

115TH CONGRESS  
1ST SESSION

# H. R. 1823

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

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 30, 2017

Mr. BLUMENAUER introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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

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

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

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

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

Sec. 1. Short title; table of contents.

### TITLE I—TAXATION

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

# 1 **TITLE I—TAXATION**

## 2 **SEC. 101. ESTABLISHMENT OF TAXES RELATING TO MARI-** 3 **JUANA PRODUCTS.**

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

### 7 **“CHAPTER 56—MARIJUANA PRODUCTS**

“SUBCHAPTER A. TAX ON MARIJUANA PRODUCTS

“SUBCHAPTER B. OCCUPATIONAL TAX

“SUBCHAPTER C. BOND AND PERMITS

“SUBCHAPTER D. OPERATIONS

“SUBCHAPTER E. PENALTIES

### 8 **“Subchapter A—Tax on Marijuana Products**

“Sec. 5901. Imposition of tax.

“Sec. 5902. Definitions.

“Sec. 5903. Liability and method of payment.

“Sec. 5904. Exemption from tax.

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

### 9 **“SEC. 5901. IMPOSITION OF TAX.**

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

13 “(1) for any such product sold during the first  
14 5 calendar years in which this chapter becomes ef-  
15 fective, the applicable percentage of the price for  
16 which such product is sold, and

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

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

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

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

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

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

19 “(c) APPLICABLE EQUIVALENT RATE.—

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

23 “(A) in the case of any marijuana product  
24 not described in subparagraph (B) which is sold  
25 during such year, the applicable rate per ounce

1 of such product (and a proportionate tax at the  
2 like rate on all fractional parts of an ounce of  
3 such product), and

4 “(B) in the case of any marijuana product  
5 containing a marijuana derivative which is sold  
6 during such year, the applicable rate per gram  
7 of tetrahydrocannabinol in such product (and a  
8 proportionate tax at the like rate on all frac-  
9 tional parts of a gram of tetrahydrocannabinol  
10 in such product).

11 “(2) APPLICABLE RATE.—

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

20 “(B) MARIJUANA DERIVATIVES.—For pur-  
21 poses of paragraph (1)(B), the applicable rate  
22 per gram of tetrahydrocannabinol shall be equal  
23 to the quotient obtained by dividing—

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

1 “(ii) 2.83495.

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

8 **“SEC. 5902. DEFINITIONS.**

9 “For purposes of this chapter:

10 “(1) EXPORT WAREHOUSE.—The term ‘export  
11 warehouse’ means a bonded internal revenue ware-  
12 house for the storage of marijuana products, upon  
13 which the internal revenue tax has not been paid—

14 “(A) for subsequent shipment to a foreign  
15 country, Puerto Rico, the Virgin Islands, or a  
16 possession of the United States, or

17 “(B) for consumption beyond the jurisdic-  
18 tion of the internal revenue laws of the United  
19 States.

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

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

1           “(A) is in the United States and to whom  
2           nontaxpaid marijuana products, produced in a  
3           foreign country, Puerto Rico, the Virgin Is-  
4           lands, or a possession of the United States, are  
5           shipped or consigned,

6           “(B) removes marijuana products for sale  
7           or consumption in the United States from a  
8           customs bonded warehouse, or

9           “(C) smuggles or otherwise unlawfully  
10          brings marijuana or marijuana products into  
11          the United States.

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

16          “(5) MARIJUANA DERIVATIVE.—The term  
17          ‘marijuana derivative’ means any article containing  
18          marijuana, or any derivative thereof, which is not a  
19          naturally grown and unadulterated marijuana flow-  
20          er.

21          “(6) MARIJUANA ENTERPRISE.—The term  
22          ‘marijuana enterprise’ means a producer, export  
23          warehouse proprietor, or importer.

