or punishable by a penalty fine not to exceed one thousand dollars ($1,000) for each violation or by imprisonment in the county jail for a period not exceeding one year, or both. Each day a violation continues shall be considered a separate violation.

(b) The department may, by regulation, provide for additional administrative penalties for any violation of this chapter.

111930.4.
(a) The remedies under this article are in addition to, and do not supersede or limit, any and all other remedies, civil or criminal.

(b) This article does not limit any authority conferred on the department to administer and enforce the provisions of this part.

(c) This chapter does not limit the exercise of any other authority conferred by law.

111930.5.
This article does not preempt or otherwise prohibit the adoption or enforcement of any local ordinance or regulation that imposes greater restrictions on the retail sale of industrial hemp products than the restrictions imposed by this part. To the extent that there is an inconsistency between this part and a local ordinance or regulation that imposes greater restrictions on the retail sale of industrial hemp products, the greater restriction on the retail sale of industrial hemp products shall be enforceable by the local jurisdiction.

Sec. 26

Section 34010 of the Revenue and Taxation Code is amended to read:

34010. This part shall be known, and may be cited, as the "Cannabis Tax Law." For purposes of this part:

. . .

(n) "Gross receipts" has the same meaning as set forth in Section 6012.

(o) "Hemp-derived cannabinoid products" has the same meaning as set forth in Section 26360 of the Business and Professions Code, except that it does not include hemp-derived CBD products, as defined in Section 111920 of the Health and Safety Code, sold by anyone other than a cannabis retailer.

(~~o~~p) "Manufacturer" means a person required to be licensed as a manufacturer pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

. . . .

Sec. 27

Section 34011.2 of the Revenue and Taxation Code is amended to read:

34011.2. (a) (1) Effective on and after January 1, 2023, a cannabis excise tax shall be imposed upon purchasers of cannabis or cannabis products sold in this state at 15 percent of the gross receipts of any retail sale by a cannabis retailer.

(~~2~~(2) Effective on and after January 1, 2027, the cannabis excise tax shall be imposed upon purchasers of hemp-derived cannabinoid products sold in this state.

(3) For the 2025–26 fiscal year and every two years thereafter, the department, in consultation with the Department of Finance, shall on or before May 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the cannabis excise tax rate upon purchasers of cannabis or cannabis products imposed in paragraph (1) by the additional percentage of the gross receipts of any retail sale by a cannabis retailer that the department estimates will generate an amount of revenue equivalent to the amount that would have been collected in the previous fiscal year pursuant to the weight-based cultivation tax imposed under Section 34012 as it read on the date before the effective date of the act adding this section. In no case shall the cannabis excise tax exceed 19 percent of the gross receipts of retail sale. The department shall round the rate calculated under this subdivision to the nearest one-quarter of 1 percent. The adjusted rate shall become operative the following July 1.

(~~3~~4) On or before May 1, 2025, and each May 1 every two years thereafter, the department, in consultation with the Department of Finance, shall estimate the amount of revenue that would have been collected in the previous fiscal year

pursuant to the weight-based cultivation tax imposed under Section 34012 as it read on the date before the effective date of the act adding this section. The department shall estimate this amount by projecting the revenue from weight-based cultivation taxes that would have been collected in the previous calendar year based on information available to the department, including, but not limited to, information in the track and trace system required pursuant to Chapter 6.5 (commencing with Section 26067) of Division 10 of the Business and Professions Code, or any implementing regulations, as a percentage of gross receipts from the retail sale of cannabis and cannabis products by cannabis retailers in the previous calendar year.

(b) A purchaser's liability for the cannabis excise tax is not extinguished until the cannabis excise tax has been paid to this state, except that an invoice, receipt, or other document from a cannabis retailer given to the purchaser pursuant to this section is sufficient to relieve the purchaser from further liability for the tax to which the invoice, receipt, or other document refers.

(c) A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting that tax to the department in accordance with this division.

(d) The cannabis retailer shall provide each purchaser with an invoice, receipt, or other document that separately states the cannabis excise tax.

(e) The cannabis excise tax imposed by this section shall be in addition to the sales and use tax imposed by the state and local governments.

(f) Gross receipts from the sale of cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products for purposes of assessing the sales and use taxes under Part 1 (commencing with Section 6001) shall include the tax levied pursuant to this section.

(g) Cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products shall not be sold to a purchaser unless the cannabis excise tax imposed by this section has been paid by the purchaser at the time of sale.

