

HOUSE BILL No. 2430

By Committee on Federal and State Affairs

3-10

1 AN ACT concerning cannabis; creating the Kansas cannabis legalization
2 act; providing for the licensure and regulation of cannabis, including
3 the cultivation, manufacturing, transportation, possession and sale of
4 cannabis; providing certain fines and penalties for violations of the act;
5 providing exemptions from crimes involving controlled substances;
6 imposing a tax on the sale of cannabis, disposition of the revenues
7 collected thereon; creating the cannabis business regulation fund;
8 amending K.S.A. 79-5201 and 79-5210 and K.S.A. 2020 Supp. 21-
9 5703, 21-5705, 21-5706, 21-5707, 21-5709 and 21-5710 and repealing
10 the existing sections.

11

12 *Be it enacted by the Legislature of the State of Kansas:*

13 New Section 1. The provisions of sections 1 through 43, and
14 amendments thereto, shall be known and may be cited as the Kansas
15 cannabis legalization act.

16 New Sec. 2. As used in the Kansas cannabis legalization act, section
17 1 et seq., and amendments thereto:

18 (a) "Acquire" means obtaining ownership, control, power to vote or
19 sole power of disposition of the owner's interest, directly or indirectly, or
20 through one or more transactions or subsidiaries, through purchase,
21 assignment, transfer, exchange, succession or other means in connection
22 with the acquisition of an owner's interest in a cannabis business.

23 (b) "Act" means the Kansas cannabis legalization act.

24 (c) "Acting in concert" means knowingly participating in a joint
25 activity or interdependent conscious parallel action toward a common
26 goal, whether or not pursuant to an express agreement.

27 (d) (1) "Advertising" means the act of providing consideration for the
28 publication, dissemination, solicitation or circulation of visual, oral or
29 written communication to directly induce any person to patronize a
30 particular cannabis business or purchase a particular form of cannabis or
31 cannabis product.

32 (2) "Advertising" does not include packaging and labeling, consumer
33 education materials or branding.

34 (e) "Affiliate" or "affiliated with" means a person that, directly or
35 indirectly, through one or more intermediaries, controls or is controlled by,
36 or is under common control with, the person specified.

1 (f) "Beneficial owner" or "beneficial ownership" means an owner's
2 interest is determined in accordance with section 13(d) of the federal
3 securities exchange act of 1934 and rule 13d-3 adopted pursuant thereto.

4 (g) "Branding" means promotion of a cannabis business's brand
5 through publicizing the cannabis business's name, logo or distinct design
6 features of the brand.

7 (h) "Cannabis" means the same as such term is defined in K.S.A. 65-
8 4101, and amendments thereto.

9 (i) "Cannabis business" means a cannabis retailer, cannabis
10 cultivation facility, cannabis products manufacturer, hospitality business,
11 hospitality and sales business, cannabis testing facility, cannabis business
12 operator or cannabis transporter.

13 (j) "Cannabis business operator" means a person that is not an owner
14 and that is licensed to provide professional operational services to a
15 cannabis business for direct remuneration from such cannabis business.

16 (k) "Cannabis consumer waste" means any component left after the
17 consumption of a cannabis product, including, but not limited to,
18 containers, packages, cartridges, pods, cups, batteries, all-in-one
19 disposable devices and any other waste component left after the cannabis
20 is consumed.

21 (l) "Cannabis cultivation facility" means a person licensed to
22 cultivate, prepare and package cannabis and sell cannabis to cannabis
23 retailers, cannabis product manufacturers and other cannabis cultivation
24 facilities.

25 (m) "Cannabis products" means concentrated cannabis products and
26 cannabis products that are comprised of cannabis and other ingredients and
27 are intended for use or consumption, including, but not limited to, edible
28 products, ointments and tinctures that are produced by a cannabis products
29 manufacturer.

30 (n) "Cannabis products manufacturer" means a person licensed to:

31 (1) Purchase cannabis from a cannabis cultivation facility or other
32 cannabis products manufacturer;

33 (2) manufacture cannabis products;

34 (3) prepare and package cannabis and cannabis products; and

35 (4) sell cannabis and cannabis products to cannabis retailers,
36 hospitality and sales businesses or other cannabis product manufacturers.

37 (o) "Cannabis retailer" means a person licensed to purchase cannabis
38 from cannabis cultivation facilities and cannabis and cannabis products
39 from cannabis products manufacturers and to sell cannabis and cannabis
40 products to consumers.

41 (p) "Cannabis testing facility" means a person licensed to analyze and
42 certify the safety and potency of cannabis and cannabis products.

43 (q) "Cannabis transporter" means a person licensed to transport

1 cannabis and cannabis products from one cannabis business to another
2 cannabis business and to temporarily store such cannabis and cannabis
3 products at such cannabis transporter's licensed premises.

4 (r) "Consumer education materials" means any informational
5 materials that seek to educate consumers about cannabis generally,
6 including, but not limited to education regarding the safe consumption of
7 cannabis, concentrated cannabis or cannabis products, provided such
8 materials are not distributed or made available to individuals under 21
9 years of age.

10 (s) "Control" means the possession, directly or indirectly, of the
11 power to direct or cause the direction of the management or policies of a
12 person, whether through the ownership of voting the owner's interests, by
13 contract or otherwise.

14 (t) "Controlling beneficial owner" means a person that satisfies one or
15 more of the following criteria:

16 (1) An individual, organization that is organized under the laws of
17 and for which its principal place of business is located in one of the states
18 or territories of the United States or District of Columbia, publicly traded
19 corporation or qualified private fund that is not a qualified institutional
20 investor:

21 (A) Acting alone or acting in concert that owns or acquires beneficial
22 ownership of 10% or more of the owner's interest of a cannabis business;

23 (B) that is an affiliate that controls a cannabis business and includes,
24 but is not limited to, any manager; or

25 (C) that is otherwise in a position to control the cannabis business,
26 except for a cannabis business operator licensee; or

27 (2) a qualified institutional investor acting alone or acting in concert
28 that owns or acquires beneficial ownership of more than 30% of the
29 owner's interest of a cannabis business.

30 (u) "Director" means the director of alcoholic beverage control.

31 (v) "Escorted" means appropriately checked into a limited access area
32 and accompanied by an individual licensed pursuant to this act, except that
33 trade craftspeople not normally engaged in the business of cultivating,
34 processing, selling or testing cannabis need not be accompanied on a full-
35 time basis, but shall be reasonably monitored.

36 (w) "Hospitality and sales business" means a person licensed to sell
37 cannabis and cannabis products for consumption on and off the licensed
38 premises. A "hospitality and sales business" shall not be a mobile facility.

39 (x) "Hospitality business" means a person licensed to permit the
40 consumption of cannabis and cannabis products on the licensed premises.
41 A "hospitality business" includes mobile facilities.

42 (y) "Immature plant" means a nonflowering cannabis plant that is:

43 (1) No taller than eight inches and no wider than eight inches;

1 (2) is produced from a cutting, clipping or seedling; and

2 (3) is in a cultivating container.

3 (z) "Indirect financial interest holder" means a person that is not an
4 affiliate, a controlling beneficial owner or a passive beneficial owner of a
5 cannabis business and that:

6 (1) Holds a commercially reasonable royalty interest in exchange for
7 a cannabis business's use of the person's intellectual property;

8 (2) holds a permitted economic interest that was issued prior to
9 January 1, 2022, and that has not been converted into an owner's interest;

10 (3) is a contract counterparty with a cannabis business, other than a
11 customary employment agreement, that has a direct nexus to the
12 cultivation, manufacture or sale of cannabis or cannabis products,
13 including, but not limited to, a lease of real property on which the cannabis
14 business operates, a lease of equipment used in the cultivation of cannabis,
15 a secured or unsecured financing agreement with the cannabis business, a
16 security contract with the cannabis business or a management agreement
17 with the cannabis business, provided that no such contract compensates the
18 contract counterparty with a percentage of revenue for profits of the
19 cannabis business; or

20 (4) is an indirect financial interest holder as defined in rules and
21 regulations adopted pursuant to this act.

22 (aa) "Licensed premises" means the premises specified in an
23 application for a license that are owned or in possession of the licensee and
24 within which the licensee is authorized to cultivate, manufacture,
25 distribute, sell or test cannabis and cannabis products in accordance with
26 this act.

27 (bb) "Licensee" means a person licensed pursuant to this act.

28 (cc) "Limited access areas" means a building, room or other
29 contiguous area upon the licensed premises where cannabis and cannabis
30 products are cultivated, manufactured, stored, weighed, packaged, sold,
31 possessed for sale or tested under control of the licensee with access
32 limited to only licensees and those individuals escorted by a licensee,
33 except as otherwise provided in section 14, and amendments thereto. All
34 areas of ingress or egress to limited access areas shall be clearly identified
35 as such by a sign as designated by the director.

36 (dd) "Mobile distribution center" means any vehicle other than a
37 common passenger light-duty vehicle with a short wheel base used to carry
38 a quantity of cannabis greater than one ounce.

39 (ee) "Owner's interest" means:

40 (1) The shares of stock in a corporation;

41 (2) a membership interest in a limited liability company;

42 (3) a partnership interest in a partnership, limited partnership or
43 limited liability partnership.

1 (ff) "Passive beneficial owner" means any person acquiring any
2 owner's interest in a cannabis business that is not otherwise a controlling
3 beneficial owner or in control.

4 (gg) "Permitted economic interest" means any unsecured convertible
5 debt instrument, option agreement, warrant or any other right to obtain an
6 ownership interest when the holder of such interest is an individual who is
7 a lawful United States resident and whose right to convert into an
8 ownership interest is contingent on the holder qualifying and obtaining a
9 license as an owner under this act, or such other agreements as may be
10 permitted by the director.

11 (hh) "Person" means any natural person, corporation, partnership,
12 trust or association.

13 (ii) "Postsecondary educational institution" means public or private
14 postsecondary educational institution as defined in K.S.A. 74-3201b, and
15 amendments thereto.

16 (jj) "Premises" means a distinctly identified and definite location that
17 may include a building, a part of a building, a room or any other definite
18 contiguous area.

19 (kk) (1) "Publicly traded corporation" means any person other than an
20 individual that is organized under the laws of and for which its principal
21 place of business is located in one of the states or territories of the United
22 States or District of Columbia or another country that authorizes the sale
23 of cannabis and that:

24 (A) Has a class of securities registered pursuant to section 12 of the
25 federal securities exchange act of 1934 that:

26 (i) Constitutes "covered securities" pursuant to section 18(b)(1)(A) of
27 the federal securities act of 1933; or

28 (ii) is qualified and quoted on the OTCQX or OTCQB tier of the
29 OTC markets if the person:

30 (a) Is then required to file reports and is filing reports on a current
31 basis with the federal securities and exchange commission pursuant to the
32 federal securities exchange act of 1934 as if the securities constituted
33 "covered securities" as described in paragraph (1)(A)(i); and

34 (b) has established and is in compliance with corporate governance
35 measures pursuant to corporate governance obligations imposed on
36 securities qualified and quoted on the OTCQX tier of the OTC markets;

37 (B) is a person that has a class of securities listed on the Canadian
38 securities exchange, Toronto stock exchange, TSX venture exchange or
39 other equity securities exchange recognized by the director, if the person:

40 (i) Constitutes a "foreign private issuer," as defined in rule 405
41 adopted pursuant to the federal securities act of 1933, whose securities are
42 exempt from registration under section 12 of the federal securities
43 exchange act of 1934 pursuant to rule 12g3-2(b) adopted pursuant thereto;

1 and

2 (ii) has been, for the immediately preceding 12 months or since the
3 formation of such person, in compliance with all governance and reporting
4 obligations imposed by the relevant exchange on such person; or

5 (C) is reasonably identified as a publicly traded corporation by the
6 director in accordance with rules and regulations adopted pursuant to this
7 act.

8 (2) A "publicly traded corporation" does not include:

9 (A) An "ineligible issuer," as defined in rule 405 adopted pursuant to
10 the federal securities act of 1933, unless such publicly traded corporation
11 satisfies the definition of ineligible issuer solely because:

12 (i) The corporation is filing reports on a current basis with the federal
13 securities and exchange commission pursuant to the federal securities
14 exchange act of 1934 as if the securities constituted "covered securities" as
15 described in paragraph (1)(A)(i);

16 (ii) prior to becoming a publicly traded corporation, the person was
17 licensed by the director as a cannabis business with a demonstrated history
18 of operations in this state for at least two years;

19 (iii) during such time of licensure, the person was not subject to
20 suspension or revocation of the license; and

21 (iv) the corporation is one or more of the following:

22 (a) A "blank check company," as defined in rule 419(a)(2) adopted
23 pursuant to the federal securities act of 1933;

24 (b) an issuer in an offering of "penny stock," as defined in rule 3a51-1
25 adopted pursuant to the federal securities exchange act of 1934; or

26 (c) a "shell company," as defined in rule 405 adopted pursuant to the
27 federal securities act of 1933; or

28 (B) a person disqualified as a "bad actor" under rule 506(d) adopted
29 pursuant to the federal securities act of 1933.

30 (II) "Qualified institutional investor" means:

31 (1) A bank, as defined in section 3(a)(6) of the federal securities
32 exchange act of 1934, if the bank is current in all applicable reporting and
33 record-keeping requirements under the federal securities exchange act of
34 1934 and any rules adopted pursuant thereto;

35 (2) a bank holding company, as defined in the federal bank holding
36 company act of 1956, if the bank holding company is registered and
37 current in all applicable reporting and record-keeping requirements under
38 the federal bank holding company act of 1956 and any rules adopted
39 pursuant thereto;

40 (3) an insurance company, as defined in section 2(a)(17) of the
41 federal investment company act of 1940, if the insurance company is
42 current in all applicable reporting and record-keeping requirements under
43 the federal investment company act of 1940 and any rules adopted

1 pursuant thereto;

2 (4) an investment company registered under section 8 of the federal
3 investment company act of 1940 and subject to 15 U.S.C. §§ 80a-1 to 80a-
4 64 if the investment company is current in all applicable reporting and
5 record-keeping requirements under the federal investment company act
6 and any rules adopted pursuant thereto;

7 (5) an employee benefit plan or pension fund subject to the federal
8 employee retirement income security act of 1974, excluding an employee
9 benefit plan or pension fund sponsored by a licensee or an intermediary
10 holding company licensee that directly or indirectly owns 10% or more of
11 a licensee;

12 (6) a state or federal government pension plan;

13 (7) a group comprised entirely of persons specified in paragraphs (1)
14 through (6); or

15 (8) any other entity identified by the director in accordance with rules
16 and regulations adopted pursuant to this act.

17 (mm) "Qualified private fund" means an issuer that would be an
18 investment company, as defined in section (3) of the federal investment
19 company act of 1940, but for the exclusions provided under sections 3(c)
20 (1) or 3(c)(7) of that act, and that:

21 (1) Is advised or managed by an investment adviser, as defined and
22 registered under sections 80b-1-21, title 15 of the federal investment
23 advisers act of 1940, and for which the registered investment adviser is
24 current in all applicable reporting and record-keeping requirements under
25 the federal investment advisers act and any rules adopted pursuant thereto;
26 and

27 (2) satisfies one or more of the following:

28 (A) Is organized under the law of a state or the United States;

29 (B) is organized, operated or sponsored by a U.S. person, as defined
30 under subsection 17 C.F.R. § 230.902(k); or

31 (C) sells securities to a U.S. person, as defined under subsection 17
32 C.F.R. § 230.902(k).

33 (nn) "Resealable" means that the package continues to function
34 within effectiveness specifications established by the director and similar
35 to the federal poison prevention packaging act of 1970, 15 U.S.C. § 1471
36 et seq., for the number of openings and closings customary for the size and
37 contents as determined by the director.

38 (oo) "Sale" or "sell" includes to:

39 (1) Exchange, barter or traffic in;

40 (2) solicit or receive and order, except through a licensee;

41 (3) deliver for value in any way other than gratuitously;

42 (4) peddle or possess with intent to sell; or

43 (5) traffic in for any consideration promised or obtained directly or

1 indirectly.

2 (pp) "Secretary" means the secretary of revenue.

3 (qq) "Security" means the same as defined in section (2)(l) of the
4 federal securities act of 1933.

5 (rr) "School" means any school operated by a school district under
6 the laws of this state or any private school offering kindergarten or any of
7 the grades one through 12.

8 New Sec. 3. (a) No person shall grow, harvest, process, sell, transport,
9 deliver, furnish or otherwise possess any form of cannabis, except as
10 specifically provided in the Kansas cannabis legalization act or the
11 commercial industrial hemp act, K.S.A. 2020 Supp. 2-3901 et seq., and
12 amendments thereto.