24          “(7) MARIJUANA PRODUCT.—

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

5           “(B) EXCEPTIONS.—

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

8           “(I) any article containing mari-  
9           juana which has been approved by the  
10          Food and Drug Administration for  
11          sale for therapeutic purposes and is  
12          marketed and sold solely for such pur-  
13          pose, or

14          “(II) industrial hemp.

15          “(ii) INDUSTRIAL HEMP.—For pur-  
16          poses of clause (i)(II), the term ‘industrial  
17          hemp’ means the plant *Cannabis sativa* L.  
18          and any part of such plant, whether grow-  
19          ing or not, with a delta-9  
20          tetrahydrocannabinol concentration of not  
21          more than 0.3 percent on a dry weight  
22          basis.

23          “(8) MARIJUANA PRODUCTION FACILITY.—The  
24          term ‘marijuana production facility’ means an estab-  
25          lishment which is qualified under subchapter C to

1 perform any operation for which such qualification is  
2 required under such subchapter.

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

5 “(A) plants, cultivates, harvests, or other-  
6 wise produces marijuana or marijuana prod-  
7 ucts, or

8 “(B) manufactures, compounds, converts,  
9 processes, prepares, or packages marijuana  
10 products.

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

13 “(A) the removal of marijuana products  
14 from the premises of a producer, or from inter-  
15 nal revenue bond under section 5904, as the  
16 Secretary shall by regulation prescribe,

17 “(B) release of such products from cus-  
18 toms custody, or

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

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

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

24 “(a) LIABILITY FOR TAX.—



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

4           “(2) TRANSFER OF LIABILITY.—

5               “(A) IN GENERAL.—When marijuana  
6 products are transferred, without payment of  
7 tax, pursuant to section 5904, the liability for  
8 tax shall be transferred in accordance with the  
9 provisions of this paragraph.

10               “(B) TRANSFER BETWEEN PRODUCER AND  
11 EXPORT WAREHOUSE PROPRIETOR.—In the  
12 case of marijuana products which are trans-  
13 ferred between the bonded premises of pro-  
14 ducers and export warehouse proprietors, the  
15 transferee shall become liable for the tax upon  
16 receipt by the transferee of such articles, and  
17 the transferor shall thereupon be relieved of  
18 their liability for such tax.

19               “(C) TRANSFER FROM CUSTOMS CUSTODY  
20 TO PRODUCER.—In the case of marijuana prod-  
21 ucts which are released in bond from customs  
22 custody for transfer to the bonded premises of  
23 a producer, the transferee shall become liable  
24 for the tax on such articles upon release from

1 customs custody, and the importer shall there-  
2 upon be relieved of their liability for such tax.

3 “(D) RETURNED TO BOND.—All provisions  
4 of this chapter applicable to marijuana products  
5 in bond shall be applicable to such articles re-  
6 turned to bond upon withdrawal from the mar-  
7 ket or returned to bond after previous removal  
8 for a tax-exempt purpose.

9 “(b) METHOD OF PAYMENT OF TAX.—

10 “(1) IN GENERAL.—

11 “(A) DETERMINATION AND PAYMENT OF  
12 TAX.—The taxes imposed by section 5901 shall  
13 be determined at the time of removal of the  
14 marijuana products. Such taxes shall be paid on  
15 the basis of return. The Secretary shall, by reg-  
16 ulations, prescribe the period or the event for  
17 which such return shall be made and the infor-  
18 mation to be furnished on such return.

19 “(B) POSTPONEMENT.—Any postponement  
20 under this subsection of the payment of taxes  
21 determined at the time of removal shall be con-  
22 ditioned upon the filing of such additional  
23 bonds, and upon compliance with such require-  
24 ments, as the Secretary may prescribe for the  
25 protection of the revenue. The Secretary may,

1 by regulations, require payment of tax on the  
2 basis of a return prior to removal of the mari-  
3 juana products where a person defaults in the  
4 postponed payment of tax on the basis of a re-  
5 turn under this subsection or regulations pre-  
6 scribed thereunder.

