**An Update from the State House**

**House Finance Committee to Hear Sales Tax**

On Thursday, February 28th at approximately 4:30 pm in Room 35, the House Finance Committee will take testimony on Article 5, Section 9 of the Governor’s budget. This is the Article that ***expands the 7% sales tax to the following items***:

- Digital Downloads ($2.6 million) such as Audio Works like Netflix, on-demand movies, games, movie streaming; Digital Audio Works such as audio book downloads; Ringtones; Digital books

- Hunting, Trapping and Shooting Services ($.6 million)

- Lobbying Services ($.9 million)

- Interior Design Services ($.5 million)

- ***Commercial Buildings Services ($6.2 million) which specifically includes extermination services, commercial cleaning services, landscaping and maintenance services, carpet and upholstery clearing services and janitorial services. These services, if performed in a private residence with a home office, are not taxable.***

If you wish to testify, please come to Room 35 at the State House and sign your name on the sheet that is available.

**What’s in the Governor’s Budget**

**Article 20 – Marijuana**

Marijuana legalization is being discussed in so many forums that UTD has decided to skip ahead to provide an overview of this 126 page budget proposal addressing both medical marijuana and adult legalization.

The stated goal of Article 20 is to gain better control over the medical marijuana system, set limits on the potency of product sold to individuals not experiencing a medical need for cannabis, and to create a system for addressing the expected negative consequences of marijuana use. It establishes the Office of Cannabis Regulation within the Department of Business Regulation (DBR) to regulate and enforce the provisions of the law. Interestingly, according to the Department of Business Regulation, 20% of the population uses 80% of the marijuana in Rhode Island.

Medical Marijuana changes:

* Only RI doctors will be able to prescribe marijuana. Today doctors in MA and CT can prescribe, leaving the Department of Health with no oversight if an over-prescribing physician is located in another state. Patients will be required to renew their prescriptions with a RI doctor when the time to refill comes.
* Compassion centers will no longer be able to cultivate or manufacture marijuana. They can still deliver, transfer, supply and sell paraphernalia. The number of centers may increase from 3 to 9 with the hopes of driving down the cost through competition. The application fee for a compassion center increases from $250 to $10,000. To renew a license the fee increases from $5000 to $50,000. The language includes a number of operational requirements from odor mitigation to product packaging and labeling to advertising.
* Reduces the number of plants a cardholder or a Caregiver can possess. Before July 1, 2019, a cardholders/caregivers may have 12 mature plants and 12 immature plants with proper tags. The person may also have 2.5 oz. of usable marijuana. After July 1, 2019, the Governor proposes to reduce the number of plants to 6 mature and 6 immature plants, along with 3 oz. of useable marijuana. Cardholders/caregivers would be required to obtain a registration card with DBR in order to get the necessary plant tags
* The Article proposes to allow landlords to choose whether to lease to someone who possesses, manufactures, smokes, or vaporizes marijuana in the leased premise. This is new. Currently, landlords can only stop a medical marijuana cardholder from cultivating on the property. The costs associated with attempting to remove the smell that goes along with smoking marijuana is great.
* Article 20 gives a certified school nurse the authority to administer a non-smokable and non-vaporized from of medical marijuana in a school setting to a qualified patient.
* DBR is charged with setting up new licenses for medical marijuana such as a licensed processor that can obtain plants from cultivators, process it into products and sell to compassion centers. Processors are subject to local ordinances and zoning laws; and DBR establishes product testing requirements and labeling requirements.

Adult Marijuana:

* Marijuana use would become legal for individuals 21 years of age and older.
* DBR will issue licenses for cultivators (growing), processors (product manufacturers), and retailers (direct sales to end users).
* Starting January 1, 2020, it would be legal for a person at least 21 years old to obtain, transport and possess 1 oz or less of marijuana A person would also be permitted to possess up to 5 oz. of product at his/her home in a locked box. If there are 2 or more individuals over the age of 21 in the household, then 10 oz could be retained at home in a locked box.
* Individuals could have product in a vehicle as long as it is in a sealed container – similar to Rhode Islands, liquor laws.
* Retailers can deliver product to an adult’s home as long as the delivery is no more than 1 oz per day to that person.
* No person can smoke, vaporize or consume marijuana/cannabis in a public place. A violation brings a $150 administrative fine as well as the potential for a municipal fine. No person can use in a housing unit under a city housing authority, low to moderate income housing or the Block Island Housing Board. Lastly, individuals may not use these products around a multi-unit housing complex without the written permission of the owner or the governing body of the complex. Violators can be evicted.
* Article 20 does provide for a “social use license.” If a facility obtains the license, then adults can consume products in the facility
* EMPLOYERS – Employers explicitly do not have to allow use or possession of marijuana/cannabis at the worksite. Employers can implement drug use policies which prohibit such use or possession; HOWEVER, employers cannot fire or discipline and employee for any use during an employee’s private time as long as that employee is not under the influence of the substance while at work. This is where the difficulty comes into play. No test exists that can determine the level of THC in a person’s blood stream. There is no way to prove empirically that an employee ingested the drug 10 minutes ago, or 3 weeks ago. Other states have experienced difficulties with proving under the influence unless another person saw the employee use marijuana/cannabis.
* Landlords can prohibit tenants from smoking or vaping, but they cannot prohibit the use of edibles which leave no scent.
* Penalties – Under age usage results in a $100-$500 fine, 30 hours of community service and 30 days loss of a driver’s license for the first offense; a $500 - $750 fine for a second offense as well as 40 hours of community service and a 3 month loss of a driver’s license; and for a subsequent offense the penalty includes a $750 -$1000 fine, 50 hours of community service and 1 year suspension of a driver’s license. School may adopt disciplinary programs that include suspension, expulsion, community service and school activity prohibitions. Selling or giving marijuana/cannabis to an underage person results in a fine of $10,000 and prison.
* Local Rule – the residents of a municipality can pass a referendum to exclude the sale of marijuana/cannabis within the municipality’s limits. However, because the effective date is January 1, 2020, a referendum would have to be held as a special election, since the next regular election does not take place until the fall of 2020.