13 (b) Nothing in the Kansas cannabis legalization act shall be construed
14 to:

15 (1) Permit the use or possession of cannabis in any form on federal
16 land located in this state; or

17 (2) prohibit any person, employer, school, postsecondary educational
18 institution or any other entity that occupies, owns or controls property in
19 this state from prohibiting the use, possession, display, transfer,
20 distribution, sale, transportation or cultivation of cannabis in any form on
21 or in such property.

22 (c) The provisions of this act shall not apply to industrial hemp or any
23 activities related thereto that are subject to the commercial industrial hemp
24 act, K.S.A. 2020 Supp. 2-3901 et seq., and amendments thereto.

25 New Sec. 4. The director shall have the following powers, functions
26 and duties:

27 (a) To receive applications for, and to issue, suspend and revoke
28 licenses in accordance with the provisions of this act;

29 (b) to call upon other administrative departments of the state, county
30 and city governments, law enforcement agencies and prosecuting attorneys
31 for such information and assistance as the director deems necessary in the
32 performance of the duties imposed upon the director by this act;

33 (c) in the conduct of any hearing authorized and held by the director
34 to:

35 (1) Examine, or cause to be examined, under oath, any person, and to
36 examine or cause to be examined books and records of any licensee;

37 (2) hear testimony and take proof material for the information of the
38 director in the discharge of such duties hereunder;

39 (3) administer or cause to be administered oaths; and

40 (4) issue subpoenas to require the attendance of witnesses and the
41 production of books that shall be effective in any part of this state, and any
42 district court may, by order duly entered, require the attendance of
43 witnesses and the production of relevant books subpoenaed by the director

1 and may compel obedience by proceedings for contempt;

2 (d) to collect, receive, account for and turn over to the secretary of
3 revenue all registration and license fees and taxes provided for in this act
4 and all other moneys received by the director by virtue of the director's
5 office; and

6 (e) such other powers, functions and duties as are or may be imposed
7 or conferred upon the director by law.

8 New Sec. 5. (a) The director and agents and employees of the director
9 designated by the director, with the approval of the secretary of revenue,
10 are hereby vested with the power and authority of law enforcement
11 officers, in the execution of the duties imposed upon the director by this
12 act and in enforcing the provisions of this act.

13 (b) (1) The director and each agent and employee designated by the
14 director under subsection (a), with the approval of the secretary of
15 revenue, shall have the authority to:

16 (A) Make arrests, conduct searches and seizures and carry firearms
17 while investigating violations of this act and to generally enforce all the
18 criminal laws of the state as violations of those laws are encountered by
19 such employees or agents during the routine conduct of their duties as
20 determined by the director or the director's designee; and

21 (B) issue notices to appear pursuant to K.S.A. 22-2408, and
22 amendments thereto.

23 (2) No agent or employee of the director shall be certified to carry
24 firearms under the provisions of this section without having first
25 successfully completed the firearm training course or courses prescribed
26 for law enforcement officers under K.S.A. 74-5604a(a), and amendments
27 thereto. The director may adopt rules and regulations prescribing other
28 training required for such agents or employees.

29 New Sec. 6. (a) Except as permitted under subsection (b):

30 (1) The secretary of revenue, the director of alcoholic beverage
31 control or any officer, employee or agent of the division of alcoholic
32 beverage control shall not solicit or accept, directly or indirectly, any gift,
33 gratuity, emolument or employment from any person who is an applicant
34 for any license or is a licensee under the provisions of the Kansas cannabis
35 legalization act or any officer, agent or employee thereof, or solicit
36 requests from or recommend, directly or indirectly, to any such person, the
37 appointment of any individual to any place or position; and

38 (2) an applicant for a license or a licensee under the provisions of this
39 act shall not offer any gift, gratuity, emolument or employment to the
40 secretary, the director or any officer, employee or agent of the division of
41 alcoholic beverage control.

42 (b) The secretary may adopt rules and regulations allowing the
43 acceptance of official hospitality by the secretary, the director and officers

1 and employees of the division of alcoholic beverage control, subject to any
2 limits as prescribed by such rules and regulations.

3 (c) If the secretary, the director or any officer, employee or agent of
4 the division of alcoholic beverage control violates any provision of this
5 section, such person shall be removed from such person's office or
6 employment.

7 (d) Violation of any provision of this section is a misdemeanor
8 punishable by a fine of not to exceed \$500 or imprisonment of not less
9 than 60 days nor more than six months, or both such fine and
10 imprisonment.

11 (e) Nothing in this section shall be construed to prohibit the
12 prosecution and punishment of any person for bribery as defined in the
13 Kansas criminal code.

14 New Sec. 7. (a) The director shall establish and maintain an
15 electronic database to monitor cannabis from its seed source through its
16 cultivation, testing, product manufacturing, transportation and sale. The
17 director may contract with a separate entity to establish and maintain all or
18 any portion of the electronic database on behalf of the division of alcoholic
19 beverage control.

20 (b) The electronic database shall allow for information regarding
21 cannabis to be updated instantaneously. Any licensed cannabis business
22 shall submit such information to the director as the director determines is
23 necessary for maintaining the electronic database.

24 New Sec. 8. (a) The director shall establish a cannabis and cannabis
25 products independent testing and certification program for licensed
26 cannabis businesses. Testing may include analysis for microbial and
27 residual solvents and chemical and biological contaminants deemed to be
28 public health hazards by the department of health and environment based
29 on medical reports and published scientific literature.

30 (b) (1) If test results indicate the presence of quantities of any
31 substance determined to be injurious to health, the licensee shall
32 immediately quarantine the cannabis or cannabis product and notify the
33 director. The director shall give the licensee an opportunity to retest the
34 cannabis or cannabis product. If two additional tests do not indicate the
35 presence of quantities of any substance determined to be injurious to
36 health, the product may be used or sold by the licensed cannabis business.

37 (2) If the test results indicate the presence of a microbial, the director
38 shall give the licensee an opportunity to remediate the cannabis or
39 cannabis product. If the licensee is unable to remediate the cannabis or
40 cannabis products, the licensee shall document and properly destroy the
41 adulterated cannabis or cannabis products.

42 (c) (1) Testing shall verify tetrahydrocannabinol potency
43 representations and homogeneity for correct labeling and provide a

1 cannabinoid profile for the cannabis or cannabis product. An individual
2 piece of cannabis of 10 milligrams or less that has gone through process
3 validation is exempt from continued homogeneity testing. Homogeneity
4 testing for 100 milligram servings of cannabis may utilize validation
5 measures.

6 (2) The director shall determine an acceptable variance for potency
7 representations and procedures to address potency misrepresentations,
8 provided that such variance is at least plus or minus 15%.

9 (d) The director may use or employ the results of any test of cannabis
10 or cannabis products conducted by an analytical laboratory that is certified
11 for the particular testing category or is accredited pursuant to the
12 international organization for standardization/international electrotechnical
13 commission 17025, 2005 standard, or any subsequent superseding
14 standard, in that field of testing.

15 (e) The secretary shall adopt rules and regulations that prevent
16 redundant testing of cannabis and cannabis concentrate, including, but not
17 limited to, potency testing of cannabis allocated to extractions, and
18 residual solvent testing of cannabis concentrate when all inputs of the
19 cannabis concentrate have passed residual solvent testing.

20 New Sec. 9. (a) The classes of licenses the director may issue for a
21 premises shall be the following:

- 22 (1) Cannabis cultivation facility license;
- 23 (2) cannabis testing facility license;
- 24 (3) cannabis products manufacturer license;
- 25 (4) cannabis transporter license;
- 26 (5) cannabis business operator license;
- 27 (6) hospitality business license;
- 28 (7) hospitality and sales business license; and
- 29 (8) cannabis retailer license.

30 (b) The director may issue an occupational license for any individual
31 who is an owner, manager, operator, employee, contractor or other
32 individual performing work on behalf of a cannabis business licensee or
33 having unescorted access to any restricted area of the licensed premises of
34 a cannabis business licensee.

35 New Sec. 10. (a) An application for a license shall be submitted to the
36 director in such form and manner as prescribed by the director. An
37 applicant shall pay the required fee at the time such application is
38 submitted. A separate license application shall be submitted for each
39 premises to be operated by the applicant.

40 (b) No cannabis business license shall be issued to or held by:

41 (1) An individual whose criminal history record check indicates that
42 the individual has been convicted of or pleaded guilty to a felony within
43 the three years immediately preceding application for a license;

1 (2) a person who employs an individual who has not submitted to a
2 criminal history record check or whose criminal history record check
3 demonstrates such individual is ineligible for such employment;

4 (3) an individual whose criminal history record check indicates that
5 such individual is not of good moral character;

6 (4) a person other than an individual if the criminal history record
7 check of any of its controlling beneficial owners indicates that a
8 controlling beneficial owner is not of good moral character;

9 (5) a person under 21 years of age;

10 (6) a person who has not submitted a tax clearance certificate issued
11 by the department of revenue;

12 (7) an individual who is a law enforcement officer, county or district
13 attorney, an officer or employee of the attorney general's office or an
14 officer or employee of the division of alcoholic beverage control;

15 (8) a publicly traded entity that does not constitute a publicly traded
16 corporation;

17 (9) a person that is or has a controlling beneficial owner that is an
18 "ineligible issuer" pursuant to section 2, and amendments thereto;

19 (10) a person that is or has a controlling beneficial owner that is a
20 "bad actor" pursuant to section 2, and amendments thereto;

21 (11) a person that is not a publicly traded corporation that is or has a
22 passive beneficial owner or indirect financial interest holder that is a "bad
23 actor" pursuant to section 2, and amendments thereto;

24 (12) a person that is a publicly traded corporation that is or has a
25 nonobjecting passive beneficial owner or indirect financial interest holder
26 that is a "bad actor" pursuant to section 2, and amendments thereto; or

27 (13) a person that is or has a controlling beneficial owner, passive
28 beneficial owner or indirect financial interest holder that is prohibited from
29 engaging in transactions pursuant to this act due to its designation on the
30 specially designated nationals and blocked persons list maintained by the
31 federal office of foreign assets control.

32 (c) No occupational license shall be issued to or held by an individual
33 who would be ineligible to hold a cannabis business license under
34 subsections (b)(1), (3), (5) or (7).

35 (d) Each applicant for a cannabis business license shall require any
36 owner, director, officer and any employee or agent of such applicant to be
37 fingerprinted and to submit to a state and national criminal history record
38 check. The director is authorized to submit the fingerprints to the Kansas
39 bureau of investigation and the federal bureau of investigation for a state
40 and national criminal history record check. The director shall use the
41 information obtained from fingerprinting and the state and national
42 criminal history record check for purposes of verifying the identification
43 of the applicant and for making a determination of the qualifications of the

1 applicant for licensure. The Kansas bureau of investigation may charge a
2 reasonable fee to the applicant for fingerprinting and conducting a criminal
3 history record check. Local law enforcement officers and agencies may
4 assist the director in the taking and processing of fingerprints and may
5 charge the applicant a reasonable fee as reimbursement for expenses
6 incurred in taking and processing fingerprints. The provisions of this
7 subsection shall also apply to any individual applying for an occupational
8 license who is not otherwise required to be fingerprinted and submit to a
9 state and national criminal history record check.

10 (e) A license shall only be issued if the applicant satisfies the
11 requirements for licensure under this act and pays the required license fee.

12 (f) (1) A cannabis business license shall be valid for a period of one
13 year from the date such license is issued.

14 (2) An occupational license shall be valid for a period of two years
15 from the date such license is issued.

16 New Sec. 11. (a) At least 90 days prior to the expiration date of an
17 existing cannabis business license or occupational license, the director
18 shall notify the licensee of the expiration date by first-class mail at the
19 licensee's address of record with the director. A license renewal application
20 shall be submitted prior to the expiration of the license and be
21 accompanied by the required renewal application fee. If a licensee
22 properly submits a renewal application and fee, the licensee may continue
23 to operate until such application is approved or denied by the director.

24 (b) A license shall only be renewed if the licensee continues to satisfy
25 the requirements for licensure under this act and pays the required license
26 fee.

27 New Sec. 12. (a) A cannabis business licensee shall not acquire,
28 possess, cultivate, deliver, transfer, transport, supply or sell cannabis for
29 any purpose except as authorized by this act.

30 (b) No person shall exercise any of the privileges granted under a
31 license issued pursuant to this act other than the person holding such
32 licensee or any person permitted to exercise such privileges by the person
33 holding such license.

34 (c) A licensee shall possess and maintain possession of the premises
35 for which the license is issued by ownership, lease, rental or other
36 arrangement for possession of the premises at all times.

37 (d) A license shall specify the date of issuance, the period of
38 licensure, the name of the licensee and the premises licensed. A license
39 shall be placed in a conspicuous location on the licensed premises in view
40 of the public.

41 (e) Each cannabis business licensee shall manage the licensed
42 premises or employ a manager and shall report the name of the manager to
43 the director. The licensee shall report any change in manager to the

1 director prior to such change.

2 (f) Each cannabis business licensee shall require that any owner,
3 manager, operator, employee, agent, contractor or any other individual
4 performing work on behalf of such licensee or having unescorted access to
5 a restricted area of the licensed premises of such licensee hold a valid
6 occupational license issued pursuant to this act.

7 (g) A cannabis business licensee that is not a publicly traded
8 corporation shall notify the director in writing of the name, address and
9 date of birth of any new controlling beneficial owner, passive beneficial
10 owner or manager before such new controlling beneficial owner, passive
11 beneficial owner or manager begins managing or associating with the
12 operation of such licensee. Any controlling beneficial owner, passive
13 beneficial owner, manager or employee shall submit to a criminal history
14 record check and obtain an occupational license from the director prior to
15 being associated with, managing, owning or working at a cannabis
16 business licensee.

17 (h) Except for a publicly traded corporation, a cannabis business
18 licensee shall report each transfer or change of financial interest in the
19 licensee to the director and receive approval prior to any such transfer or
20 change pursuant to section 15, and amendments thereto. Except for a
21 publicly traded corporation, a report is required for transfers of an owner's
22 interest of any entity regardless of size.

23 (i) Except as otherwise provided in this act, prior to issuing a license,
24 the director may consider the requirements of this act and any rules and
25 regulations adopted pursuant thereto and all other reasonable restrictions
26 that are or may be placed upon the applicant. With respect to an additional
27 license for the same cannabis business licensee or the same owner of
28 another licensee, the director shall consider the effect on competition of
29 granting or denying an additional license to such licensee and shall not
30 approve an application for an additional license that would have the effect
31 of restraining competition.

32 New Sec. 13. (a) The director shall not approve an application for a
33 cannabis business license:

34 (1) If the application is for a location that is the same as or within
35 1,000 feet of a location that, within the two years immediately preceding
36 the date of the application, the director denied an application for the same
37 class of license due to the nature of the use or other concern related to the
38 location;

39 (2) unless the applicant is, or will be, entitled to possession of the
40 premises for which application is made under a lease, rental agreement or
41 other arrangement for possession of the premises or by virtue of ownership
42 of the premises; or

43 (3) if the building is located within 1,000 feet of a school, alcohol or

1 drug treatment facility, postsecondary educational institution or child care
 2 facility.

3 (b) The provisions of subsection (a)(3) shall not apply to:

4 (1) The renewal of a license once granted or apply to licensed
 5 premises located or to be located on land owned by a municipality;

6 (2) an existing licensed premises on land owned by the state; or

7 (3) a license in effect and actively doing business before such facility
 8 was in operation.

9 (c) (1) A cannabis business licensee may move the permanent
 10 location of the licensed premises to any other location in Kansas upon
 11 receiving permission to do so from the director. Any such change in
 12 location shall be in accordance with all requirements of this act and rules
 13 and regulations adopted pursuant thereto.

14 (2) (A) A cannabis cultivation facility that has obtained an approved
 15 change of location from the director may operate one license at two
 16 geographical locations for the purpose of transitioning operations from one
 17 location to another if:

18 (i) The total plants cultivated at both locations do not exceed any
 19 plant count limit imposed on the license by this act or any rules and
 20 regulations adopted pursuant thereto;

21 (ii) the licensed premises of both geographical locations comply with
 22 all surveillance, security and inventory tracking requirements imposed by
 23 this act and any rules and regulations adopted pursuant thereto;

24 (iii) both the transferring location and the receiving location track all
 25 plants in transition in the seed-to-sale tracking system to ensure proper
 26 tracking for taxation purposes; and

27 (iv) operation at both geographical locations does not exceed 180
 28 days, except, for good cause shown, the 180-day time period may be
 29 extended for not more than an additional 120 days.

30 (B) Conduct at either location may be the basis for suspension,
 31 revocation or civil penalty against the licensee.

32 (d) The distances referred to in this section are to be computed by
 33 direct measurement from the nearest property line of each parcel of land,
 34 using a route of direct pedestrian access.