7 “(C) ADMINISTRATION AND PENALTIES.—

8 All administrative and penalty provisions of this  
9 title, insofar as applicable, shall apply to any  
10 tax imposed by section 5901.

11 “(2) TIME FOR PAYMENT OF TAXES.—

12 “(A) IN GENERAL.—Except as otherwise  
13 provided in this paragraph, in the case of taxes  
14 on marijuana products removed during any  
15 semimonthly period under bond for deferred  
16 payment of tax, the last day for payment of  
17 such taxes shall be the 14th day after the last  
18 day of such semimonthly period.

19 “(B) IMPORTED ARTICLES.—In the case of  
20 marijuana products which are imported into the  
21 United States, the following provisions shall  
22 apply:

23 “(i) IN GENERAL.—The last day for  
24 payment of tax shall be the 14th day after  
25 the last day of the semimonthly period

1 during which the article is entered into the  
2 customs territory of the United States.

3 “(ii) SPECIAL RULE FOR ENTRY OF  
4 WAREHOUSING.—Except as provided in  
5 clause (iv), in the case of an entry for  
6 warehousing, the last day for payment of  
7 tax shall not be later than the 14th day  
8 after the last day of the semimonthly pe-  
9 riod during which the article is removed  
10 from the first such warehouse.

11 “(iii) FOREIGN TRADE ZONES.—Ex-  
12 cept as provided in clause (iv) and in regu-  
13 lations prescribed by the Secretary, articles  
14 brought into a foreign trade zone shall,  
15 notwithstanding any other provision of law,  
16 be treated for purposes of this subsection  
17 as if such zone were a single customs  
18 warehouse.

19 “(iv) EXCEPTION FOR ARTICLES DES-  
20 TINED FOR EXPORT.—Clauses (ii) and (iii)  
21 shall not apply to any article which is  
22 shown to the satisfaction of the Secretary  
23 to be destined for export.

24 “(C) MARIJUANA PRODUCTS BROUGHT  
25 INTO THE UNITED STATES FROM PUERTO

1 RICO.—In the case of marijuana products which  
2 are brought into the United States from Puerto  
3 Rico, the last day for payment of tax shall be  
4 the 14th day after the last day of the semi-  
5 monthly period during which the article is  
6 brought into the United States.

7 “(D) SPECIAL RULE WHERE DUE DATE  
8 FALLS ON SATURDAY, SUNDAY, OR HOLIDAY.—  
9 Notwithstanding section 7503, if, but for this  
10 subparagraph, the due date under this para-  
11 graph would fall on a Saturday, Sunday, or a  
12 legal holiday (as defined in section 7503), such  
13 due date shall be the immediately preceding day  
14 which is not a Saturday, Sunday, or such a hol-  
15 iday.

16 “(E) SPECIAL RULE FOR UNLAWFULLY  
17 PRODUCED MARIJUANA PRODUCTS.—In the  
18 case of any marijuana products produced in the  
19 United States at any place other than the  
20 premises of a producer that has filed the bond  
21 and obtained the permit required under this  
22 chapter, tax shall be due and payable imme-  
23 diately upon production.

24 “(3) PAYMENT BY ELECTRONIC FUND TRANS-  
25 FER.—Any person who in any 12-month period, end-

1       ing December 31, was liable for a gross amount  
2       equal to or exceeding \$5,000,000 in taxes imposed  
3       on marijuana products by section 5901 (or section  
4       7652) shall pay such taxes during the succeeding  
5       calendar year by electronic fund transfer (as defined  
6       in section 5061(e)(2)) to a Federal Reserve Bank.  
7       Rules similar to the rules of section 5061(e)(3) shall  
8       apply to the \$5,000,000 amount specified in the pre-  
9       ceding sentence.