Marijuana Revenue

* The Governor has made is clear that this is not a revenue-maker for the state. Most of the money expected to be received will be spent on administrative costs and costs associated with the negative consequences of marijuana use. Why did she propose it then? Because, with Massachusetts legalizing the products, Rhode Island would likely experience the same negative effects with no revenue to handle the issues.
* Article 20 establishes the Marijuana Trust Fund Allocation to collect taxes and fees from the adult-use marijuana program. The Marijuana Trust Fund will be distributed as follows: 25% goes to the Departments of Health, Revenue, and Public Safety, and the Executive Office of Health and Human Services to fund regulatory activities. Fifteen (15%) goes to cities and towns; and 60% percent goes to the general fund to fund programs and activities related to revenue collection and enforcement, substance use disorder prevention, education and public awareness campaigns, treatment and recovery support services, public health research, law enforcement support, and related technology improvements.
* Tax Revenue - the article proposes an overall tax rate of approximately 20%. This includes a 7% percent sales tax rate, a 10% percent retail marijuana excise tax, and a weight-based excise tax to be determined. The Governor’s office estimates $6.5 million in revenue for FY2020, and $21.9 million in revenue for FY2021.

The following bills were filed last week:

Senate Bill No. [268](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0268.pdf) Miller, Sosnowski, McCaffrey, Ruggerio, Goldin**,**AN ACT RELATING TO HEALTH AND SAFETY - PLASTIC WASTE REDUCTION ACT (Prohibits retail sales establishments from providing plastic checkout bags and all retail establishments from providing expanded polystyrene disposable food containers and would be enforced by municipal designees, with an opt out provision.)

Senate Bill No. [279](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0279.pdf) DiPalma, Seveney, Coyne, Euer, Goldin**,**AN ACT RELATING TO TAXATION -- SALES AND USE TAXES -- LIABILITY AND COMPUTATION (Exempts from sales tax any amount a construction contractor charges clients for materials and supplies in connection with a construction contract.)

Senate Bill No. [283](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0283.pdf)  Picard**,**AN ACT RELATING TO PUBLIC PROPERTY AND WORKS -- DISABILITY BUSINESS ENTERPRISES (Expands the existing disability business enterprises program.)

Senate Bill No. [290](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0290.pdf) Bell, Nesselbush, Quezada, Seveney, Murray**,**AN ACT RELATING TO HEALTH AND SAFETY -- COMPREHENSIVE HEALTH INSURANCE PROGRAM (Establishes a universal, comprehensive, affordable single-payer health care insurance program .)

Senate Bill No. [316](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0316.pdf) Goldin, Cano, Goodwin, Quezada, Miller**,**AN ACT RELATING TO ELECTIONS - CONDUCT OF ELECTION AND VOTING EQUIPMENT AND SUPPLIES (Requires employers to give their employees, who make a timely request, two (2) hours of paid leave to vote. This act would be enforced by the department of labor and training.)

Senate Bill No. [330](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0330.pdf) Cano, Goldin, Euer, Murray, Lynch Prata**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- FAIR EMPLOYMENT PRACTICES -- SEXUAL HARASSMENT (Extends protection to domestic servants/includes retaliation as unlawful practice and requires employers of 4 or more employees to conduct sexual harassment programs for new employees within 1 month of the date of hire/all employees by September 1, 2019.)

Senate Bill No. [369](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0369.pdf)  Lawson, Euer, Goodwin, McCaffrey, Ruggerio**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- MINIMUM WAGES (Provides health care employers with at least 18 employees, which receive certain state funding or pay an executive $1,000,000 or more annually, pay a minimum wage of $15.00.)

Senate Bill No. [370](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0370.pdf) McCaffrey, Goodwin, Ciccone, Cano, Lawson**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS - EMPLOYMENT SECURITY - BENEFITS (Increases the maximum weekly unemployment benefit rate to the higher of fifty-seven and one-half percent (57.5%) of the average weekly wages paid to workers in the prior calendar year or six hundred thirty-six dollars ($636) per week.)

Senate Bill No. [373](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0373.pdf) Lombardi, Ciccone, Lombardo, Archambault, Lynch Prata**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS - TEMPORARY DISABILITY INSURANCE - CONTRIBUTIONS (Permits employees who are covered by employer sponsored disability insurance programs to elect to be exempt from the state temporary disability insurance program, provided the employer has submitted documentation to the director confirming such coverage)

Senate Bill No. [374](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0374.pdf) Goldin, Goodwin, Quezada, Euer, Murray**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- MINIMUM WAGE--GRATUITIES (Incrementally increases from the $3.89 per hour subminimum wage for tipped workers to $9.00 per hour on January 1, 2023, Starting on January 1, 2024, the minimum hourly wage for tipped workers would be equal to the state's regular minimum hourly wage.)

Senate Bill No. [375](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0375.pdf) Felag**,**AN ACT RELATING TO BUSINESSES AND PROFESSIONS -- ELECTRICIANS (Electrical apprentices qualify for journeyperson "B" exam by successfully completing 288 hours of classroom training in a recognized trade school.)

Senate Bill No. [379](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0379.pdf) Ciccone, Lombardo, Gallo, McCaffrey, Goodwin**,**AN ACT RELATING TO ALCOHOLIC BEVERAGES - RETAIL LICENSES (Allows holders of a Class P license to purchase alcoholic beverages from either a retail or wholesale establishment in the state of Rhode Island.)