35 New Sec. 14. (a) Each licensed cannabis business shall keep a
 36 complete set of all records necessary to show fully the business
 37 transactions of the licensee for a period of the current tax year and the
 38 three immediately preceding tax years. The director may require any
 39 licensed cannabis business to furnish such information as the director
 40 deems necessary for the proper administration of this act and may require
 41 an audit to be made of the books of account and records on such occasions
 42 as the director deems necessary by an auditor to be selected by the director
 43 who shall likewise have access to all books and records of the licensee.

1 The expense of any audit shall be paid by the licensee.

2 (b) The licensed premises, including any places of storage where
3 cannabis or cannabis products are cultivated, stored, manufactured, tested
4 or sold shall be subject to inspection by the director during all business
5 hours and other times of apparent activity, for the purpose of inspection or
6 investigation. Examination of any inventory or books and records required
7 to be kept by a licensee shall only be conducted during business hours.
8 When any part of the licensed premises consists of a locked area, such area
9 shall be made available for inspection without delay upon request by the
10 director.

11 New Sec. 15. (a) Except as otherwise provided, a license issued
12 pursuant to this act is not transferable. Nothing in this section shall be
13 construed to affect any change in permanent location of a cannabis
14 business licensee.

15 (b) For a transfer of ownership involving a controlling beneficial
16 owner, a licensee shall apply to the director for approval of such transfer.
17 In determining whether to approve such application, the director shall
18 consider only whether the requirements of this act and rules and
19 regulations adopted pursuant thereto are met.

20 (c) For a transfer of ownership involving a passive beneficial owner,
21 the licensee shall notify the director within 45 days after such transfer is
22 effective.

23 (d) A person that becomes a controlling beneficial owner of a
24 publicly traded corporation that is a cannabis business licensee or that
25 becomes a beneficial owner, through direct or indirect ownership of a
26 controlling beneficial owner, of 10% or more of a cannabis business
27 licensee that is a publicly traded corporation shall disclose the information
28 required by section 17, and amendments thereto, and apply to the director
29 for a finding of suitability or exemption from a finding of suitability
30 pursuant to section 18, and amendments thereto, within 45 days after
31 becoming such a controlling beneficial owner. A cannabis business
32 licensee shall notify each person that is subject to this subsection of its
33 requirements as soon as such licensee becomes aware of the beneficial
34 ownership triggering the requirement, provided that the obligations of the
35 person subject to this subsection are independent of, and unaffected by, the
36 such licensee's failure to give the notice.

37 New Sec. 16. (a) Any individual with day-to-day operational control
38 over a cannabis business licensee shall be a resident of this state.

39 (b) A cannabis business licensee or a controlling beneficial owner in
40 such licensee shall appoint and continuously maintain a registered agent in
41 this state. A licensee shall inform the director of any change in the
42 registered agent within 10 days after such change is effective.

43 New Sec. 17. (a) An applicant for a cannabis business license shall

1 disclose to the director:

2 (1) A complete and accurate organizational chart of the applicant
3 cannabis business reflecting the identity and ownership percentages of its
4 controlling beneficial owners;

5 (2) information regarding controlling beneficial owners of the
6 applicant cannabis business if the controlling beneficial owner is:

7 (A) A publicly traded corporation, the applicant shall disclose the
8 controlling beneficial owner's managers and any beneficial owners that
9 directly or indirectly beneficially own 10% or more of the owner's interest
10 in the controlling beneficial owner;

11 (B) not a publicly traded corporation and is not a qualified private
12 fund, the applicant shall disclose the controlling beneficial owner's
13 managers and any beneficial owners that directly or indirectly beneficially
14 own 10% or more of the owner's interest in the controlling beneficial
15 owner;

16 (C) a qualified private fund, the applicant shall disclose a complete
17 and accurate organizational chart of the qualified private fund reflecting
18 the identity and ownership percentages of the qualified private fund's
19 managers, investment advisers, investment adviser representatives, any
20 trustee or equivalent and any other person that controls the investment in,
21 or management or operations of, the applicant business; or

22 (D) an individual, the applicant shall disclose such individual's
23 identifying information;

24 (3) a person that is both a passive beneficial owner and an indirect
25 financial interest holder in the application business; and

26 (4) any indirect financial interest holder that holds two or more
27 indirect financial interests in the applicant cannabis business or that is
28 contributing over 50% of the operating capital of the applicant cannabis
29 business.

30 (b) The director may request that the applicant disclose the following:

31 (1) Each beneficial owner and affiliate of the applicant cannabis
32 business or controlling beneficial owner that is not a publicly traded
33 corporation or a qualified private fund; and

34 (2) each affiliate of a controlling beneficial owner that is a qualified
35 private fund.

36 (c) For reasonable cause, the director may require disclosure of:

37 (1) A complete and accurate list of each nonobjecting beneficial
38 interest owner of an applicant cannabis business or controlling beneficial
39 owner that is a publicly traded corporation;

40 (2) passive beneficial owners of the applicant business, and for any
41 passive beneficial owner that is not an individual, the members of the
42 board of directors, general partners, managing members or managers and
43 10% or more owners of the passive beneficial owner;

1 (3) a list of each beneficial owner in a qualified private fund that is a
2 controlling beneficial owner; and

3 (4) all indirect financial interest holders of the applicant cannabis
4 business, and for any indirect financial interest holder that is not an
5 individual and 10% or more beneficial owners of the indirect financial
6 interest holder.

7 (d) An applicant that is not a publicly traded corporation shall affirm
8 under penalty of perjury that it exercised reasonable care to confirm that
9 its passive beneficial owners, indirect financial interest holders and
10 qualified institutional investors are not persons prohibited pursuant to
11 section 10, and amendments thereto, or otherwise restricted from holding
12 an interest under this act. An applicant's failure to exercise reasonable care
13 is a basis for denial, fine, suspension, revocation or other sanction by the
14 director.

15 (e) An applicant that is a publicly traded corporation shall affirm
16 under penalty of perjury that it exercised reasonable care to confirm that
17 its nonobjecting passive beneficial owners, indirect financial interest
18 holders and qualified institutional investors are not persons prohibited
19 pursuant to section 10, and amendments thereto, or otherwise restricted
20 from holding an interest under this act. An applicant's failure to exercise
21 reasonable care is a basis for denial, fine, suspension, revocation or other
22 sanction by the director.

23 (f) Nothing in this section shall be construed to restrict the director's
24 ability to reasonably request information or records for any license
25 renewal or as part of any other investigation following initial licensure of a
26 cannabis business.

27 New Sec. 18. (a) Except as otherwise provided in section 15, and
28 amendments thereto, any person intending to become a controlling
29 beneficial owner of any cannabis business shall first submit a request to
30 the director for a finding of suitability or an exemption from an otherwise
31 required finding of suitability.

32 (b) For reasonable cause, any other person that was disclosed or that
33 should have been disclosed pursuant to section 17, and amendments
34 thereto, including, but not limited to, a passive beneficial owner, shall
35 submit a request for a finding of suitability.

36 (c) Failure to provide all requested information in connection with a
37 request for a finding of suitability is grounds for denial of such finding of
38 suitability.

39 (d) Failure to receive all required findings of suitability is grounds for
40 denial of a license or for suspension, revocation or other sanction against
41 the licensee by the director. For initial applications, the finding of
42 suitability shall be required prior to submitting the application for
43 licensure.

1 (e) Any person required to obtain a finding of suitability shall submit
2 an application for such finding in such form and manner as prescribed by
3 the director. Each suitability application shall be verified by the oath or
4 affirmation of the persons prescribed by the director.

5 (f) A person requesting a finding of suitability shall provide the
6 director with a deposit to cover the direct and indirect costs of any
7 investigation necessary to determine any required finding of suitability,
8 subject to any rules and regulations regarding such deposits adopted
9 pursuant to this act.

10 (g) When determining whether a person is suitable or unsuitable for
11 licensure, the director may consider the person's criminal history records,
12 licensing records or financial records.

13 (h) A person that would otherwise be required to obtain a finding of
14 suitability may request an exemption from the director pursuant to rules
15 and regulations adopted pursuant to this act.

16 (i) Absent reasonable cause, the director shall approve or deny a
17 request for a finding of suitability within 120 days from the date of
18 submission of the request for such finding.

19 (j) The director may deny, suspend, revoke or impose a civil penalty
20 against a license issued under this act if the director finds the licensee's
21 controlling beneficial owner, passive beneficial owner or indirect financial
22 interest holder to be unsuitable pursuant to this section.

23 New Sec. 19. The director, any employee of the division, any entity
24 under contract with the director and any employee or agent thereof shall
25 not make public any information reported to or collected by the director
26 under this act containing any individualized data, information or records
27 related to an applicant for a license or a licensee or the operation of any
28 licensee, including sales information, leases, business organization
29 records, financial records, tax returns, credit reports, cultivation
30 information, laboratory testing results and security information or plans.
31 Such information shall be kept confidential and may be used only for
32 purposes authorized by this act. The provisions of this subsection shall
33 expire on July 1, 2026, unless the legislature reviews and reenacts such
34 provisions in accordance with K.S.A. 45-229, and amendments thereto,
35 prior to July 1, 2026.

36 New Sec. 20. (a) A cannabis cultivation facility license may be issued
37 only to a person who cultivates cannabis for sale and distribution to
38 licensed cannabis retailers, cannabis product manufacturers, hospitality
39 and sales businesses or other cannabis cultivation facilities.

40 (b) A cannabis cultivation facility shall track the cannabis it cultivates
41 from seed or immature plant to wholesale purchase. Prior to delivery of
42 any sold cannabis, the cannabis cultivation facility shall provide evidence
43 that any applicable excise tax on the cannabis due pursuant to section 44,

1 and amendments thereto, has been paid by such facility.

2 (c) A cannabis cultivation facility may provide a sample of cannabis
3 and cannabis concentrate to a licensed cannabis testing facility. A cannabis
4 cultivation facility shall maintain records of cannabis provided to a
5 cannabis testing facility, the identity of such facility and the test results.

6 (d) No cannabis or cannabis products shall be consumed on the
7 premises of a cannabis cultivation facility.

8 (e) Notwithstanding any other provision of law to the contrary, a
9 cannabis cultivation facility may compensate its employees using
10 performance-based incentives, including sales-based performance-based
11 incentives.

12 (f) A cannabis cultivation facility shall only obtain cannabis seeds or
13 immature plants from its own cannabis supply or cannabis that is properly
14 transferred from another licensed cannabis business pursuant to the
15 inventory tracking requirements of this act.

16 New Sec. 21. (a) The director shall create a licensure class system for
17 cannabis cultivation facility licenses. The classifications may be based
18 upon:

- 19 (1) Square footage of the facility;
- 20 (2) lights, lumens or wattage;
- 21 (3) lit canopy;
- 22 (4) the number of cultivating plants;
- 23 (5) any other reasonable metrics; or
- 24 (6) any combination thereof.

25 (b) The director shall create a fee structure for the licensure class
26 system.

27 (c) The director may establish limitations on cannabis production
28 through one or more of the following methods, including placing or
29 modifying a limit on the:

30 (1) Number of licenses issued, by class or overall, but in placing or
31 modifying such limits, the director shall consider the reasonable
32 availability of new licenses after a limit is established or modified;

33 (2) amount of cannabis production permitted by a cannabis
34 cultivation facility license or class of licenses based upon some reasonable
35 metric or set of metrics, including, but not limited to, the metrics described
36 in subsection (a), previous months' sales, pending sales or other reasonable
37 metrics as determined by the director; and

38 (3) aggregate amount of cannabis production by cannabis cultivation
39 facility licensees based upon some reasonable metric or set of metrics,
40 including, but not limited to, the metrics described in subsection (a), as
41 determined by the director.

42 (d) Notwithstanding any other provision of this act, in considering
43 any limitations or modifications to limitations imposed under this section,

1 the director, in addition to any other relevant considerations, shall:

2 (1) Consider the total current and anticipated demand for cannabis
3 and cannabis products in this state; and

4 (2) attempt to minimize the market for unlawful cannabis.

5 New Sec. 22. (a) The director may issue a centralized distribution
6 permit to a cannabis cultivation facility authorizing temporary storage on
7 the licensed premises of cannabis and cannabis products received from a
8 licensed cannabis business for the sole purpose of transfer to the permit
9 holder's commonly owned licensed cannabis retailer.

10 (b) A cannabis cultivation facility shall not store cannabis or cannabis
11 products pursuant to a centralized distribution permit for more than 90
12 days. A cannabis cultivation facility shall not accept any cannabis or
13 cannabis products pursuant to a centralized distribution permit unless the
14 cannabis and cannabis products are packaged and labeled for sale to a
15 consumer as required by rules and regulations adopted pursuant to this act.

16 (c) All cannabis and cannabis products stored and prepared for
17 transport on the licensed premises of a cannabis cultivation facility
18 pursuant to a centralized distribution permit shall only be transferred to a
19 cannabis cultivation facility's commonly owned licensed cannabis retailer.
20 All transfers of cannabis and cannabis products by a cannabis cultivation
21 facility pursuant to a centralized distribution permit shall be without
22 consideration.

23 (d) All cannabis cultivation facility security and surveillance
24 requirements shall apply to the activities conducted pursuant to the
25 privileges of a centralized distribution permit.

26 (e) A cannabis cultivation facility shall track all cannabis and
27 cannabis products possessed pursuant to a centralized distribution permit
28 in the seed-to-sale tracking system from the point such concentrate and
29 products are received from a licensed cannabis business to the point of
30 transfer to a cannabis cultivation facility licensee's commonly owned
31 licensed cannabis retailer.

32 (f) For purposes of this section, the term "commonly owned" means
33 licenses that have an ownership structure with at least one individual with
34 a minimum of 5% ownership in each license.

35 New Sec. 23. (a) A cannabis products manufacturer license may be
36 issued only to a person who manufactures cannabis products pursuant to
37 the terms and conditions of this act for sale and distribution to licensed
38 cannabis retailers, hospitality and sales businesses or other cannabis
39 products manufacturers.

40 (b) A cannabis products manufacturer may cultivate cannabis if the
41 licensee obtains a cannabis cultivation facility license, or may purchase
42 cannabis from a licensed cannabis cultivation facility. A cannabis products
43 manufacturer shall track all cannabis from the point such cannabis is either

1 transferred from the licensee's cannabis cultivation facility or the point
2 when such cannabis is delivered to the cannabis products manufacturer
3 from a licensed cannabis cultivation facility to the point of transfer to a
4 licensed cannabis business. A cannabis products manufacturer shall not
5 accept any cannabis purchased from a cannabis cultivation facility unless
6 the cannabis products manufacturer is provided with evidence that any
7 applicable excise tax due pursuant to section 44, and amendments thereto,
8 has been paid.

9 (c) A cannabis products manufacturer shall not:

10 (1) Add any cannabis to a food product where the manufacturer of the
11 food product holds a trademark to the food product's name, except that a
12 cannabis products manufacturer may use a trademarked food product if the
13 cannabis products manufacturer uses the product as a component or as part
14 of a recipe and where the cannabis products manufacturer does not state or
15 advertise to the consumer that the final cannabis product contains a
16 trademarked food product;

17 (2) intentionally or knowingly label or package a cannabis product in
18 a manner that would cause a reasonable consumer confusion as to whether
19 the cannabis product was a trademarked food product; or

20 (3) label or package a product in a manner that violates any federal
21 trademark law or regulation.

22 (d) Cannabis products shall be prepared on the licensed premises, and
23 such premises shall:

24 (1) Be used exclusively for the manufacture and preparation of
25 cannabis or cannabis products; and

26 (2) meet the sanitary standards for cannabis product preparation in
27 rules and regulations adopted pursuant to this act.

28 (e) (1) All cannabis products shall be packaged, sealed and
29 conspicuously labeled in compliance with rules and regulations adopted
30 pursuant to this act.

31 (2) No standard symbol requirements shall apply to a multi-serving
32 liquid cannabis product that is impracticable to mark, if the product
33 complies with all packaging requirements for multi-serving edibles and
34 complies with the following enhanced requirements to reduce the risk of
35 accidental ingestion. A multi-serving liquid shall be packaged in:

36 (A) A structure that uses a single mechanism to achieve both child-
37 resistance and accurate pouring measurement of each liquid serving in
38 increments equal to or less than 10 milligrams of active
39 tetrahydrocannabinol per serving, with no more than 100 milligrams of
40 active tetrahydrocannabinol total per package; and

41 (B) a manner to ensure that the measurement component is within the
42 child-resistant cap or closure of the bottle and is not a separate component.

43 (f) Cannabis and cannabis products shall not be consumed on the

1 premises of a cannabis products manufacturer.