10      “(c) DEFINITION OF PRICE.—

11           “(1) CONTAINERS, PACKING AND TRANSPOR-  
12       TATION CHARGES.—In determining, for the purposes  
13       of this chapter, the price for which an article is sold,  
14       there shall be included any charge for coverings and  
15       containers of whatever nature, and any charge inci-  
16       dent to placing the article in condition packed ready  
17       for shipment, but there shall be excluded the amount  
18       of tax imposed by this chapter, whether or not stat-  
19       ed as a separate charge. A transportation, delivery,  
20       insurance, installation, or other charge (not required  
21       by the preceding sentence to be included) shall be  
22       excluded from the price only if the amount thereof  
23       is established to the satisfaction of the Secretary in  
24       accordance with regulations.

25           “(2) CONSTRUCTIVE SALE PRICE.—

1           “(A) IN GENERAL.—If an article is sold di-  
2           rectly to consumers, sold on consignment, or  
3           sold (otherwise than through an arm’s length  
4           transaction) at less than the fair market price,  
5           or if the price for which the article sold cannot  
6           be determined, the tax under section 5901(a)  
7           shall be computed on the price for which such  
8           articles are sold, in the ordinary course of  
9           trade, by producers thereof, as determined by  
10          the Secretary.

11          “(B) ARM’S LENGTH.—

12               “(i) IN GENERAL.—For purposes of  
13               this section, a sale is considered to be  
14               made under circumstances otherwise than  
15               at arm’s length if—

16                       “(I) the parties are members of  
17                       the same controlled group, whether or  
18                       not such control is actually exercised  
19                       to influence the sale price, or

20                       “(II) the sale is made pursuant  
21                       to special arrangements between a  
22                       producer and a purchaser.

23          “(ii) CONTROLLED GROUPS.—

24               “(I) IN GENERAL.—The term  
25               ‘controlled group’ has the meaning

1 given to such term by subsection (a)  
2 of section 1563, except that ‘more  
3 than 50 percent’ shall be substituted  
4 for ‘at least 80 percent’ each place it  
5 appears in such subsection.

6 “(II) CONTROLLED GROUPS  
7 WHICH INCLUDE NONINCORPORATED  
8 PERSONS.—Under regulations pre-  
9 scribed by the Secretary, principles  
10 similar to the principles of subclause  
11 (I) shall apply to a group of persons  
12 under common control where one or  
13 more of such persons is not a corpora-  
14 tion.

15 “(d) PARTIAL PAYMENTS AND INSTALLMENT AC-  
16 COUNTS.—

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

18 “(A) a contract for the sale of an article  
19 wherein it is provided that the price shall be  
20 paid by installments and title to the article sold  
21 does not pass until a future date notwith-  
22 standing partial payment by installments,

23 “(B) a conditional sale, or



1           “(C) a chattel mortgage arrangement  
2           wherein it is provided that the sales price shall  
3           be paid in installments,  
4           there shall be paid upon each payment with respect  
5           to the article a percentage of such payment equal to  
6           the rate of tax in effect on the date such payment  
7           is due.

8           “(2) SALES OF INSTALLMENT ACCOUNTS.—If  
9           installment accounts, with respect to payments on  
10          which tax is being computed as provided in para-  
11          graph (1), are sold or otherwise disposed of, then  
12          paragraph (1) shall not apply with respect to any  
13          subsequent payments on such accounts (other than  
14          subsequent payments on returned accounts with re-  
15          spect to which credit or refund is allowable by rea-  
16          son of section 6416(b)(5)), but instead—

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

19                       “(i) the tax previously paid on the  
20                       payments on such installment accounts,  
21                       and

22                       “(ii) the total tax which would be pay-  
23                       able if such installment accounts had not  
24                       been sold or otherwise disposed of (com-

1           puted as provided in paragraph (1)), ex-  
2           cept that

3           “(B) if any such sale is pursuant to the  
4           order of, or subject to the approval of, a court  
5           of competent jurisdiction in a bankruptcy or in-  
6           solveny proceeding, the amount computed  
7           under subparagraph (A) shall not exceed the  
8           sum of the amounts computed by multiplying—

9                   “(i) the proportionate share of the  
10           amount for which such accounts are sold  
11           which is allocable to each unpaid install-  
12           ment payment, by

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

16           The sum of the amounts payable under this  
17           subsection in respect of the sale of any article  
18           shall not exceed the total tax.