(h) This section shall not be construed to impose a cannabis excise tax upon medicinal cannabis, or medicinal cannabis product, donated for no consideration to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

(i) (1) This section shall not be construed to impose a cannabis excise tax upon cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions Code.

(2) A person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code that sells cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions

Code shall be liable for the cannabis excise tax imposed by this section as if the person were a cannabis retailer at the time of sale.

(j) This section shall become operative on January 1, 2023.

(k) The amendments made to this section by Chapter X of the Statutes of 2024 shall become operative on January 1, 2027.

Sec. 28

Section 34013 of the Revenue and Taxation Code is amended to read:

34013. (a) The department shall administer and collect the taxes imposed by this part pursuant to the Fee Collection Procedures Law (Part 30 (commencing with Section 55001)). For purposes of this part, the references in the Fee Collection Procedures Law to "fee" shall include the taxes imposed by this part, and references to "feepayer" shall include a person required to pay or collect the taxes imposed by this part.

(b) (1) A person licensed to engage in commercial cannabis activity under Division 10 (commencing with Section 26000) of the Business and Professions Code that failed to remit amounts due by means of electronic funds transfer on and after January 1, 2022, and before January 1, 2023, is not subject to or is relieved of any of the penalties imposed by Section 55050 for that failure.

(2) On or after January 1, 2022, subdivision (a) of Section 55050 shall not apply to a person required to pay or collect the taxes imposed by this part on a person licensed ~~to engage in commercial cannabis activity~~ under Division 10 (commencing with Section 26000) of the Business and Professions Code if the department deems it necessary to facilitate the collection of amounts due.

(c) The department may prescribe, adopt, and enforce regulations relating to the administration and enforcement of this part, including, but not limited to, collections, reporting, refunds, and appeals.

(d) The department shall adopt necessary rules and regulations to administer the taxes in this part. Such rules and regulations may include methods or procedures to tag cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products, or the packages thereof, to designate prior tax payment.

(e) Until January 1, 2024, the department may prescribe, adopt, and enforce any emergency regulations as necessary to implement, administer, and enforce its duties under this division. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

Notwithstanding any other law, the emergency regulations adopted by the department may remain in effect for two years from adoption, and may be readopted in accordance with subdivision (h) of Section 11346.1 of the Government Code.

(f) Any person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code who fails to pay the taxes imposed under this part shall, in addition to owing the taxes not paid, be subject to a penalty of at least one-half the amount of the taxes not paid, and shall be subject to having its license revoked pursuant to Section 26031 of the Business and Professions Code.

(g) The department may bring such legal actions as are necessary to collect any deficiency in the tax required to be paid, and, upon the department's request, the Attorney General shall bring the actions.

Sec. 29

Section 34013.1 of the Revenue and Taxation Code is amended to read:

34013.1. Notwithstanding Sections 7056 and 55381:

(a) The department may disclose the name, business name, business city location, account number, and account status of a person registered with the department for purposes of collecting and remitting the cannabis excise tax

(b) (1) Notwithstanding subdivision (a), the department shall, upon written request, provide to a state and local law enforcement agency any and all information collected by the department under this part regarding a person required by this part to collect and remit the cannabis excise tax and information collected under Part 1 (commencing with Section 6001). The state and local law enforcement agencies authorized by this subdivision shall only access and use this information to the extent necessary to carry out the functions and duties of that agency and the agency shall adhere to all state laws, policies, and regulations pertaining to the protection of personal information and individual privacy.

(2) For purposes of this section, "law enforcement agency" means the Department of the California Highway Patrol, a sheriff department, a police department, or a California state, city, county, or city and county agency or department designated by the governing body of that agency to enforce Division 10 of the Business and Professions Code, other state cannabis laws ~~or,~~ local cannabis ordinances and regulations, and other local ordinances regulating businesses licensed under Division 10 of the Business and Professions Code.

(c) The department is authorized to share information obtained under this part and under Part 1 (commencing with Section 6001), with a licensing authority, pursuant to a memorandum of understanding, as deemed necessary by the department.

Sec. 30

Section 34014 of the Revenue and Taxation Code is amended to read:

34014. (a)(1) Until January 1, 2023, all distributors must obtain a separate permit from the department pursuant to regulations adopted by the department. No fee shall be charged to any person for issuance of the permit. Any person required to obtain a permit who engages in business as a distributor without a permit or after a permit has been canceled, suspended, or revoked, and each officer of any corporation that so engages in business, is guilty of a misdemeanor.