2 (g) Notwithstanding any other provision of law to the contrary, a
3 cannabis products manufacturer may compensate its employees using
4 performance-based incentives, including sales-based performance-based
5 incentives.

6 (h) Except as otherwise provided by law, a cannabis products
7 manufacturer may provide a sample of cannabis products produced by
8 such manufacturer to a licensed cannabis testing facility. A cannabis
9 products manufacturer shall maintain a record of cannabis product samples
10 provided to a cannabis testing facility, the identity of such facility and the
11 testing results.

12 (i) An edible cannabis product may list its ingredients and
13 compatibility with dietary practices. All edible cannabis products shall be
14 produced in accordance with the Kansas food, drug and cosmetic act, and
15 amendments thereto.

16 New Sec. 24. (a) A cannabis transporter license may be issued only to
17 a person who provides logistics, distribution, delivery and storage of
18 cannabis and cannabis products for one or more licensed cannabis
19 businesses. Notwithstanding any other provisions of law, a cannabis
20 transporter license shall not be transferable. A cannabis transporter shall be
21 responsible for the cannabis and cannabis products upon taking control of
22 such cannabis and cannabis products.

23 (b) A licensed cannabis business that distributes cannabis and
24 cannabis products cultivated or produced by such licensee shall not be
25 required to hold a cannabis transporter license to transport and distribute
26 such cannabis and cannabis products.

27 (c) A cannabis transporter may maintain a licensed premises to
28 temporarily store and distribute cannabis and cannabis products and to use
29 as a centralized distribution location. A licensed premises shall satisfy the
30 same security requirements that are applicable to a cannabis cultivation
31 facility.

32 (d) A cannabis transporter shall use the seed-to-sale tracking system
33 to create shipping manifests documenting the transport of cannabis and
34 cannabis products.

35 New Sec. 25. (a) A hospitality business license may be issued only to
36 a person who operates a premises in which cannabis and cannabis products
37 may be consumed in accordance with this act and rules and regulations
38 adopted pursuant thereto. The director shall maintain a list of all licensed
39 hospitality businesses in the state and shall publish such list on the website
40 of the division of alcoholic beverage control.

41 (b) A hospitality business shall:

42 (1) Ensure that the display and consumption of cannabis and cannabis
43 products is not visible from outside the licensed premises;

1 (2) educate patrons by providing cannabis education materials
2 regarding the safe consumption of cannabis and cannabis products. Such
3 materials shall be based on requirements recommended by the cannabis
4 advisory committee and adopted by the secretary in rules and regulations.
5 A record of all such materials shall be maintained on the licensed premises
6 for inspection by the director; and

7 (3) ensure that, in the event of an emergency requiring the assistance
8 of law enforcement, emergency medical service providers or other public
9 safety personnel, all employees and patrons of the hospitality business
10 cease all consumption of cannabis and related activities until such
11 emergency ends and the emergency service personnel have exited the
12 licensed premises.

13 (c) A hospitality business shall not:

14 (1) Engage in or permit the sale or exchange for remuneration of
15 cannabis or cannabis products on the licensed premises;

16 (2) allow employees who are engaged in the performance of their
17 duties to consume any cannabis or cannabis products on the licensed
18 premises;

19 (3) distribute or allow distribution of free samples of cannabis or
20 cannabis products on the licensed premises;

21 (4) allow the consumption of alcoholic liquor on the licensed
22 premises;

23 (5) allow any activity for which a license is required under this act on
24 the licensed premises, including, but not limited to, the cultivation,
25 manufacturing or sale of cannabis or cannabis products;

26 (6) permit the use or consumption of cannabis or cannabis products
27 by a patron who displays any visible signs of intoxication; or

28 (7) admit any person who is under 21 years of age onto the licensed
29 premises.

30 (d) A hospitality business and employees of such business may
31 remove an individual from the licensed premises for any reason, including
32 a patron who displays any visible signs of intoxication.

33 New Sec. 26. (a) A hospitality and sales business license may be
34 issued only to a person who operates a premises in which cannabis and
35 cannabis products may be sold to a patron for consumption on or off the
36 licensed premises in accordance with this act and rules and regulations
37 adopted pursuant thereto. The director shall maintain a list of all licensed
38 hospitality and sales businesses in the state and shall publish such list
39 available on the website of the division of alcoholic beverage control.

40 (b) A hospitality and sales business shall:

41 (1) Track all of cannabis and cannabis products sold by such cannabis
42 business from the point that such cannabis and cannabis products are
43 transported from a licensed cannabis retailer, cannabis products

- 1 manufacturer or cannabis cultivation facility to the point of sale to a patron
2 of the hospitality and sales business;
- 3 (2) limit a patron to one transaction per day of not more than the
4 amount of cannabis or cannabis product that may be sold in such
5 transaction pursuant to limits established by the director;
- 6 (3) ensure that all cannabis and cannabis products are properly
7 packaged and labeled prior to allowing a patron to leave the licensed
8 premises with such cannabis or cannabis products;
- 9 (4) ensure that the display and consumption of cannabis and cannabis
10 products is not visible from outside of the licensed premises;
- 11 (5) educate patrons by providing cannabis education materials
12 regarding the safe consumption of cannabis and cannabis products. Such
13 materials shall be based on requirements recommended by the cannabis
14 advisory committee and adopted by the secretary in rules and regulations.
15 A record of all such materials shall be maintained on the licensed premises
16 for inspection by the director; and
- 17 (6) ensure that, in the event of an emergency requiring the assistance
18 of law enforcement, emergency medical service providers or other public
19 safety personnel, all employees and patrons of the hospitality and sales
20 business cease all consumption of cannabis and related activities until such
21 emergency ends and the emergency service personnel have exited the
22 licensed premises.
- 23 (c) A hospitality and sales business may purchase cannabis and
24 cannabis products from any licensed cannabis retailer, cannabis products
25 manufacturer or cannabis cultivation facility.
- 26 (d) A hospitality and sales business shall not:
- 27 (1) Allow employees who are engaged in the performance of their
28 duties to consume any cannabis or cannabis products on the licensed
29 premises;
- 30 (2) distribute or allow distribution of free samples of cannabis or
31 cannabis products on the licensed premises;
- 32 (3) sell any cannabis or cannabis products that contain nicotine;
- 33 (4) hold a license issued pursuant to the Kansas liquor control act,
34 K.S.A. 41-101 et seq., and amendments thereto, the club and drinking
35 establishment act, K.S.A. 41-2601 et seq., and amendments thereto, or the
36 cereal malt beverage act, K.S.A. 41-2701 et seq., and amendments thereto,
37 or otherwise allow the consumption of alcoholic liquor on the licensed
38 premises;
- 39 (5) allow any activity for which a license is required under this act on
40 the licensed premises, including, but not limited to, the cultivation,
41 manufacturing or sale of cannabis or cannabis products;
- 42 (6) sell, serve or permit the use or consumption of cannabis or
43 cannabis products by a patron who displays any visible signs of

1 intoxication; or

2 (7) admit any person who is under 21 years of age onto the licensed
3 premises.

4 (e) A hospitality and sales business and employees of such business
5 may remove an individual from the licensed premises for any reason,
6 including a patron who displays any visible signs of intoxication.

7 New Sec. 27. (a) A cannabis retailer license may be issued only to a
8 person selling cannabis and cannabis products to a patron for consumption
9 off the licensed premises.

10 (b) A cannabis retailer may:

11 (1) Cultivate cannabis for sale on the licensed premises if the licensee
12 also holds a cannabis cultivation facility license;

13 (2) purchase cannabis from a licensed cannabis cultivation facility,
14 provided that the cannabis cultivation facility provides evidence that any
15 applicable excise tax due pursuant to section 44, and amendments thereto,
16 has been paid;

17 (3) purchase cannabis and cannabis products from a licensed cannabis
18 products manufacturer;

19 (4) receive an order for the purchase and delivery of cannabis and
20 cannabis products through an online platform. If an online platform for is
21 used, such platform shall require the patron purchasing such cannabis or
22 cannabis product to choose a cannabis retailer prior to viewing the price;
23 and

24 (5) sell cannabis and cannabis products to a licensed hospitality and
25 sales business.

26 (c) A cannabis retailer shall:

27 (1) Ensure that all cannabis and cannabis products sold by the
28 licensee are packaged and labeled in accordance with this act and rules and
29 regulations adopted pursuant thereto;

30 (2) ensure that any display of cannabis concentrate includes the
31 potency of the cannabis concentrate next to the name of the product;

32 (3) track all cannabis and cannabis products sold by such cannabis
33 business from the point that such cannabis and cannabis products are
34 transported from a licensed cannabis products manufacturer or cannabis
35 cultivation facility to the point of sale to a patron of the licensee or to a
36 hospitality and sales business;

37 (4) only sell cannabis, cannabis products, cannabis accessories,
38 nonconsumable products such as apparel and cannabis-related products
39 such as childproof packaging containers;

40 (5) not permit the consumption of cannabis or cannabis products on
41 the licensed premises;

42 (6) not sell or provide free of charge any consumable product,
43 including, but not limited to, cigarettes, alcoholic liquor or any edible

1 product that does not contain cannabis;

2 (7) not sell any cannabis or cannabis products that contain nicotine or
3 alcoholic liquor; and

4 (8) not sell cannabis or cannabis products through an online platform
5 or deliver cannabis or cannabis products to a person not physically present
6 on the licensed premises, except as otherwise provided.

7 (d) (1) A cannabis retailer shall not sell more than one ounce of
8 cannabis or the equivalent in cannabis products, including cannabis
9 concentrate, to an individual during a single transaction, except nonedible,
10 nonpsychoactive cannabis products, including ointments, lotions, balms
11 and other nontransdermal topical products, may be sold in amounts greater
12 than one ounce, but not to exceed any limits on such sales established by
13 the secretary in rules and regulations.

14 (2) Prior to completing a transaction, a cannabis retailer shall verify
15 that the purchaser has a valid identification card showing the purchaser is
16 21 years of age or older. If a person who is under 21 years of age presents
17 a fraudulent proof of age, any action relying on such fraudulent proof of
18 age shall not be grounds for the revocation or suspension of any license
19 issued under this act.

20 (3) If a cannabis retailer or such retailer's employee has reasonable
21 cause to believe that a person is under 21 years of age and is exhibiting
22 fraudulent proof of age in an attempt to obtain cannabis or cannabis
23 product, the retailer or employee may confiscate such fraudulent proof of
24 age, if possible, and shall, within 72 hours, remit such confiscated proof of
25 age to an appropriate law enforcement agency. The failure to confiscate
26 such fraudulent proof of age or to remit to a law enforcement agency
27 within 72 hours after such confiscation shall not constitute a criminal
28 offense.

29 (4) If a cannabis retailer or such retailer's employee has reasonable
30 cause to believe that a person is under 21 years of age and is exhibiting
31 fraudulent proof of age in an attempt to obtain cannabis or cannabis
32 product, the retailer or employee or any law enforcement officer, acting in
33 good faith and upon probable cause based upon reasonable grounds
34 therefor, may detain and question such person in a reasonable manner for
35 the purpose of ascertaining whether the person is guilty of any unlawful
36 act regarding the purchase of cannabis or cannabis product. The
37 questioning of a person by an employee or a law enforcement officer shall
38 not render the licensee, the employee or the law enforcement officer civilly
39 or criminally liable for slander, false arrest, false imprisonment, malicious
40 prosecution or unlawful detention.

41 (e) A cannabis retailer may provide a cannabis sample or cannabis
42 product sample to a licensed cannabis testing facility. A cannabis retailer
43 shall maintain a record of the cannabis and cannabis product samples

1 provided to a cannabis testing facility, the identity of such cannabis testing
2 facility and the results of the testing.

3 (f) An automatic dispensing machine that contains cannabis and
4 cannabis products may only be located on the licensed premises of a
5 cannabis retailer. Any such machine shall comply with any rules and
6 regulations adopted pursuant to this act for the operation of such machines.

7 (g) Notwithstanding any other provision of law to the contrary, a
8 cannabis retailer may compensate employees of the cannabis retailer using
9 performance-based incentives, including sales-based performance-based
10 incentives.

11 New Sec. 28. (a) A cannabis testing facility license may be issued
12 only to a person who performs testing and research on cannabis and
13 cannabis products.

14 (b) A person who has an interest in a licensed cannabis testing facility
15 shall not have any interest in a licensed cannabis retailer, cannabis
16 cultivation facility or cannabis products manufacturer.

17 (c) The director shall adopt rules and regulations for acceptable
18 testing and research practices, including, but not limited to, testing
19 protocols, standards, quality control analysis, equipment certification and
20 calibration, chemical identification and other substances used in research
21 methods.

22 New Sec. 29. A cannabis business operator license may be issued
23 only to a person who operates a licensed cannabis business for the owner
24 of such business and who receives compensation for such performance,
25 which may include a portion of the profits.

26 New Sec. 30. (a) (1) A cannabis cultivation facility may provide a
27 sample of cannabis and cannabis concentrate to managers employed by the
28 licensee for purposes of quality control and product development. A
29 cannabis cultivation facility may designate no more than five managers per
30 month as recipients of quality control and product development samples.

31 (2) A cannabis products manufacturer may provide a cannabis
32 product sample and a cannabis concentrate sample to managers employed
33 by the licensee for purposes of quality control and product development. A
34 cannabis products manufacturer may designate no more than five
35 managers per month as recipients of quality control and product
36 development samples.

37 (b) (1) A sample provided by a cannabis cultivation facility shall be
38 limited to:

39 (A) One gram of cannabis per batch; and

40 (B) $\frac{1}{4}$ gram of cannabis concentrate per batch, except that $\frac{1}{2}$ gram of
41 cannabis concentrate shall be the limit if the intended use of the final
42 product is to be used in a device that can be used to deliver cannabis
43 concentrate in a vaporized form to the person inhaling from the device.

1 (2) A sample provided by a cannabis products manufacturer shall be
2 limited to:

3 (A) One serving size of an edible cannabis product not exceeding 10
4 milligrams of tetrahydrocannabinol per batch;

5 (B) one serving size of nonedible cannabis product per batch that has
6 the applicable equivalent amount of tetrahydrocannabinol, as defined in
7 rules and regulations adopted pursuant to this act; and

8 (C) $\frac{1}{4}$ gram of cannabis concentrate per batch, except that $\frac{1}{2}$ gram of
9 cannabis concentrate shall be the limit if the intended use of the final
10 product is to be used in a device that can be used to deliver cannabis
11 concentrate in a vaporized form to the person inhaling from the device.

12 (c) A sample shall be labeled and packaged pursuant to rules and
13 regulations adopted pursuant to this act.

14 (d) A sample shall be tracked with the seed-to-sale tracking system.
15 Prior to a manager receiving a sample, a manager shall be designated in
16 the seed-to-sale tracking system as a recipient of quality control and
17 product development samples. A manager receiving a sample shall make a
18 voluntary decision to be tracked in the seed-to-sale tracking system. The
19 cannabis cultivation facility or cannabis products manufacturer shall
20 maintain documentation of all samples provided to a manager and shall
21 make such documentation available to the director upon request.

22 (e) Prior to a manager receiving a sample, a cannabis cultivation
23 facility or cannabis products manufacturer shall provide a standard
24 operating procedure to the manager explaining the requirements of this
25 section and personal possession limits.

26 (f) A manager shall not:

27 (1) Receive more than one ounce total of cannabis or eight grams of
28 cannabis concentrate samples per month, regardless of the number of
29 cannabis businesses the manager is associated with; or

30 (2) provide to or resell the sample to an employee of a cannabis
31 business, a customer of such business or any other individual.

32 (g) A cannabis cultivation facility or cannabis products manufacturer
33 shall not:

34 (1) Allow a manager to consume the sample on the licensed premises;
35 or

36 (2) use the sample as a means of compensation to a manager.

37 (h) The director may establish additional inventory tracking and
38 record keeping requirements, including any additional reporting. Such
39 information shall be maintained on the licensed premises for inspection by
40 the director upon request.

41 (i) The excise tax levied pursuant to section 44, and amendments
42 thereto, shall be collected on any sample provided by a cannabis
43 cultivation facility pursuant to this section.

1 (j) For purposes of this section, the term "manager" means an
2 employee of the cannabis cultivation facility or cannabis products
3 manufacturer who holds an occupational license and is currently
4 designated as a manager of such cannabis cultivation facility or cannabis
5 products manufacturer.

6 New Sec. 31. (a) A cannabis delivery permit may be issued to a
7 licensed cannabis transporter or a licensed cannabis retailer authorizing the
8 permit holder to deliver cannabis and cannabis products to individuals.

9 (b) A cannabis delivery permit shall be valid for one year from the
10 date such permit is issued and may be renewed annually upon renewal of a
11 cannabis transporter license or cannabis retailer license.