19   **“SEC. 5904. EXEMPTION FROM TAX.**

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

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

3           “(2) by a proprietor of a marijuana production  
4           facility in research, development, or testing (other  
5           than consumer testing or other market analysis) of  
6           processes, systems, materials, or equipment, relating  
7           to marijuana or marijuana operations, under such  
8           limitations and conditions as to quantities, use, and  
9           accountability as the Secretary may by regulations  
10          require for the protection of the revenue, or

11          “(3) by the United States or any governmental  
12          agency thereof, any State, any political subdivision  
13          of a State, or the District of Columbia, for non-  
14          consumption purposes.

15          “(b) MARIJUANA PRODUCTS TRANSFERRED OR RE-  
16          MOVED IN BOND FROM DOMESTIC FACTORIES AND EX-  
17          PORT WAREHOUSES.—

18          “(1) IN GENERAL.—Subject to such regulations  
19          and under such bonds as the Secretary shall pre-  
20          scribe, a producer or export warehouse proprietor  
21          may transfer marijuana products, without payment  
22          of tax, to the bonded premises of another producer  
23          or export warehouse proprietor, or remove such arti-  
24          cles, without payment of tax, for shipment to a for-  
25          eign country, Puerto Rico, the Virgin Islands, or a

1 possession of the United States, or for consumption  
2 beyond the jurisdiction of the internal revenue laws  
3 of the United States.

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

8 “(c) MARIJUANA PRODUCTS RELEASED IN BOND  
9 FROM CUSTOMS CUSTODY.—Marijuana products im-  
10 ported or brought into the United States may be released  
11 from customs custody, without payment of tax, for deliv-  
12 ery to a producer or export warehouse proprietor if such  
13 articles are not put up in packages, in accordance with  
14 such regulations and under such bond as the Secretary  
15 shall prescribe.

16 “(d) MARIJUANA PRODUCTS EXPORTED AND RE-  
17 TURNED.—Marijuana products classifiable under item  
18 9801.00.10 of the Harmonized Tariff Schedule of the  
19 United States (relating to duty on certain articles pre-  
20 viously exported and returned), as in effect on the date  
21 of the enactment of the Marijuana Revenue and Regula-  
22 tion Act, may be released from customs custody, without  
23 payment of that part of the duty attributable to the inter-  
24 nal revenue tax for delivery to the original producer of  
25 such marijuana products or to the export warehouse pro-

1 proprietor authorized by such producer to receive such prod-  
 2 ucts, in accordance with such regulations and under such  
 3 bond as the Secretary shall prescribe. Upon such release  
 4 such products shall be subject to this chapter as if they  
 5 had not been exported or otherwise removed from internal  
 6 revenue bond.

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

8 “(a) CREDIT OR REFUND.—

9 “(1) IN GENERAL.—Credit or refund of any tax  
 10 imposed by this chapter or section 7652 shall be al-  
 11 lowed or made (without interest) to the producer,  
 12 importer, or export warehouse proprietor on proof  
 13 satisfactory to the Secretary that the claimant pro-  
 14 ducer, importer, or export warehouse proprietor has  
 15 paid the tax on—

16 “(A) marijuana products withdrawn from  
 17 the market by the claimant, or

18 “(B) such products lost (otherwise than by  
 19 theft) or destroyed, by fire, casualty, or act of  
 20 God, while in the possession or ownership of the  
 21 claimant.