(2) On and after January 1, 2023, all cannabis retailers shall obtain a separate cannabis tax permit from the department pursuant to regulations adopted by the department. A fee shall not be charged to any person for issuance of the permit. Any person required to obtain a permit who engages in business as a cannabis retailer without a permit or after a permit has been canceled, suspended, or revoked, and each officer of any corporation that so engages in business, is guilty of a misdemeanor.

(b) The department may require every licensed distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed, to provide security to cover the liability for taxes imposed by state law on ~~cannabisproduced~~cannabis, cannabis products, or hemp-derived cannabinoid products produced or received by the distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed in accordance with procedures to be established by the department. Notwithstanding anything herein to the contrary, the department may waive any security requirement it imposes for good cause, as determined by the department. "Good cause" includes, but is not limited to, the inability of a distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed to obtain security due to a lack of service providers or the policies of service providers that prohibit service to a cannabis business.

(c) In fixing the amount of any security required by the department, the department shall give consideration to the financial hardship that may be imposed on licensees as a result of any shortage of available surety providers.

Sec. 31

Section 34015 of the Revenue and Taxation Code is amended to read:

34015. (a) Unless otherwise prescribed by the department, the cannabis excise tax imposed by Section 34011.2 is due and payable to the department quarterly on or before the last day of the month following each quarterly period of three months. On or before the last day of the month following each quarterly period, each cannabis retailer shall file a return for the preceding quarterly period with the department using electronic media prescribed by the department. Returns shall be

authenticated in a form or pursuant to methods as may be prescribed by the department.

(b) The department may require every person engaged in the cultivation, distribution, manufacturing, or retail sale of cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products, or any other person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code to file, on or before the 25th day of each month, a report using electronic media prescribed by the department with respect to the person's inventory, purchases, and sales during the preceding month and any other information as the department may require to carry out the purposes of this part. Reports shall be authenticated in a form or pursuant to methods as may be prescribed by the department.

(c) The department may examine the books and records of any person licensed, or required to be licensed, pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, as it may deem necessary in carrying out this part.

(d) This section shall become operative on January 1, 2023.

Sec. 32

Section 34015.1 of the Revenue and Taxation Code is amended to read:

34015.1. (a) (1) Any unlicensed person who is required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code and who possesses, keeps, stores, or retains for the purpose of sale, or sells or offers to sell any cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products, shall be liable for the cultivation tax imposed pursuant to Section 34012 as if the person were the cultivator of the harvested cannabis and that cannabis entered the commercial market, the cannabis excise tax imposed pursuant to Section 34011 or 34011.2 as if the person were the purchaser of the cannabis ~~or,~~ cannabis product, or hemp-derived cannabinoid product in a retail sale from a cannabis retailer, and for applicable penalties and interest, if any, which shall become immediately due and payable.

(2) (A) The department shall ascertain as best it may the category and amount of the harvested cannabis deemed as having entered the commercial market, and the average market price or gross receipts, based on any information within the department's possession or that may come into its possession, of the retail sale of the cannabis ~~or,~~ cannabis product, or hemp-derived cannabinoid product deemed as purchased from a cannabis retailer, and shall determine immediately the tax on that amount, adding to the tax a penalty of 25 percent of the amount of tax or five hundred dollars ($500), whichever is greater, and shall give the unlicensed person notice of that determination in the same manner as prescribed for service of notice

by Section 55061. However, if the department determines that the failure to secure a license was due to reasonable cause, the department may waive the penalty. Sections 55101 and 55102 shall be applicable with respect to the finality of the determination and the right of the person to petition for a redetermination.

(B) Any person seeking to be relieved of the penalty imposed pursuant to subparagraph (A) shall file with the department a signed statement setting forth the facts upon which they base the claim for relief. Any person who signs a statement pursuant to this section that asserts the truth of any material matter that they know to be false is guilty of a misdemeanor punishable by imprisonment of up to one year in the county jail, or a fine of not more than one thousand dollars ($1,000), or both the imprisonment and the fine.

(3) If the department believes that the collection of any amount of tax required to be paid by any person under this part will be jeopardized by delay, it may make a jeopardy determination pursuant to Article 4 (commencing with Section 55101) of Chapter 3 of Part 30.