12 (c) A cannabis delivery permit shall only be issued to a licensed
13 cannabis transporter or cannabis retailer, except a cannabis delivery permit
14 may be applied to more than one licensed cannabis business, provided that
15 such cannabis businesses are owned by the same person.

16 (d) A cannabis transporter or cannabis retailer shall not deliver
17 cannabis or cannabis products to individuals while transporting cannabis
18 or cannabis products between licensed cannabis businesses in the same
19 vehicle.

20 (e) (1) The holder of a cannabis delivery permit shall:

21 (A) Conduct deliveries on behalf of, and pursuant to a contract with,
22 a licensed cannabis retailer;

23 (B) receive only packaged cannabis delivery orders from a licensed
24 cannabis retailer;

25 (C) deliver cannabis and cannabis products only by a motor vehicle
26 that satisfies the requirements of this act and rules and regulations adopted
27 pursuant thereto;

28 (D) deliver only to the individual identified in the order and who:

29 (i) Is 21 years of age or older;

30 (ii) receives delivery of the cannabis or cannabis products in
31 accordance with rules and regulations adopted pursuant to this act; and

32 (iii) possesses an acceptable form of identification; and

33 (E) deliver only to a private residence at the address provided in the
34 order.

35 (2) The holder of a cannabis delivery permit shall not:

36 (A) Accept orders on behalf of a cannabis retailer, if the holder is a
37 cannabis transporter;

38 (B) deliver cannabis and cannabis products in excess of amounts
39 established by the director; or

40 (C) deliver cannabis or cannabis products more than once per day to
41 the same individual or residence.

42 (f) Prior to transferring possession of the order to an individual, the
43 individual delivering the order shall inspect the recipient's identification

1 and verify that the information provided at the time of the order matches
2 the name and age on the recipient's identification.

3 (g) Any individual delivering cannabis and cannabis products shall
4 hold a valid occupational license and be a current employee of a licensed
5 cannabis transporter or cannabis retailer that holds a valid cannabis
6 delivery permit. Such individual shall be certified as having completed
7 training regarding proof-of-age identification and verification, including
8 all forms of identification that are deemed acceptable by the director, and
9 any other training required by the director.

10 (h) Except as otherwise provided, all requirements applicable to
11 licensees under this act, including, but not limited to, inventory tracking,
12 transportation, packaging, labeling and advertising requirements, shall
13 apply to any person holding a cannabis delivery permit.

14 (i) For purposes of this section, the term "private residence" means a
15 private premises where an individual lives, such as a private dwelling
16 place or place of habitation, and specifically excludes any premises located
17 at a school or on the campus of a public or private postsecondary
18 educational institution or any other public property.

19 New Sec. 32. (a) The director shall charge and collect the following
20 fees for an application for a cannabis business license:

21 (1) For a cannabis retailer, cannabis products manufacturer or
22 cannabis cultivation facility, an amount not to exceed \$5,000;

23 (2) for a cannabis testing facility, cannabis transporter, cannabis
24 business operator, hospitality business or hospitality and sales business, an
25 amount not to exceed \$1,000; and

26 (3) for the renewal application for any cannabis business license,
27 \$300.

28 (b) The director shall charge and collect the following fees for a
29 license issued to a cannabis business:

30 (1) For a cannabis retailer, an amount not to exceed \$2,000;

31 (2) for a cannabis products manufacturer or cannabis testing facility,
32 an amount not to exceed \$1,500;

33 (3) for a cannabis cultivation facility:

34 (A) For a facility with not more than 1,800 plants, \$1,500;

35 (B) for a facility with more than 1,800, but not more than 3,600
36 plants, \$2,300;

37 (C) for a facility with more than 3,600, but not more than 6,000
38 plants, \$3,000;

39 (D) for a facility with more than 6,000, but not more than 10,200
40 plants, \$4,500;

41 (E) for a facility with more than 10,200, but not more than 13,800
42 plants, \$6,500; and

43 (F) for a facility with more than 13,800 plants, \$6,500 plus \$800 for

- 1 every additional 3,600 plants over 13,800;
- 2 (4) for a cannabis transporter, an amount not to exceed \$4,400;
- 3 (5) for a cannabis business operator, an amount not exceed \$2,200;
- 4 (6) for a hospitality business, an amount not to exceed \$1,000; and
- 5 (7) for a hospitality and sales business, an amount not to exceed
- 6 \$2,000.

7 (c) The director shall charge and collect the following fees for owner
8 and employee licenses and certifications:

- 9 (1) For a finding of suitability:
 - 10 (A) For an individual, an amount not to exceed \$800;
 - 11 (B) for an entity that is not a publicly traded corporation, an amount
 - 12 not to exceed \$800 plus \$800 for each additional individual or entity
 - 13 associated with the applicant who is subject to a finding of suitability; and
 - 14 (C) for a publicly traded corporation, an amount not to exceed \$6,000
 - 15 plus \$800 for each additional individual or entity associated with the
 - 16 applicant who is subject to a finding of suitability;
- 17 (2) for an owner occupational license, an amount not to exceed \$500;
- 18 (3) for an employee occupational license, an amount not to exceed
- 19 \$100; and
- 20 (4) for the renewal of an owner or employee occupational license, an
- 21 amount not to exceed \$75.

22 (d) The director shall charge and collect the following fees for permit
23 applications:

- 24 (1) For a centralized distribution permit, an amount not to exceed
- 25 \$20;
- 26 (2) for a cannabis delivery permit, an amount not to exceed \$2,000;
- 27 (3) for an approval of a change of permanent location, an amount not
- 28 to exceed \$500; and
- 29 (4) for an approval of a transfer of ownership, an amount not to
- 30 exceed \$1,600.

31 New Sec. 33. (a) Except as otherwise provided in this act, it is
32 unlawful for a person to:

- 33 (1) Purchase, sell, transfer, give away or acquire cannabis or cannabis
- 34 products except in accordance with this act;
- 35 (2) consume cannabis or cannabis products in a licensed cannabis
- 36 business, except on the licensed premises of a hospitality business or
- 37 hospitality and sales business;
- 38 (3) have a controlling beneficial ownership, passive beneficial
- 39 ownership or indirect financial interest in a cannabis business license that
- 40 was not disclosed in accordance with section 17, and amendments thereto,
- 41 except banks or savings and loan associations supervised and regulated by
- 42 the state or federal government, FHA-approved mortgagees or
- 43 stockholders, directors or officers thereof;

- 1 (4) exercise any privilege of a cannabis business license, unless such
2 person holds a valid license to exercise such privileges;
- 3 (5) exercise any privilege associated with holding a controlling
4 beneficial ownership, passive beneficial ownership or indirect financial
5 interest in a cannabis business license that was not disclosed in accordance
6 with section 17, and amendments thereto; or
- 7 (6) engage in the transfer of ownership of a cannabis business without
8 prior approval as required by section 15, and amendments thereto.
- 9 (b) It is unlawful for a licensed cannabis business to:
 - 10 (1) Fail to report a transfer required by section 12, and amendments
11 thereto;
 - 12 (2) knowingly adulterate or alter, or to attempt to adulterate or alter,
13 any samples of cannabis or cannabis products for the purpose of
14 circumventing contaminant testing detection limits or potency testing
15 requirements;
 - 16 (3) use advertising material that is misleading, deceptive or false, or
17 that is designed to appeal to minors;
 - 18 (4) allow cannabis and cannabis products to be consumed on the
19 licensed premises, except on the licensed premises of a hospitality
20 business or hospitality and sales business;
 - 21 (5) sell or permit the sale of cannabis or cannabis products to a person
22 under 21 years of age;
 - 23 (6) have in possession or on the licensed premises any cannabis that
24 the licensee is not permitted to sell under such license, except cannabis
25 possessed for purposes of recycling;
 - 26 (7) have on the licensed premises any cannabis or cannabis
27 paraphernalia that shows evidence of cannabis having been consumed or
28 partially consumed, except on the licensed premises of a hospitality
29 business or hospitality and sales business, or cannabis and cannabis
30 paraphernalia possessed for purposes of recycling;
 - 31 (8) abandon a licensed premises or otherwise cease operation without
32 notifying the director at least 48 hours prior to such cessation and without
33 accounting for and forfeiting to the director all cannabis and cannabis
34 products on the licensed premises for destruction;
 - 35 (9) offer for sale or solicit an order for cannabis or cannabis products
36 in person, except on the licensed premises;
 - 37 (10) purchase cannabis or cannabis products from a person who does
38 not hold the proper license under this act;
 - 39 (11) burn or otherwise destroy cannabis, cannabis products or any
40 other substance containing cannabis for the purpose of evading an
41 investigation or preventing seizure; or
 - 42 (12) engage in any act or omission with the intent to evade disclosure,
43 reporting, record keeping or suitability requirements, including, but not

1 limited to, the following:

2 (A) Failing to file a report required under this act or causing or
3 attempting to cause a person to fail to file such a report;

4 (B) filing or causing or attempting to cause a person to file a report
5 required under this act that contains a material omission or misstatement of
6 fact;

7 (C) making false or misleading statements regarding the offering of
8 an owner's interest in a cannabis business; or

9 (D) structuring any transaction with the intent to evade disclosure,
10 reporting, record keeping or suitability requirements.

11 (c) (1) Except as otherwise provided in paragraph (2), a violation of
12 of this section shall be a class B nonperson misdemeanor.

13 (2) A violation of subsection (b)(5) shall be a class A nonperson
14 misdemeanor.

15 (d) Nothing in this section shall be construed to prohibit the
16 prosecution of any crime under chapter 21 of the Kansas Statutes
17 Annotated, and amendments thereto.

18 New Sec. 34. (a) In addition to or in lieu of any other civil or criminal
19 penalty as provided by law, the director may refuse to issue or renew a
20 license, or may revoke or suspend a license for any of the following
21 reasons:

22 (1) The person has failed to comply with any provision of the Kansas
23 cannabis legalization act or any rules and regulations adopted pursuant
24 thereto;

25 (2) the person has falsified or misrepresented any information
26 submitted to the director in order to obtain a license; or

27 (3) the person has violated any of the provisions of section 33, and
28 amendments thereto.

29 (b) Upon the final decision of the director to suspend a license for a
30 period of more than 14 days, the licensee may, prior to the commencement
31 of such suspension period, submit a petition to the director for permission
32 to pay a fine in lieu of suspension of such license. Such fine shall be not
33 less than \$500 or more than \$100,000. The director may, in the director's
34 sole discretion, stay the proposed suspension and cause any investigation
35 to be made or grant such petition if the director is satisfied that:

36 (1) The public welfare would not be impaired by permitting the
37 licensee to operate during the period set for suspension and that the
38 payment of the fine will achieve the desired disciplinary purposes;

39 (2) the books and records of the licensee are kept in such a manner
40 that the loss of sales that the licensee would have suffered had the
41 suspension gone into effect can be determined with reasonable accuracy;
42 and

43 (3) the licensee has not had such license suspended or revoked or had

1 any suspension stayed by payment of a fine during the two years
2 immediately preceding the date of the violation that resulted in a final
3 decision to suspend such license.

4 (c) Upon payment of a fine pursuant to subsection (b), the director
5 shall issue an order staying the imposition of the suspension of such
6 license.

7 New Sec. 35. (a) Except as provided in subsection (d), the director
8 shall not be required to cultivate, maintain or preserve any cannabis or
9 cannabis product owned by or seized from a cannabis business. The
10 director shall not sell, solicit for sale or otherwise transfer any cannabis or
11 cannabis products in the possession of the director.

12 (b) In addition to any other remedies provided by law, any final order
13 issued by the director imposing a disciplinary action against a licensee
14 may specify that all or some portion of such licensee's cannabis or
15 cannabis product does not comply with the requirements of this act or
16 rules and regulations adopted pursuant thereto and is an illegal controlled
17 substance. Such order may further specify that the licensee has no interest
18 in any such cannabis or cannabis product. Except as otherwise provided in
19 subsections (c) and (d), upon the issuance of such order the director may
20 direct the destruction of any such cannabis or cannabis products. Any
21 authorized destruction of cannabis or cannabis products may include the
22 incidental destruction of any containers, equipment, supplies and other
23 property associated with such cannabis or cannabis product.

24 (c) The director shall not direct the destruction of any cannabis or
25 cannabis products until such time as the order authorizing such destruction
26 becomes final, subject to the provisions of section 41, and amendments
27 thereto. Pending final disposition of an order authorizing the destruction of
28 cannabis or cannabis products, the director shall maintain such cannabis or
29 cannabis products.

30 (d) Any county or district attorney who commences an investigation
31 of a cannabis business shall notify the director of such investigation. If the
32 director has received such notification from a county or district attorney,
33 the director shall not direct the destruction of any cannabis or cannabis
34 products possessed by the cannabis business under investigation until such
35 destruction is approved by the notifying county or district attorney.

36 New Sec. 36. (a) Any person listed in subsections (b)(1), (b)(2) or (b)
37 (3) may engage or direct a person under 21 years of age to violate the
38 provisions of the Kansas cannabis legalization act in order to develop a
39 program or system that determines and encourages compliance with the
40 provisions of such act prohibiting the furnishing or sale of cannabis and
41 cannabis products to a person under 21 years of age or the consumption of
42 cannabis or cannabis products by such persons.

43 (b) No person shall engage or direct a person under 21 years of age to

1 violate any provision of the Kansas cannabis legalization act for purposes
2 of determining compliance with the provisions of such act unless such
3 person is:

- 4 (1) An officer having authority to enforce the provisions of such act;
- 5 (2) an authorized representative of the attorney general or a county or
6 district attorney; or
- 7 (3) a licensee under such act or such licensee's designee pursuant to a
8 self-compliance program designed to increase compliance with the
9 provisions of such act if such program has been approved by the director.

10 New Sec. 37. (a) A financial institution that provides financial
11 services to any licensed cannabis business shall be exempt from any
12 criminal law of this state an element of which may be proven by
13 substantiating that a person provides financial services to a person who
14 possesses, delivers or manufactures cannabis or cannabis products,
15 including any of the offenses specified in article 53 or 57 of chapter 21 of
16 the Kansas Statutes Annotated, and amendments thereto, if the licensed
17 cannabis business is in compliance with the provisions of this act and all
18 applicable tax laws of this state.

19 (b) (1) Upon the request of a financial institution, the director shall
20 provide to the financial institution the following information:

21 (A) Whether a person with whom the financial institution is seeking
22 to do business is a licensed cannabis business;

23 (B) the name of any controlling beneficial ownership, passive
24 beneficial ownership or indirect financial interest in such licensed cannabis
25 business;

26 (C) an unredacted copy of such person's application for a cannabis
27 business license, and any supporting documentation, that was submitted by
28 such person;

29 (D) if applicable, information relating to sales and volume of
30 cannabis and cannabis product sold by such person;

31 (E) whether the person is in compliance with the provisions of this
32 act and rules and regulations adopted pursuant thereto; and

33 (F) any past or pending violations of this act or any rules and
34 regulations adopted pursuant thereto committed by such person, and any
35 penalty imposed on such person for such violation.

36 (2) The director may charge a financial institution a reasonable fee to
37 cover the administrative cost of providing information requested under this
38 section.

39 (c) Information received by a financial institution under subsection
40 (b) is confidential. Except as otherwise permitted by any other state or
41 federal law, a financial institution shall not make the information available
42 to any person other than the customer to whom the information applies and
43 any trustee, conservator, guardian, personal representative or agent of that

1 customer.

2 (d) As used in this section:

3 (1) "Financial institution" means any bank, trust company, savings
4 bank, credit union or savings and loan association or any other financial
5 institution regulated by the state of Kansas, any agency of the United
6 States or other state with an office in Kansas; and

7 (2) "financial services" means services that a financial institution is
8 authorized to provide under chapter nine or article 22 of chapter 17 of the
9 Kansas Statutes Annotated, and amendments thereto, as applicable.

10 New Sec. 38. (a) There is hereby established the cannabis business
11 regulation fund in the state treasury. The director shall administer the
12 cannabis business regulation fund and shall remit all moneys collected
13 from the payment of all fees and fines imposed by the director pursuant to
14 the Kansas cannabis legalization act and any other moneys received by or
15 on behalf of the director pursuant to such act to the state treasurer in
16 accordance with the provisions of K.S.A. 75-4215, and amendments
17 thereto. Upon receipt of each such remittance, the state treasurer shall
18 deposit the entire amount in the state treasury to the credit of the cannabis
19 business regulation fund. Moneys credited to the cannabis business
20 regulation fund shall only be expended or transferred as provided in this
21 section. Expenditures from such fund shall be made in accordance with
22 appropriation acts upon warrants of the director of accounts and reports
23 issued pursuant to vouchers approved by the director or the director's
24 designee.