22 “(2) MARIJUANA PRODUCTS LOST OR DE-  
 23 STROYED IN BOND.—

24 “(A) EXTENT OF LOSS ALLOWANCE.—No  
 25 tax shall be collected in respect of marijuana

1 products lost or destroyed while in bond, except  
2 that such tax shall be collected—

3 “(i) in the case of loss by theft, unless  
4 the Secretary finds that the theft occurred  
5 without connivance, collusion, fraud, or  
6 negligence on the part of the proprietor of  
7 marijuana production facility, owner, con-  
8 signor, consignee, bailee, or carrier, or  
9 their employees or agents,

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

13 “(iii) in the case of an unexplained  
14 shortage of marijuana products.

15 “(B) PROOF OF LOSS.—In any case in  
16 which marijuana products are lost or destroyed,  
17 whether by theft or otherwise, the Secretary  
18 may require the proprietor of a marijuana pro-  
19 duction facility or other person liable for the  
20 tax to file a claim for relief from the tax and  
21 submit proof as to the cause of such loss. In  
22 every case where it appears that the loss was by  
23 theft, the burden shall be upon the proprietor  
24 of the marijuana production facility or other  
25 person responsible for the tax under section

1           5901 to establish to the satisfaction of the Sec-  
2           retary that such loss did not occur as the result  
3           of connivance, collusion, fraud, or negligence on  
4           the part of the proprietor of the marijuana pro-  
5           duction facility, owner, consignor, consignee,  
6           bailee, or carrier, or their employees or agents.

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

11          “(D) LIMITATIONS.—Except as provided in  
12          subparagraph (E), no tax shall be abated, re-  
13          mitted, credited, or refunded under this para-  
14          graph where the loss occurred after the tax was  
15          determined. The abatement, remission, credit,  
16          or refund of taxes provided for by subpara-  
17          graphs (A) and (C) in the case of loss of mari-  
18          juana products by theft shall only be allowed to  
19          the extent that the claimant is not indemnified  
20          against or recompensed in respect of the tax for  
21          such loss.

22          “(E) APPLICABILITY.—The provisions of  
23          this paragraph shall extend to and apply in re-  
24          spect of marijuana products lost after the tax  
25          was determined and before completion of the

1 physical removal of the marijuana products  
 2 from the bonded premises.

3 “(3) VOLUNTARY DESTRUCTION.—The propri-  
 4 etor of a marijuana production facility or other per-  
 5 sons liable for the tax imposed by this chapter or by  
 6 section 7652 with respect to any marijuana product  
 7 in bond may voluntarily destroy such products, but  
 8 only if such destruction is under such supervision  
 9 and under such regulations as the Secretary may  
 10 prescribe.

11 “(4) LIMITATION.—Any claim for credit or re-  
 12 fund of tax under this subsection shall be filed with-  
 13 in 6 months after the date of the withdrawal from  
 14 the market, loss, or destruction of the products to  
 15 which the claim relates, and shall be in such form  
 16 and contain such information as the Secretary shall  
 17 by regulations prescribe.

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

## 23 **“Subchapter B—Occupational Tax**

“Sec. 5911. Imposition and rate of tax.

“Sec. 5912. Payment of tax.

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

“Sec. 5914. Application to State laws.



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

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

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

12   **“SEC. 5912. PAYMENT OF TAX.**

13           “(a) CONDITION PRECEDENT TO CARRYING ON  
14   BUSINESS.—No person shall be engaged in or carry on  
15   any trade or business subject to the occupational tax until  
16   such person has paid such tax.

17           “(b) COMPUTATION.—

18               “(1) IN GENERAL.—The occupational tax shall  
19   be imposed—

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

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

24               “(2) PERIOD.—In the case of a tax imposed  
25   under subparagraph (A) of paragraph (1), the occu-  
26   pational tax shall be reckoned for 1 year, and in the

1 case of subparagraph (B) of such paragraph, it shall  
 2 be reckoned proportionately, from the first day of  
 3 the month in which the liability to such tax com-  
 4 menced, to and including the 30th day of June fol-  
 5 lowing.