(4) The department may collect the tax, penalty, and interest due from the person by seizure and sale of property in the manner prescribed for the collection pursuant to Section 55181.

(5) In the suit, a copy of the jeopardy determination certified by the department shall be prima facie evidence that the person is indebted to the state in the amount of the tax, penalties, and interest at the modified adjusted rate per month, or fraction thereof, established pursuant to Section 6591.5, from the date the amount, or any portion thereof, should have been reported until the date of payment.

(6) The foregoing remedies of the state are cumulative.

(7) No action taken pursuant to this section relieves the person in any way from the penal provisions of this part or the Fee Collection Procedures Law (Part 30 (commencing with Section 55001)).

(b) Any licensed person, on or after January 1, 2023, who sells or transfers to any person cannabis or cannabis products and who knowingly does not report or falsely reports that sale or transfer in the track and trace system required pursuant to Chapter 6.5 (commencing with Section 26067) of Division 10 of the Business and Professions Code or any regulations promulgated for purposes of that chapter, shall be, with respect to the cannabis or cannabis products knowingly not reported or falsely reported in the track and trace system, liable for the cannabis excise tax imposed pursuant to Section 34011 or 34011.2 as if the person were the purchaser of the cannabis or cannabis product in a retail sale from a cannabis retailer, and for applicable penalties and interest, if any, which shall become immediately due and payable.

(c) Any licensed person, on or after January 1, 2027, who sells or transfers to any person hemp-derived cannabinoid products and who knowingly does not report or

falsely reports that sale or transfer in the track and trace system, in violation of regulations established by the Department of Cannabis Control pursuant to paragraph (1) of subdivision (b) of Section 36348 of the Business and Professions Code, shall be, with respect to hemp-derived cannabinoid products knowingly not reported or falsely reported in the track and trace system, liable for the cannabinoid excise tax imposed pursuant to Section 34011.2 as if the person were the purchaser of the hemp-derived cannabinoid products in a retail sale from a retailer, and for applicable penalties and interest, if any, which shall become immediately due and payable.

Sec. 33

Section 34016 of the Revenue and Taxation Code is amended to read:

34016. (a) Any peace officer or department employee granted limited peace officer status pursuant to paragraph (6) of subdivision (a) of Section 830.11 of the Penal Code, upon presenting appropriate credentials, is authorized to enter any place as described in paragraph (2) and to conduct inspections in accordance with the following paragraphs, inclusive.

(1) Inspections shall be performed in a reasonable manner and at times that are reasonable under the circumstances, taking into consideration the normal business hours of the place to be entered.

(2) Inspections may be at any place at which cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products are sold to purchasers, cultivated, or stored, at any site where evidence of activities involving evasion of tax may be discovered, or at any place where any package, label, advertisement, or other document or object of any kind bearing the universal symbol as described in paragraph (7) of subdivision (c) of Section 26130 of the Business and Professions Code are sold or stored in violation of Section 26031.6 of the Business and Professions Code.

(3) Inspections shall be conducted no more than once in a 24-hour period.

(b) Any person who fails or refuses to allow an inspection shall be guilty of a misdemeanor. Each offense shall be punished by a fine not to exceed five thousand dollars ($5,000), or imprisonment not exceeding one year in a county jail, or both the fine and imprisonment. The court shall order any fines assessed be deposited in the California Cannabis Tax Fund.

(c) (1) (A) The department or a law enforcement agency may seize cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products from a person who possesses, stores, owns, or has made a retail sale of those cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products if any of the following apply:

(i) Until January 1, 2023, the cannabis or cannabis products are without evidence of tax payment.

(ii) The cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products are not contained in secure packaging.

(iii) The person is an unlicensed person specified in paragraph (1) of subdivision (a) of Section 34015.1.

(iv) The cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products were not reported in the track and trace system, as specified in ~~subdivision~~subdivisions (b) and (c) of Section 34015.1.

(B) The department may seize any package, label, advertisement, or other document or object of any kind bearing the universal symbol in violation of Section 26031.6 of the Business and Professions Code and deemed contraband. Any package, label, advertisement, or other document or object seized by the department pursuant to this paragraph shall be deemed forfeited and the department shall comply with the procedures set forth in Sections 30436 to 30449, inclusive.