25 (b) Moneys in the cannabis business regulation fund shall be used for
26 the payment or reimbursement of costs related to the regulation and
27 enforcement of the cultivation, manufacturing, testing, sale and
28 consumption of cannabis by the division of alcoholic beverage control.

29 New Sec. 39. (a) The cannabis advisory committee is hereby created
30 in the department of revenue. The committee shall consist of the
31 following:

32 (1) Six members appointed by the governor as follows:

33 (A) One member who represents employers;

34 (B) one member who represents employees;

35 (C) one member who represents law enforcement;

36 (D) one member who represents agriculture;

37 (E) one member who represents persons involved in the treatment of
38 alcohol and drug addiction; and

39 (F) one member who engages in academic research on the use or
40 regulation of cannabis;

41 (2) two members appointed by the president of the senate;

42 (3) one member appointed by the minority leader of the senate;

43 (4) two members appointed by the speaker of the house of

1 representatives;

2 (5) one member appointed by the minority leader of the house of
3 representatives; and

4 (6) the secretary of revenue or the secretary's designee, who shall
5 serve as chairperson.

6 (b) The initial appointments to the committee shall be made on or
7 before July 31, 2021.

8 (c) Except for the secretary of revenue, each member of the
9 committee shall serve from the date of appointment until the committee
10 ceases to exist, except that members shall serve at the pleasure of the
11 appointing authority. A vacancy shall be filled in the same manner as the
12 original appointment.

13 (d) Each member of the committee shall be paid compensation,
14 subsistence allowances, mileage and other expenses as provided in K.S.A.
15 75-3223(e), and amendments thereto.

16 (e) The committee shall hold its initial meeting not later than 30 days
17 after the last member of the committee is appointed. The committee may
18 develop and submit to the secretary and the director any recommendations
19 related to the implementation and enforcement of this act.

20 (f) The provisions of this section shall expire on July 1, 2023.

21 New Sec. 40. (a) On or before July 1, 2022, the secretary of revenue
22 shall adopt rules and regulations to implement, administer and enforce the
23 provisions of the Kansas cannabis legalization act.

24 (b) Rules and regulations adopted pursuant to this section shall
25 include:

26 (1) Procedures for the issuance, renewal, suspension and revocation
27 of licenses to operate cannabis businesses;

28 (2) application, licensing and renewal fees for cannabis businesses;

29 (3) qualifications for licensure, including, but not limited to, the
30 requirement for a fingerprint-based criminal history record check for all
31 controlling beneficial owners, passive beneficial owners, managers,
32 contractors, employees and other support staff of licensed cannabis
33 businesses;

34 (4) establishment of a cannabis and cannabis products independent
35 testing and certification program for licensed cannabis businesses
36 requiring licensees to test cannabis and cannabis products to ensure, at a
37 minimum, that products sold for human consumption do not contain
38 contaminants that are injurious to health and to ensure correct labeling;

39 (5) security requirements for any licensed premises, including, but
40 not limited to, lighting, physical security, video and alarm requirements
41 and other procedures for internal control as deemed necessary by the
42 director to properly administer and enforce the provisions of this act,
43 including reporting requirements for changes, alterations or modifications

- 1 to the licensed premises;
- 2 (6) labeling requirements for cannabis and cannabis products sold by
- 3 a cannabis business, including, but not limited to:
- 4 (A) Warning labels;
- 5 (B) the amount of tetrahydrocannabinol per serving and the number
- 6 of servings per package for cannabis products;
- 7 (C) a universal symbol indicating that the package contains cannabis;
- 8 and
- 9 (D) potency of the cannabis and cannabis products;
- 10 (7) health and safety regulations and standards for the cultivation of
- 11 cannabis and the manufacture of cannabis products;
- 12 (8) the storage and transportation of cannabis and cannabis products;
- 13 (9) sanitary requirements for cannabis businesses, including, but not
- 14 limited to, sanitary requirements for the preparation of cannabis and
- 15 cannabis products;
- 16 (10) the reporting and remittance of sales taxes collected by cannabis
- 17 retailers and hospitality and sales businesses and the reporting and
- 18 remittance of excise taxes paid by cannabis cultivation facilities;
- 19 (11) procedures for issuing and appealing citations for violation of
- 20 this act and rules and regulations adopted pursuant thereto;
- 21 (12) requirements for drivers employed by a licensed cannabis
- 22 transporter or a cannabis delivery permit holder, including:
- 23 (A) Obtaining and maintaining a valid Kansas driver's license;
- 24 (B) insurance requirements;
- 25 (C) acceptable manner of transport, storage and delivery of cannabis
- 26 and cannabis products; and
- 27 (D) requirements for transport vehicles;
- 28 (13) the form and structure of agreements between cannabis
- 29 businesses and cannabis business operators;
- 30 (14) requirements for access to limited access areas by nonescorted
- 31 visitors;
- 32 (15) requirements for issuance of a centralized distribution permit for
- 33 cannabis cultivation facilities, including, but not limited to, permit
- 34 application requirements and privileges and restrictions of a centralized
- 35 distribution permit;
- 36 (16) development of individual identification cards for individuals
- 37 who are controlling beneficial owners and any person operating, working
- 38 in or having unescorted access to the limited access areas of the licensed
- 39 premises of a cannabis business, including a fingerprint-based criminal
- 40 history record check as required under this act;
- 41 (17) specification of the acceptable forms of photo identification that
- 42 a cannabis retailer may accept when verifying a sale;
- 43 (18) requiring that edible cannabis products be clearly identifiable,

- 1 when practicable, with a standard symbol indicating that such products
2 contain cannabis and are not for consumption by minors;
- 3 (19) requirements to prevent the sale or diversion of cannabis and
4 cannabis products to persons under 21 years of age;
- 5 (20) conditions under which a cannabis business is authorized to
6 collect cannabis consumer waste and transfer it to a person for the
7 purposes of reuse or recycling in accordance with all requirements
8 established by the department of health and environment pertaining to
9 waste disposal and recycling. Such conditions shall include:
- 10 (A) Record-keeping requirements;
- 11 (B) security measures related to the collection and transfer of
12 cannabis consumer waste;
- 13 (C) health and safety requirements, including requirements for the
14 handling of cannabis consumer waste; and
- 15 (D) processes associated with handling cannabis consumer waste,
16 including destruction of any remaining cannabis in the cannabis consumer
17 waste;
- 18 (21) ownership and financial disclosure procedures and requirements,
19 including requirements for findings of suitability;
- 20 (22) requirements for hospitality business and hospitality and sales
21 business licensees, including, but not limited to:
- 22 (A) General insurance liability requirements;
- 23 (B) limits on the sale of cannabis and cannabis products by a
24 hospitality and sales business, except that any such limit shall not be an
25 amount less than one gram of cannabis flower, $\frac{1}{4}$ gram of cannabis
26 concentrate or a cannabis product containing not more than 10 milligrams
27 of active tetrahydrocannabinol;
- 28 (C) limits on the type of any cannabis and cannabis product
29 authorized to be sold, including that the cannabis or cannabis product be
30 meant for consumption on the licensed premises;
- 31 (D) requirements for hospitality business and hospitality and sales
32 business licensees to destroy any unconsumed cannabis and cannabis
33 products; and
- 34 (23) requirements for hospitality businesses that are mobile facilities,
35 including, but not limited to:
- 36 (A) Registration of vehicles and proper designation of vehicles used
37 as mobile licensed premises;
- 38 (B) surveillance cameras inside the vehicles;
- 39 (C) global positioning system tracking and route logging in an
40 established route manifest system;
- 41 (D) ensuring activity is not visible outside of the vehicle; and
- 42 (E) proper ventilation within the vehicle.
- 43 (c) Rules and regulations adopted pursuant to this section may

1 include:

2 (1) Labeling guidelines concerning the total content of
3 tetrahydrocannabinol per unit of weight;

4 (2) control of informational and product displays on licensed
5 premises;

6 (3) records to be kept by cannabis business licensees and the required
7 availability of the records;

8 (4) requirements for inspections, investigations, searches, seizures,
9 forfeitures and such additional activities as necessary; and

10 (5) such other rules and regulations necessary for the implementation,
11 administration and enforcement of this act.

12 (d) The director shall propose such rules and regulations as necessary
13 to carry out the intent and purposes of this act. After the hearing on a
14 proposed rule and regulation has been held as required by law, the director
15 shall submit the proposed rule and regulation to the secretary of revenue
16 who, if the secretary approves such rule and regulation, shall adopt the rule
17 and regulation.

18 (e) When adopting rules and regulations under this section, the
19 secretary shall consider standards and procedures that have been found to
20 be best practices relative to the use and regulation of cannabis.

21 New Sec. 41. All actions taken by the director under this act shall be
22 in accordance with the Kansas administrative procedure act and
23 reviewable in accordance with the Kansas judicial review act.

24 New Sec. 42. The provisions of the Kansas cannabis legalization act
25 are hereby declared to be severable. If any part or provision of the Kansas
26 cannabis legalization act is held to be void, invalid or unconstitutional,
27 such part or provision shall not affect or impair any of the remaining parts
28 or provisions of the Kansas cannabis legalization act, and any such
29 remaining provisions shall continue in full force and effect.

30 New Sec. 43. The provisions of the Kansas cannabis legalization act,
31 sections 1 through 43, and amendments thereto, shall expire on July 1,
32 2031.

33 New Sec. 44. (a) For the purpose of providing revenue that may be
34 used by the state in the enforcement of the provisions of the Kansas
35 cannabis legalization act, there is hereby levied a tax for the privilege of
36 engaging in the business of cultivating cannabis at a licensed cannabis
37 cultivation facility. Such tax shall be collected and paid at the rate of 15%
38 of the average market rate for cannabis produced by a cannabis cultivation
39 facility on the gross receipts from the sale of cannabis by a cannabis
40 cultivation facility. Each cannabis cultivation facility shall be responsible
41 for paying the tax imposed under this section to the state department of
42 revenue in the manner prescribed by section 46, and amendments thereto,
43 and the department of revenue shall administer and enforce the collection

1 of such tax.

2 (b) The tax imposed by this section shall be in addition to the license
3 fee imposed on cannabis cultivation facilities by section 32, and
4 amendments thereto.

5 (c) As used in this section, "cannabis cultivation facility" means the
6 same as defined in section 2, and amendments thereto.

7 New Sec. 45. (a) There is hereby levied a tax at the rate of 15% on
8 the gross receipts from the sale of cannabis and cannabis products by any
9 licensed cannabis retailer or licensed hospitality and sales business.

10 (b) The tax imposed by this section shall be paid by the consumer to
11 the licensed cannabis retailer or licensed hospitality and sales business. It
12 shall be the duty of each licensee subject to this section to collect from the
13 consumer the full amount of such tax, or an amount equal as nearly as
14 possible or practicable to the average equivalent thereto. Each cannabis
15 retailer and hospitality and sales business collecting the tax imposed
16 hereunder shall be responsible for paying over the same to the department
17 of revenue in the manner prescribed by section 46, and amendments
18 thereto, and the department of revenue shall administer and enforce the
19 collection of such tax.

20 (c) As used in this section, "cannabis retailer" and "hospitality and
21 sales business" mean the same as defined in section 2, and amendments
22 thereto.

23 New Sec. 46. (a) The taxes levied and collected pursuant to sections
24 44 and 45, and amendments thereto, shall become due and payable
25 monthly, or on or before the 25th day of the month immediately succeeding
26 the month in which such tax is collected, except that any cannabis business
27 filing an annual or quarterly return under the Kansas retailers' sales tax act,
28 as prescribed in K.S.A. 79-3607, and amendments thereto, shall, upon
29 such conditions as the secretary of revenue may prescribe, pay the tax
30 required by this act on the same basis and at the same time the cannabis
31 business pays such retailers' sales tax. Each cannabis business shall make a
32 true report to the department of revenue, on a form prescribed by the
33 secretary of revenue, providing such information as may be necessary to
34 determine the amounts to which any such tax shall apply for all gross
35 receipts derived from the sale of cannabis and cannabis products for the
36 applicable month or months, which report shall be accompanied by the tax
37 disclosed thereby. Records of gross receipts derived from the sale of
38 cannabis and cannabis products shall be kept separate and apart from the
39 records of other retail sales made by a cannabis business in order to
40 facilitate the examination of books and records.

41 (b) The secretary of revenue or the secretary's authorized
42 representative shall have the right at all reasonable times during business
43 hours to make such examination and inspection of the books and records

1 of a cannabis business as may be necessary to determine the accuracy of
2 such reports required by this section.

3 (c) The secretary of revenue is hereby authorized to administer and
4 collect the tax imposed under sections 44 and 45, and amendments thereto,
5 and to adopt such rules and regulations as may be necessary for the
6 efficient and effective administration and enforcement of the collection
7 thereof. Whenever any cannabis business liable to pay the tax imposed by
8 sections 44 and 45, and amendments thereto, refuses or neglects to pay the
9 same, the amount, including any penalty, shall be collected in the manner
10 prescribed for the collection of the retailers' sales tax by K.S.A. 79-3617,
11 and amendments thereto.

12 (d) The secretary of revenue shall remit all revenue collected under
13 the provisions of this act to the state treasurer in accordance with the
14 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of
15 each such remittance, the state treasurer shall deposit the entire amount in
16 the state treasury to the credit of the state general fund.

17 (e) Whenever, in the judgment of the secretary of revenue, it is
18 necessary, in order to secure the collection of any tax, penalties or interest
19 due, or to become due, under the provisions of this act, the secretary may
20 require any person subject to such tax to file a bond with the director of
21 taxation under conditions established by and in such form and amount as
22 prescribed by rules and regulations adopted by the secretary.

23 (f) The amount of tax imposed by this act shall be assessed within
24 three years after the return is filed, and no proceedings in court for the
25 collection of such taxes shall be initiated after the expiration of such
26 period except in the cases of fraud. In the case of a false or fraudulent
27 return with intent to evade tax, the tax may be assessed or a proceeding in
28 court for collection of such tax may be initiated at any time, within two
29 years from the discovery of such fraud. No refund or credit shall be
30 allowed by the director after three years from the date of payment of the
31 tax as provided in this act unless before the expiration of such period a
32 claim therefor is filed by the taxpayer. No suit or action to recover on any
33 claim for refund shall be commenced until after the expiration of six
34 months from the date of filing a claim therefor with the director. Before
35 the expiration of time prescribed in this section for the assessment of
36 additional tax or the filing of a claim for refund, the director is hereby
37 authorized to enter into an agreement in writing with the taxpayer
38 consenting to the extension of the periods of limitations for the assessment
39 of tax or for the filing of a claim for refund, at any time prior to the
40 expiration of the periods of limitations. The period so agreed upon may be
41 extended by subsequent agreements in writing made before the expiration
42 of the period previously agreed upon.

43 New Sec. 47. (a) On or before the 25th day of each calendar month,

1 every cannabis business subject to the provisions of this act shall make a
2 return to the director of taxation upon forms prescribed and furnished by
3 the director, stating:

4 (1) The name and address of the cannabis business;

5 (2) the total amount of gross sales subject to the tax imposed by
6 section 44 or 45, and amendments thereto, during the preceding calendar
7 month; and

8 (3) any other pertinent information the director requires.

9 (b) At the time of making the return, the person making the return
10 shall pay to the director of taxation the amount of tax levied by section 44
11 or 45, and amendments thereto, as applicable to the person submitting the
12 return. The director of taxation may extend the time for submitting returns
13 and paying the tax for any period not to exceed 60 days, under rules and
14 regulations adopted by the secretary of revenue.

15 New Sec. 48. (a) If any taxpayer fails to pay the tax levied by section
16 44 or 45, and amendments thereto, at the time required by or under the
17 provisions of section 46, and amendments thereto, there shall be added to
18 the unpaid balance of the tax, interest at the rate per month prescribed by
19 K.S.A. 79-2968(a), and amendments thereto, from the date the tax was due
20 until paid.

21 (b) If any taxpayer due to negligence or intentional disregard fails to
22 file a return or pay the tax due at the time required by or under the
23 provisions of section 46, and amendments thereto, there shall be added to
24 the tax a penalty in an amount equal to 10% of the unpaid balance of tax
25 due.

26 (c) If any person fails to make a return, or to pay any tax, within six
27 months from the date the return or tax was due, except in the case of an
28 extension of time granted by the secretary of revenue or the secretary's
29 designee, there shall be added to the tax due a penalty equal to 25% of the
30 unpaid balance of such tax due.