6 “(c) METHOD OF PAYMENT.—

7 “(1) PAYMENT BY RETURN.—The occupational  
 8 tax shall be paid on the basis of a return under such  
 9 regulations as the Secretary shall prescribe.

10 “(2) STAMP DENOTING PAYMENT OF TAX.—

11 After receiving a properly executed return and re-  
 12 mittance of any occupational tax, the Secretary shall  
 13 issue to the taxpayer an appropriate stamp as a re-  
 14 ceipt denoting payment of the tax. This paragraph  
 15 shall not apply in the case of a return covering li-  
 16 ability for a past period.

17 **“SEC. 5913. PROVISIONS RELATING TO LIABILITY FOR OC-**  
 18 **CUPATIONAL TAXES.**

19 “(a) PARTNERS.—Any number of persons doing busi-  
 20 ness in partnership at any one place shall be required to  
 21 pay a single occupational tax.

22 “(b) DIFFERENT BUSINESSES OF SAME OWNERSHIP  
 23 AND LOCATION.—Whenever more than one of the pursuits  
 24 or occupations described in this subchapter are carried on  
 25 in the same place by the same person at the same time,

1 except as otherwise provided in this subchapter, the occu-  
2 pational tax shall be paid for each according to the rates  
3 severally prescribed.

4 “(c) BUSINESSES IN MORE THAN ONE LOCATION.—

5 “(1) LIABILITY FOR TAX.—The payment of the  
6 occupational tax shall not exempt from an additional  
7 occupational tax the person carrying on a trade or  
8 business in any other place than that stated in the  
9 register kept in the office of the official in charge of  
10 the internal revenue district.

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

16 “(3) PLACE.—

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

21 “(B) DIVISIONS.—For purposes of this  
22 paragraph, any passageways, streets, highways,  
23 rail crossings, waterways, or partitions dividing  
24 the premises shall not be deemed sufficient sep-  
25 aration to require an additional occupational

1 tax, if the various divisions are otherwise con-  
2 tiguous.

3 “(d) DEATH OR CHANGE OF LOCATION.—

4 “(1) IN GENERAL.—In addition to the person  
5 who has paid the occupational tax for the carrying  
6 on of any business at any place, any person de-  
7 scribed in paragraph (2) may secure the right to  
8 carry on, without incurring any additional occupa-  
9 tional tax, the same business at the same place for  
10 the remainder of the taxable period for which the oc-  
11 cupational tax was paid.

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

14 “(A) The surviving spouse or child, or ex-  
15 ecutor or administrator or other legal represent-  
16 ative, of a deceased taxpayer.

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

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

21 “(D) The partner or partners remaining  
22 after death or withdrawal of a member of a  
23 partnership.

24 “(3) CHANGE OF LOCATION.—When any person  
25 moves to any place other than the place for which

1       occupational tax was paid for the carrying on of any  
2       business, such person may secure the right to carry  
3       on, without incurring additional occupational tax,  
4       the same business at the new location for the re-  
5       mainder of the taxable period for which the occupa-  
6       tional tax was paid. To secure the right to carry on  
7       the business without incurring additional occupa-  
8       tional tax, the successor, or the person relocating  
9       their business, must register the succession or relo-  
10      cation with the Secretary in accordance with regula-  
11      tions prescribed by the Secretary.

12      “(e) FEDERAL AGENCIES OR INSTRUMENTAL-  
13      ITIES.—Any tax imposed by this subchapter shall apply  
14      to any agency or instrumentality of the United States un-  
15      less such agency or instrumentality is granted by statute  
16      a specific exemption from such tax.

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

18      “The payment of any tax imposed by this subchapter  
19      for carrying on any trade or business shall not be held  
20      to—

21             “(1) exempt any person from any penalty or  
22             punishment provided by the laws of any State for  
23             carrying on such trade or business within such  
24             State, or in any manner to authorize the commence-  
25             ment or continuance of such trade or business con-

1 trary to the laws of such State or in places prohib-  
 2 ited by municipal law, or

3 “(2) prohibit any State from placing a duty or  
 4 tax on the same trade or business, for State or other  
 5 purposes.