(C) Any cannabis ~~or,~~ cannabis products, or hemp-derived cannabinoid products seized by a law enforcement agency or the department shall be deemed forfeited and the department shall comply with the procedures set forth in Sections 30436 through 30449, inclusive.

(2) Any seizures authorized pursuant to paragraph (1) of this subdivision are in addition to any criminal or civil penalties that may be imposed by law, including subdivision (e) of this section.

(d) Any person who renders a false or fraudulent report is guilty of a misdemeanor and subject to a fine not to exceed one thousand dollars ($1,000) for each offense.

(e) Any violation of any provisions of this part, except as otherwise provided, is a misdemeanor and is punishable as such.

(f) All moneys remitted to the department under this part shall be credited to the California Cannabis Tax Fund.

Sec. 34

Section 34021.5 of the Revenue and Taxation Code is amended to read:

34021.5. (a) (1) A county may impose a tax on the privilege of cultivating, manufacturing, producing, processing, preparing, storing, providing, donating, selling, or distributing cannabis or cannabis products by a licensee operating under Division 10 (commencing with Section 26000) of the Business and Professions Code.

~~(2~~(2) A county may impose a tax on the privilege of manufacturing, storing, selling, or distributing hemp-derived cannabinoid products by a licensee operating under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(3) The board of supervisors shall specify in the ordinance proposing the tax the activities subject to the tax, the applicable rate or rates, the method of apportionment, if necessary, and the manner of collection of the tax. The tax may be imposed for general governmental purposes or for purposes specified in the ordinance by the board of supervisors.

(~~3~~4) In addition to any other method of collection authorized by law, the board of supervisors may provide for the collection of the tax imposed pursuant to this section in the same manner, and subject to the same penalties and priority of lien, as other charges and taxes fixed and collected by the county. A tax imposed pursuant to this section is a tax and not a fee or special assessment. The board of supervisors shall specify whether the tax applies throughout the entire county or within the unincorporated area of the county.

(~~4~~5) The tax authorized by this section may be imposed upon any or all of the activities set forth in paragraph (1), as specified in the ordinance, regardless of whether the activity is undertaken individually, collectively, or cooperatively, and regardless of whether the activity is for compensation or gratuitous, as determined by the board of supervisors.

(b) A tax imposed pursuant to this section shall be subject to applicable voter approval requirements imposed by law.

(c) This section is declaratory of existing law and does not limit or prohibit the levy or collection of any other fee, charge, or tax, or a license or service fee or charge upon, or related to, the activities set forth in subdivision (a) as otherwise provided by law. This section shall not be construed as a limitation upon the taxing authority of a county as provided by law.

(d) This section shall not be construed to authorize a county to impose a sales or use tax in addition to the sales and use taxes imposed under an ordinance conforming to the provisions of Sections 7202 and 7203 of this code.

Sec. 35

(a) The repeal of Chapter 9 (commencing with Section 111920) of Part 5 of Division 104 of the Health and Safety Code, pursuant to Section 24 of this act, is severable from the other provisions of this act. If any other provision of this act or its application is held invalid in a final decision of a court of competent jurisdiction, that invalidity shall have no effect on the repeal of Chapter 9 (commencing with

Section 111920) of Part 5 of Division 104 of the Health and Safety Code, pursuant to Section 23.

(b) Each provision of Section 1 and Sections 16 through 25 of this act is severable from every other provision of this act. If any provision of Sections 16 through 25 of this act or its application is held invalid in a final decision of a court of competent jurisdiction, that invalidity shall have no effect on the remainder of this act, including but not limited to any other provision of Sections 16 through 25. If any other provision of this act or its application is held invalid in a final decision of a court of competent jurisdiction, that invalidity shall have no effect on any provision of Section 1 or Sections 16 through 25.

(c) Except as provided in subdivisions (a) and (b), the provisions of this act are not severable. If any provision of this act or its application is held invalid in a final decision of a court of competent jurisdiction, the provisions of this act shall become inoperative on the date of that final decision, and the provisions amended, added, or repealed by this act shall revert to the law as it read before the effective date of this act on the first day of the first calendar quarter commencing more than 90 days after that final decision, except as provided in subdivisions (a) and (b).

Sec. 36

(a) Section 1 and Sections 16 through 25 of this act shall become operative on January 1, 2025, except as otherwise specified in Section 25.

(b) Section 15 shall become operative as specified in that section.

(c) Sections 2 through 14 shall become operative upon the earliest date that the entirety of Section 15 is operative.