31 (d) If any taxpayer fails to file a return or pay the tax that is due at the
32 time required by or under the provisions of this act, there shall be added to
33 the tax an additional amount equal to 1% of the unpaid balance of the tax
34 due for each month or fraction thereof during which such failure
35 continues, not exceeding 24% in the aggregate, plus interest at the rate
36 prescribed by K.S.A. 79-2968(a), and amendments thereto, from the date
37 the tax was due until paid. Notwithstanding the foregoing, in the event an
38 assessment is issued following a field audit for any period for which a
39 return was filed by the taxpayer and all of the tax was paid pursuant to
40 such return, a penalty shall be imposed for the period included in the
41 assessment in an amount of 1% per month not exceeding 10% of the
42 unpaid balance of tax due shown in the notice of assessment. If, after
43 review of a return for any period included in the assessment, the secretary

1 or secretary's designee determines that the underpayment of tax was due to
2 the failure of the taxpayer to make a reasonable attempt to comply with the
3 provisions of this act, such penalty shall be imposed for the period
4 included in the assessment in the amount of 25% of the unpaid balance of
5 tax due.

6 (e) If any taxpayer, with fraudulent intent, fails to pay any tax or
7 make, render or sign any return, or to supply any information, within the
8 time required by or under the provisions of section 46, and amendments
9 thereto, there shall be added to the tax a penalty in an amount equal to
10 50% of the unpaid balance of tax due.

11 (f) Penalty or interest applied under the provisions of subsections (a)
12 and (d) shall be in addition to the penalty added under any other provisions
13 of this section, but the provisions of subsections (b) and (c) shall be
14 mutually exclusive of each other.

15 (g) Whenever the secretary of revenue or the secretary's designee
16 determines that the failure of the taxpayer to comply with the provisions of
17 subsections (b) and (c) was due to reasonable causes, the secretary or the
18 secretary's designee may waive or reduce any of the penalties and may
19 reduce the interest rate to the underpayment rate prescribed and
20 determined for the applicable period under section 6621 of the federal
21 internal revenue code as in effect on January 1, 2021, upon making a
22 record of the reasons therefor.

23 (h) In addition to all other penalties provided by this section, any
24 person who willfully fails to make a return or to pay any tax levied by
25 section 44 or 45, and amendments thereto, who makes a false or fraudulent
26 return, fails to keep any books or records necessary to determine the
27 accuracy of the person's reports, who willfully violates any regulations of
28 the secretary of revenue, for the enforcement and administration of the
29 provisions of this act, who aids and abets another in attempting to evade
30 the payment of any tax levied by section 44 or 45, and amendments
31 thereto, or who violates any other provision of this act shall, upon
32 conviction thereof, be fined not less than \$100 nor more than \$1,000, be
33 imprisoned in the county jail not less than one month nor more than six
34 months, or be both so fined and imprisoned, in the discretion of the court.

35 (i) The director of taxation or the director of alcoholic beverage
36 control may enjoin any person from engaging in business as a cannabis
37 business when the cannabis business is in violation of any of the
38 provisions of this act and shall be entitled in any proceeding brought for
39 that purpose to have an order restraining the person from engaging in
40 business as a cannabis business. No bond shall be required for any such
41 restraining order or for any temporary or permanent injunction issued in
42 that proceeding.

43 (j) If a cannabis business violates any of the provisions of this act, the

1 director of alcoholic beverage control may suspend or revoke the license
2 of such cannabis business or may impose a civil fine on the licensee or
3 permit holder in accordance with section 18, and amendments thereto.

4 (k) The provisions of K.S.A. 75-5133, 79-3605, 79-3609, 79-3610,
5 79-3611, 79-3612, 79-3613, 79-3615, 79-3617 and 79-3619, and
6 amendments thereto, relating to enforcement, collection and
7 administration, insofar as practicable, shall have full force and effect with
8 respect to taxes levied by sections 44 or 45, and amendments thereto. As
9 used in such statutes and applied to this act, "director" means the director
10 of taxation. The provisions of K.S.A. 74-2422, 74-2425, 74-2426 and 74-
11 2427, and amendments thereto, relating to the approval of rules and
12 regulations, and the adoption of uniform rules and regulations for such
13 hearings and for appeals from orders of the director of taxation and
14 prescribing the duties of county attorneys with respect to such appeals,
15 insofar as practicable, shall have full force and effect with respect to taxes
16 levied by, and proceedings under, the provisions of this act.

17 New Sec. 49. Whenever the director of alcoholic beverage control
18 issues a cannabis cultivation facility license or cannabis retailer license,
19 the director of alcoholic beverage control shall promptly notify the director
20 of taxation of such issuance. The notice shall include the name of the
21 licensee and the address of the licensed premises. Whenever the director of
22 alcoholic beverage control revokes or suspends any such license or
23 whenever any such license expires, the director of alcoholic beverage
24 control shall likewise notify the director of taxation.

25 New Sec. 50. The director of taxation shall administer the provisions
26 of sections 44 through 50, and amendments thereto. The secretary of
27 revenue shall adopt rules and regulations necessary to carry out the
28 provisions and intent of sections 44 through 50, and amendments thereto.
29 The director of taxation shall appoint such agents and employees as the
30 secretary may deem necessary for the proper enforcement and
31 administration of such sections. When, in the judgment of the director of
32 taxation, it is necessary in order to secure the collection of any such tax,
33 penalties or interest due thereon, or to become due under such sections, the
34 director may require any person subject to such tax to file a bond with the
35 director in such form and amount as the director may prescribe.

36 Sec. 51. K.S.A. 2020 Supp. 21-5703 is hereby amended to read as
37 follows: 21-5703. (a) It shall be unlawful for any person to manufacture
38 any controlled substance or controlled substance analog.

39 (b) Violation or attempted violation of subsection (a) is a:

40 (1) Drug severity level 2 felony, except as provided in subsections (b)
41 (2) and (b)(3);

42 (2) drug severity level 1 felony if:

43 (A) The controlled substance is not methamphetamine, as defined by

1 ~~subsection (d)(3) or (f)(1) of K.S.A. 65-4107(d)(3) or (f)(1), and~~
2 amendments thereto, or an analog thereof; and

3 (B) the offender has a prior conviction for unlawful manufacturing of
4 a controlled substance under this section, K.S.A. 65-4159, prior to its
5 repeal, K.S.A. 2010 Supp. 21-36a03, prior to its transfer, or a substantially
6 similar offense from another jurisdiction and the substance was not
7 methamphetamine, as defined by ~~subsection (d)(3) or (f)(1) of K.S.A. 65-~~
8 ~~4107(d)(3) or (f)(1), and amendments thereto, or an analog thereof, in any~~
9 such prior conviction; and

10 (3) drug severity level 1 felony if the controlled substance is
11 methamphetamine, as defined by ~~subsection (d)(3) or (f)(1) of K.S.A. 65-~~
12 ~~4107(d)(3) or (f)(1), and amendments thereto, or an analog thereof.~~

13 (c) The provisions of ~~subsection (d) of K.S.A. 2020 Supp. 21-~~
14 ~~5301(d), and amendments thereto, shall not apply to a violation of~~
15 attempting to unlawfully manufacture any controlled substance or
16 controlled substance analog pursuant to this section.

17 (d) For persons arrested and charged under this section, bail shall be
18 at least \$50,000 cash or surety, and such person shall not be released upon
19 the person's own recognizance pursuant to K.S.A. 22-2802, and
20 amendments thereto, unless the court determines, on the record, that the
21 defendant is not likely to re-offend, the court imposes pretrial supervision,
22 or the defendant agrees to participate in a licensed or certified drug
23 treatment program.

24 (e) The sentence of a person who violates this section shall not be
25 subject to statutory provisions for suspended sentence, community service
26 work or probation.

27 (f) The sentence of a person who violates this section, K.S.A. 65-
28 4159, prior to its repeal or K.S.A. 2010 Supp. 21-36a03, prior to its
29 transfer, shall not be reduced because these sections prohibit conduct
30 identical to that prohibited by K.S.A. 65-4161 or 65-4163, prior to their
31 repeal, K.S.A. 2010 Supp. 21-36a05, prior to its transfer, or K.S.A. 2020
32 Supp. 21-5705, and amendments thereto.

33 (g) *The provisions of this section shall not apply to a cannabis*
34 *cultivation facility or cannabis products manufacturer licensed pursuant*
35 *to the Kansas cannabis legalization act, section 1 et seq., and amendments*
36 *thereto, that is producing cannabis, as defined in section 2, and*
37 *amendments thereto, when used for acts authorized by the Kansas*
38 *cannabis legalization act, section 1 et seq., and amendments thereto.*

39 Sec. 52. K.S.A. 2020 Supp. 21-5705 is hereby amended to read as
40 follows: 21-5705. (a) It shall be unlawful for any person to distribute or
41 possess with the intent to distribute any of the following controlled
42 substances or controlled substance analogs thereof:

43 (1) Opiates, opium or narcotic drugs, or any stimulant designated in

1 ~~subsection (d)(1), (d)(3) or (f)(1) of K.S.A. 65-4107(d)(1), (d)(3) or (f)(1),~~
2 and amendments thereto;

3 (2) any depressant designated in ~~subsection (e) of K.S.A. 65-4105(e),~~
4 ~~subsection (e) of K.S.A. 65-4107(e), subsection (b) or (c) of K.S.A. 65-~~
5 ~~4109(b) or (c) or subsection (b) of K.S.A. 65-4111(b),~~ and amendments
6 thereto;

7 (3) any stimulant designated in ~~subsection (f) of K.S.A. 65-4105(f),~~
8 ~~subsection (d)(2), (d)(4), (d)(5) or (f)(2) of K.S.A. 65-4107(d)(2), (d)(4),~~
9 ~~(d)(5) or (f)(2) or subsection (e) of K.S.A. 65-4109(e),~~ and amendments
10 thereto;

11 (4) any hallucinogenic drug designated in ~~subsection (d) of K.S.A.~~
12 ~~65-4105(d), subsection (g) of K.S.A. 65-4107(g) or subsection (g) of~~
13 ~~K.S.A. 65-4109(g),~~ and amendments thereto;

14 (5) any substance designated in ~~subsection (g) of K.S.A. 65-4105(g)~~
15 ~~and subsection (e), (d), (e), (f) or (g) of K.S.A. 65-4111(c), (d), (e), (f) or~~
16 ~~(g),~~ and amendments thereto;

17 (6) any anabolic steroids as defined in ~~subsection (f) of K.S.A. 65-~~
18 ~~4109(f),~~ and amendments thereto; or

19 (7) any substance designated in ~~subsection (h) of K.S.A. 65-4105(h),~~
20 and amendments thereto.

21 (b) It shall be unlawful for any person to distribute or possess with
22 the intent to distribute a controlled substance or a controlled substance
23 analog designated in K.S.A. 65-4113, and amendments thereto.

24 (c) It shall be unlawful for any person to cultivate any controlled
25 substance or controlled substance analog listed in subsection (a).

26 (d) (1) Except as provided further, violation of subsection (a) is a:

27 (A) Drug severity level 4 felony if the quantity of the material was
28 less than 3.5 grams;

29 (B) drug severity level 3 felony if the quantity of the material was at
30 least 3.5 grams but less than 100 grams;

31 (C) drug severity level 2 felony if the quantity of the material was at
32 least 100 grams but less than 1 kilogram; and

33 (D) drug severity level 1 felony if the quantity of the material was 1
34 kilogram or more.

35 (2) Violation of subsection (a) with respect to material containing any
36 quantity of marijuana, or an analog thereof, is a:

37 (A) Drug severity level 4 felony if the quantity of the material was
38 less than 25 grams;

39 (B) drug severity level 3 felony if the quantity of the material was at
40 least 25 grams but less than 450 grams;

41 (C) drug severity level 2 felony if the quantity of the material was at
42 least 450 grams but less than 30 kilograms; and

43 (D) drug severity level 1 felony if the quantity of the material was 30

1 kilograms or more.

2 (3) Violation of subsection (a) with respect to material containing any
3 quantity of heroin, as defined by ~~subsection (c)(1) of~~ K.S.A. 65-4105(c)
4 (1), and amendments thereto, or methamphetamine, as defined by
5 ~~subsection (d)(3) or (f)(1) of~~ K.S.A. 65-4107(d)(3) or (f)(1), and
6 amendments thereto, or an analog thereof, is a:

7 (A) Drug severity level 4 felony if the quantity of the material was
8 less than 1 gram;

9 (B) drug severity level 3 felony if the quantity of the material was at
10 least 1 gram but less than 3.5 grams;

11 (C) drug severity level 2 felony if the quantity of the material was at
12 least 3.5 grams but less than 100 grams; and

13 (D) drug severity level 1 felony if the quantity of the material was
14 100 grams or more.

15 (4) Violation of subsection (a) with respect to material containing any
16 quantity of a controlled substance designated in K.S.A. 65-4105, 65-4107,
17 65-4109 or 65-4111, and amendments thereto, or an analog thereof,
18 distributed by dosage unit, is a:

19 (A) Drug severity level 4 felony if the number of dosage units was
20 fewer than 10;

21 (B) drug severity level 3 felony if the number of dosage units was at
22 least 10 but less than 100;

23 (C) drug severity level 2 felony if the number of dosage units was at
24 least 100 but less than 1,000; and

25 (D) drug severity level 1 felony if the number of dosage units was
26 1,000 or more.

27 (5) For any violation of subsection (a), the severity level of the
28 offense shall be increased one level if the controlled substance or
29 controlled substance analog was distributed or possessed with the intent to
30 distribute on or within 1,000 feet of any school property.

31 (6) Violation of subsection (b) is a:

32 (A) Class A person misdemeanor, except as provided in ~~subsection~~
33 ~~(d)(6)(B)~~ *subparagraph (B)*; and

34 (B) nondrug severity level 7, person felony if the substance was
35 distributed to or possessed with the intent to distribute to a minor.

36 (7) Violation of subsection (c) is a:

37 (A) Drug severity level 3 felony if the number of plants cultivated
38 was more than 4 but fewer than 50;

39 (B) drug severity level 2 felony if the number of plants cultivated was
40 at least 50 but fewer than 100; and

41 (C) drug severity level 1 felony if the number of plants cultivated was
42 100 or more.

43 (e) In any prosecution under this section, there shall be a rebuttable

1 presumption of an intent to distribute if any person possesses the following
2 quantities of controlled substances or analogs thereof:

3 (1) 450 grams or more of marijuana;

4 (2) 3.5 grams or more of heroin or methamphetamine;

5 (3) 100 dosage units or more containing a controlled substance; or

6 (4) 100 grams or more of any other controlled substance.

7 (f) It shall not be a defense to charges arising under this section that
8 the defendant:

9 (1) Was acting in an agency relationship on behalf of any other party
10 in a transaction involving a controlled substance or controlled substance
11 analog;

12 (2) did not know the quantity of the controlled substance or
13 controlled substance analog; or

14 (3) did not know the specific controlled substance or controlled
15 substance analog contained in the material that was distributed or
16 possessed with the intent to distribute.

17 (g) *The provisions of subsections (a)(4) and (a)(5) shall not apply to:*

18 (1) *Any cannabis cultivation facility licensed pursuant to the Kansas*
19 *cannabis legalization act, section 1 et seq., and amendments thereto, or*
20 *any employee or agent thereof, that is growing cannabis for the purpose of*
21 *sale as authorized by the Kansas cannabis legalization act, section 1 et*
22 *seq., and amendments thereto;*

23 (2) *any cannabis products manufacturer licensed pursuant to the*
24 *Kansas cannabis legalization act, section 1 et seq., and amendments*
25 *thereto, or any employee or agent thereof, that is manufacturing cannabis*
26 *or cannabis products for the purpose of sale or distribution as authorized*
27 *by the Kansas cannabis legalization act, section 1 et seq., and*
28 *amendments thereto;*

29 (3) *any cannabis transporter licensed pursuant to the Kansas*
30 *cannabis legalization act, section 1 et seq., and amendments thereto, or*
31 *any employee or agent thereof, that is storing or transporting cannabis as*
32 *authorized by the Kansas cannabis legalization act, section 1 et seq., and*
33 *amendments thereto; or*

34 (4) *any hospitality and sales business or cannabis retailer licensed*
35 *pursuant to the Kansas cannabis legalization act, section 1 et seq., and*
36 *amendments thereto, or any employee or agent thereof, that is engaging in*
37 *the sale of cannabis and cannabis products in a manner authorized by the*
38 *Kansas cannabis legalization act, section 1 et seq., and amendments*
39 *thereto.*

40 (h) As used in this section:

41 (1) "Material" means the total amount of any substance, including a
42 compound or a mixture, ~~which~~ *that* contains any quantity of a controlled
43 substance or controlled substance analog.

1 (2) "Dosage unit" means a controlled substance or controlled
 2 substance analog distributed or possessed with the intent to distribute as a
 3 discrete unit, including but not limited to, one pill, one capsule or one
 4 microdot, and not distributed by weight.

5 (A) For steroids, or controlled substances in liquid solution legally
 6 manufactured for prescription use, or an analog thereof, "dosage unit"
 7 means the smallest medically approved dosage unit, as determined by the
 8 label, materials provided by the manufacturer, a prescribing authority,
 9 licensed health care professional or other qualified health authority.

10 (B) For illegally manufactured controlled substances in liquid
 11 solution, or controlled substances in liquid products not intended for
 12 ingestion by human beings, or an analog thereof, "dosage unit" means 10
 13 milligrams, including the liquid carrier medium, except as provided in
 14 ~~subsection (g)(2)(C)~~ *subparagraph (C)*.

15 (C) For lysergic acid diethylamide (LSD) in liquid form, or an analog
 16 thereof, a dosage unit is defined as 0.4 milligrams, including the liquid
 17 medium.

18 (3) *"Cannabis" means the same as defined in section 2, and*
 19 *amendments thereto.*

20 Sec. 53. K.S.A. 2020 Supp. 21-5706 is hereby amended to read as
 21 follows: 21-5706. (a) It shall be unlawful for any person to possess any
 22 opiates, opium or narcotic drugs, or any stimulant designated in K.S.A. 65-
 23 4107(d)(1), (d)(3) or (f)(1), and amendments thereto, or a controlled
 24 substance analog thereof.

25 (b) It shall be unlawful for any person to possess any of the following
 26 controlled substances or controlled substance analogs thereof:

27 (1) Any depressant designated in K.S.A. 65-4105(e), 65-4107(e), 65-
 28 4109(b) or (c) or 65-4111(b), and amendments thereto;

29 (2) any stimulant designated in K.S.A. 65-4105(f), 65-4107(d)(2), (d)
 30 (4), (d)(5) or (f)(2) or 65-4109(e), and amendments thereto;

31 (3) any hallucinogenic drug designated in K.S.A. 65-4105(d), 65-
 32 4107(g) or 65-4109(g), and amendments thereto;

33 (4) any substance designated in K.S.A. 65-4105(g) and 65-4111(c),
 34 (d), (e), (f) or (g), and amendments thereto;

35 (5) any anabolic steroids as defined in K.S.A. 65-4109(f), and
 36 amendments thereto;

37 (6) any substance designated in K.S.A. 65-4113, and amendments
 38 thereto; or

39 (7) any substance designated in K.S.A. 65-4105(h), and amendments
 40 thereto.

41 (c) (1) Violation of subsection (a) is a drug severity level 5 felony.

42 (2) Except as provided in subsection (c)(3):

43 (A) Violation of subsection (b) is a class A nonperson misdemeanor,

1 except as provided in subparagraph (B); and

2 (B) violation of subsection (b)(1) through (b)(5) or (b)(7) is a drug
3 severity level 5 felony if that person has a prior conviction under such
4 subsection, under K.S.A. 65-4162, prior to its repeal, under a substantially
5 similar offense from another jurisdiction, or under any city ordinance or
6 county resolution for a substantially similar offense if the substance
7 involved was 3, 4-methylenedioxymethamphetamine (MDMA), marijuana
8 as designated in K.S.A. 65-4105(d), and amendments thereto, or any
9 substance designated in K.S.A. 65-4105(h), and amendments thereto, or an
10 analog thereof.

11 (3) If the substance involved is marijuana, as designated in K.S.A.
12 65-4105(d), and amendments thereto, or tetrahydrocannabinols, as
13 designated in K.S.A. 65-4105(h), and amendments thereto, violation of
14 subsection (b) is a:

15 (A) Class B nonperson misdemeanor, except as provided in
16 subparagraphs (B) ~~and~~, (C) *and* (D);

17 (B) class A nonperson misdemeanor if that person has a prior
18 conviction under such subsection, under K.S.A. 65-4162, prior to its
19 repeal, under a substantially similar offense from another jurisdiction, or
20 under any city ordinance or county resolution for a substantially similar
21 offense; and

22 (C) drug severity level 5 felony if that person has two or more prior
23 convictions under such subsection, under K.S.A. 65-4162, prior to its
24 repeal, under a substantially similar offense from another jurisdiction, or
25 under any city ordinance or county resolution for a substantially similar
26 offense.

27 (d) It shall be an affirmative defense to prosecution under this section
28 arising out of a person's possession of any cannabidiol treatment
29 preparation if the person:

30 (1) Has a debilitating medical condition, as defined in K.S.A. 2020
31 Supp. 65-6235, and amendments thereto, or is the parent or guardian of a
32 minor child who has such debilitating medical condition;

33 (2) is possessing a cannabidiol treatment preparation, as defined in
34 K.S.A. 2020 Supp. 65-6235, and amendments thereto, that is being used to
35 treat such debilitating medical condition; and

36 (3) has possession of a letter, at all times while the person has
37 possession of the cannabidiol treatment preparation, that:

38 (A) Shall be shown to a law enforcement officer on such officer's
39 request;

40 (B) is dated within the preceding 15 months and signed by the
41 physician licensed to practice medicine and surgery in Kansas who
42 diagnosed the debilitating medical condition;

43 (C) is on such physician's letterhead; and

1 (D) identifies the person or the person's minor child as such
2 physician's patient and identifies the patient's debilitating medical
3 condition.

4 (e) *If the substance involved is cannabis, as defined in section 2, and*
5 *amendments thereto, the provisions of subsections (b) and (c) shall not*
6 *apply to any person who is licensed pursuant to the Kansas cannabis*
7 *legalization act, section 1 et seq., and amendments thereto, whose*
8 *possession is authorized by such act.*

9 (f) It shall not be a defense to charges arising under this section that
10 the defendant was acting in an agency relationship on behalf of any other
11 party in a transaction involving a controlled substance or controlled
12 substance analog.

13 Sec. 54. K.S.A. 2020 Supp. 21-5707 is hereby amended to read as
14 follows: 21-5707. (a) It shall be unlawful for any person to knowingly or
15 intentionally use any communication facility:

16 (1) In committing, causing, or facilitating the commission of any
17 felony under K.S.A. 2020 Supp. 21-5703, 21-5705 or 21-5706, and
18 amendments thereto; or

19 (2) in any attempt to commit, any conspiracy to commit, or any
20 criminal solicitation of any felony under K.S.A. 2020 Supp. 21-5703, 21-
21 5705 or 21-5706, and amendments thereto. Each separate use of a
22 communication facility may be charged as a separate offense under this
23 subsection.

24 (b) Violation of subsection (a) is a nondrug severity level 8,
25 nonperson felony.

26 (c) *The provisions of this section shall not apply to any person using*
27 *communication facilities for those activities authorized by the Kansas*
28 *cannabis legalization act, section 1 et seq., and amendments thereto.*

29 (d) As used in this section, "communication facility" means any and
30 all public and private instrumentalities used or useful in the transmission
31 of writing, signs, signals, pictures or sounds of all kinds and includes
32 telephone, wire, radio, computer, computer networks, beepers, pagers and
33 all other means of communication.

34 Sec. 55. K.S.A. 2020 Supp. 21-5709 is hereby amended to read as
35 follows: 21-5709. (a) It shall be unlawful for any person to possess
36 ephedrine, pseudoephedrine, red phosphorus, lithium metal, sodium metal,
37 iodine, anhydrous ammonia, pressurized ammonia or
38 phenylpropanolamine, or their salts, isomers or salts of isomers with an
39 intent to use the product to manufacture a controlled substance.

40 (b) It shall be unlawful for any person to use or possess with intent to
41 use any drug paraphernalia to:

42 (1) Manufacture, cultivate, plant, propagate, harvest, test, analyze or
43 distribute a controlled substance; or

1 (2) store, contain, conceal, inject, ingest, inhale or otherwise
2 introduce a controlled substance into the human body.

3 (c) It shall be unlawful for any person to use or possess with intent to
4 use anhydrous ammonia or pressurized ammonia in a container not
5 approved for that chemical by the Kansas department of agriculture.

6 (d) It shall be unlawful for any person to purchase, receive or
7 otherwise acquire at retail any compound, mixture or preparation
8 containing more than 3.6 grams of pseudoephedrine base or ephedrine
9 base in any single transaction or any compound, mixture or preparation
10 containing more than nine grams of pseudoephedrine base or ephedrine
11 base within any 30-day period.

12 (e) (1) Violation of subsection (a) is a drug severity level 3 felony;

13 (2) violation of subsection (b)(1) is a:

14 (A) Drug severity level 5 felony, except as provided in subsection (e)
15 (2)(B); and

16 (B) class B nonperson misdemeanor if the drug paraphernalia was
17 used to cultivate fewer than five marijuana plants;

18 (3) violation of subsection (b)(2) is a class B nonperson
19 misdemeanor;

20 (4) violation of subsection (c) is a drug severity level 5 felony; and

21 (5) violation of subsection (d) is a class A nonperson misdemeanor.

22 (f) For persons arrested and charged under subsection (a) or (c), bail
23 shall be at least \$50,000 cash or surety, and such person shall not be
24 released upon the person's own recognizance pursuant to K.S.A. 22-2802,
25 and amendments thereto, unless the court determines, on the record, that
26 the defendant is not likely to reoffend, the court imposes pretrial
27 supervision or the defendant agrees to participate in a licensed or certified
28 drug treatment program.

29 (g) *The provisions of subsection (b) shall not apply to any person*
30 *licensed pursuant to the Kansas cannabis legalization act, section 1 et*
31 *seq., and amendments thereto, whose possession of such equipment or*
32 *material is used solely to produce or for the administration of cannabis, as*
33 *defined in section 2, and amendments thereto, in a manner authorized by*
34 *the Kansas cannabis legalization act, section 1 et seq., and amendments*
35 *thereto.*

36 Sec. 56. K.S.A. 2020 Supp. 21-5710 is hereby amended to read as
37 follows: 21-5710. (a) It shall be unlawful for any person to advertise,
38 market, label, distribute or possess with the intent to distribute:

39 (1) Any product containing ephedrine, pseudoephedrine, red
40 phosphorus, lithium metal, sodium metal, iodine, anhydrous ammonia,
41 pressurized ammonia or phenylpropanolamine or their salts, isomers or
42 salts of isomers if the person knows or reasonably should know that the
43 purchaser will use the product to manufacture a controlled substance or

1 controlled substance analog; or

2 (2) any product containing ephedrine, pseudoephedrine or
3 phenylpropanolamine, or their salts, isomers or salts of isomers for
4 indication of stimulation, mental alertness, weight loss, appetite control,
5 energy or other indications not approved pursuant to the pertinent federal
6 over-the-counter drug final monograph or tentative final monograph or
7 approved new drug application.

8 (b) It shall be unlawful for any person to distribute, possess with the
9 intent to distribute or manufacture with intent to distribute any drug
10 paraphernalia, knowing or under circumstances where one reasonably
11 should know that it will be used to manufacture or distribute a controlled
12 substance or controlled substance analog in violation of K.S.A. 2020 Supp.
13 21-5701 through 21-5717, and amendments thereto.

14 (c) It shall be unlawful for any person to distribute, possess with
15 intent to distribute or manufacture with intent to distribute any drug
16 paraphernalia, knowing or under circumstances where one reasonably
17 should know, that it will be used as such in violation of K.S.A. 2020 Supp.
18 21-5701 through 21-5717, and amendments thereto, ~~except subsection (b)~~
19 ~~of K.S.A. 2020 Supp. 21-5706(b)~~, and amendments thereto.

20 (d) It shall be unlawful for any person to distribute, possess with
21 intent to distribute or manufacture with intent to distribute any drug
22 paraphernalia, knowing, or under circumstances where one reasonably
23 should know, that it will be used as such in violation of ~~subsection (b)~~ of
24 K.S.A. 2020 Supp. 21-5706(b), and amendments thereto.

25 (e) (1) Violation of subsection (a) is a drug severity level 3 felony;

26 (2) violation of subsection (b) is a:

27 (A) Drug severity level 5 felony, except as provided in subsection (e)
28 (2)(B); and

29 (B) drug severity level 4 felony if the trier of fact makes a finding that
30 the offender distributed or caused drug paraphernalia to be distributed to a
31 minor or on or within 1,000 feet of any school property;

32 (3) violation of subsection (c) is a:

33 (A) Nondrug severity level 9, nonperson felony, except as provided in
34 subsection (e)(3)(B); and

35 (B) drug severity level 5 felony if the trier of fact makes a finding that
36 the offender distributed or caused drug paraphernalia to be distributed to a
37 minor or on or within 1,000 feet of any school property; and

38 (4) violation of subsection (d) is a:

39 (A) Class A nonperson misdemeanor, except as provided in
40 subsection (e)(4)(B); and

41 (B) nondrug severity level 9, nonperson felony if the trier of fact
42 makes a finding that the offender distributed or caused drug paraphernalia
43 to be distributed to a minor or on or within 1,000 feet of any school

1 property.

2 (f) For persons arrested and charged under subsection (a), bail shall
3 be at least \$50,000 cash or surety, and such person shall not be released
4 upon the person's own recognizance pursuant to K.S.A. 22-2802, and
5 amendments thereto, unless the court determines, on the record, that the
6 defendant is not likely to re-offend, the court imposes pretrial supervision
7 or the defendant agrees to participate in a licensed or certified drug
8 treatment program.

9 (g) *The provisions of subsection (c) shall not apply to any person*
10 *licensed pursuant to the Kansas cannabis legalization act, section 1 et*
11 *seq., and amendments thereto, whose distribution or manufacture is used*
12 *solely to distribute or produce cannabis, as defined in section 2, and*
13 *amendments thereto, in a manner authorized by the Kansas cannabis*
14 *legalization act, section 1 et seq., and amendments thereto.*

15 (h) As used in this section, "or under circumstances where one
16 reasonably should know" that an item will be used in violation of this
17 section, shall include, but not be limited to, the following:

18 (1) Actual knowledge from prior experience or statements by
19 customers;

20 (2) inappropriate or impractical design for alleged legitimate use;

21 (3) receipt of packaging material, advertising information or other
22 manufacturer supplied information regarding the item's use as drug
23 paraphernalia; or

24 (4) receipt of a written warning from a law enforcement or
25 prosecutorial agency having jurisdiction that the item has been previously
26 determined to have been designed specifically for use as drug
27 paraphernalia.

28 Sec. 57. K.S.A. 79-5201 is hereby amended to read as follows: 79-
29 5201. As used in ~~this act~~ *article 52 of chapter 79 of the Kansas Statutes*
30 *Annotated, and amendments thereto:*

31 (a) ~~"Marijuana" means any marijuana, whether real or counterfeit, as~~
32 ~~defined by K.S.A. 2020 Supp. 21-5701, and amendments thereto, which is~~
33 ~~held, possessed, transported, transferred, sold or offered to be sold in~~
34 ~~violation of the laws of Kansas;~~

35 (b) ~~"Controlled substance" means any drug or substance, whether real~~
36 ~~or counterfeit, as defined by K.S.A. 2020 Supp. 21-5701, and amendments~~
37 ~~thereto, which that is held, possessed, transported, transferred, sold or~~
38 ~~offered to be sold in violation of the laws of Kansas. Such term shall not~~
39 ~~include marijuana;~~

40 (e)(b) "dealer" means any person who, in violation of Kansas law,
41 manufactures, produces, ships, transports or imports into Kansas or in any
42 manner acquires or possesses more than 28 grams of marijuana, or more
43 than one gram of any controlled substance, or 10 or more dosage units of

1 any controlled substance ~~which~~ *that* is not sold by weight;

2 ~~(d)~~(c) "domestic marijuana plant" means any cannabis plant at any
3 level of growth ~~which~~ *that* is harvested or tended, manicured, irrigated,
4 fertilized or where there is other evidence that it has been treated in any
5 other way in an effort to enhance growth;

6 (d) "*marijuana*" means any marijuana, whether real or counterfeit,
7 as defined in K.S.A. 2020 Supp. 21-5701, and amendments thereto, that is
8 held, possessed, transported, transferred, sold or offered for sale in
9 violation of the laws of Kansas; and

10 (e) "*cannabis*" means the same as defined in section 2, and
11 amendments thereto.

12 Sec. 58. K.S.A. 79-5210 is hereby amended to read as follows: 79-
13 5210. Nothing in this act requires persons registered under article 16 of
14 chapter 65 of the Kansas Statutes Annotated, *and amendments thereto*, or
15 otherwise lawfully in possession of marijuana, *cannabis* or a controlled
16 substance to pay the tax required under this act.

17 Sec. 59. K.S.A. 79-5201 and 79-5210 and K.S.A. 2020 Supp. 21-
18 5703, 21-5705, 21-5706, 21-5707, 21-5709 and 21-5710 are hereby
19 repealed.

20 Sec. 60. This act shall take effect and be in force from and after its
21 publication in the statute book.