## 6 **“Subchapter C—Bond and Permits**

“Sec. 5921. Establishment and bond.

“Sec. 5922. Application for permit.

“Sec. 5923. Permit.

### 7 **“SEC. 5921. ESTABLISHMENT AND BOND.**

8 “(a) PROHIBITION ON PRODUCTION OUTSIDE OF  
 9 BONDED MARIJUANA PRODUCTION FACILITY.—

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

14 “(A) no marijuana may be planted, cul-  
 15 tivated, harvested, or grown in any building or  
 16 on any premises, and

17 “(B) no marijuana product may be manu-  
 18 factured, compounded, converted, processed,  
 19 prepared, or packaged in any building or on  
 20 any premises.

21 “(2) AUTHORIZED PRODUCERS ONLY.—No per-  
 22 son other than a producer which has filed the bond  
 23 required under subsection (b) and received a permit

1 described in section 5923 may produce any mari-  
2 juana product.

3 “(b) BOND.—

4 “(1) WHEN REQUIRED.—Every person, before  
5 commencing business as a producer or an export  
6 warehouse proprietor, shall file such bond, condi-  
7 tioned upon compliance with this chapter and regu-  
8 lations issued thereunder, in such form, amount, and  
9 manner as the Secretary shall by regulation pre-  
10 scribe. A new or additional bond may be required  
11 whenever the Secretary considers such action nec-  
12 essary for the protection of the revenue.

13 “(2) APPROVAL OR DISAPPROVAL.—No person  
14 shall engage in such business until he receives notice  
15 of approval of such bond. A bond may be dis-  
16 approved, upon notice to the principal on the bond,  
17 if the Secretary determines that the bond is not ade-  
18 quate to protect the revenue.

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

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

24 “(a) IN GENERAL.—Every person, before com-  
25 mencing business as a marijuana enterprise, and at such

1 other time as the Secretary shall by regulation prescribe,  
2 shall make application for the permit provided for in sec-  
3 tion 5923. The application shall be in such form as the  
4 Secretary shall prescribe and shall set forth, truthfully and  
5 accurately, the information called for on the form. Such  
6 application may be rejected and the permit denied if the  
7 Secretary, after notice and opportunity for hearing, finds  
8 that—

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

12           “(2) the activity proposed to be carried out at  
13       such premises does not meet such minimum capacity  
14       or activity requirements as the Secretary may pre-  
15       scribe, or

16           “(3) such person (including, in the case of a  
17       corporation, any officer, director, or principal stock-  
18       holder and, in the case of a partnership, a part-  
19       ner)—

20           “(A) is, by reason of their business experi-  
21       ence, financial standing, or trade connections or  
22       by reason of previous or current legal pro-  
23       ceedings involving a felony violation of any  
24       other provision of Federal criminal law relating  
25       to marijuana or marijuana products, not likely



1 to maintain operations in compliance with this  
2 chapter,

3 “(B) has been convicted of a felony viola-  
4 tion of any provision of Federal or State crimi-  
5 nal law relating to marijuana or marijuana  
6 products, or

7 “(C) has failed to disclose any material in-  
8 formation required or made any material false  
9 statement in the application therefor.

10 **“SEC. 5923. PERMIT.**

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

19 “(b) SUSPENSION OR REVOCATION.—

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

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

1           “(B) has violated the conditions of such  
2           permit,

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

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

8           “(E) is, by reason of previous or current  
9           legal proceedings involving a felony violation of  
10          any other provision of Federal criminal law re-  
11          lating to marijuana, not likely to maintain oper-  
12          ations in compliance with this chapter, or

13          “(F) has been convicted of a felony viola-  
14          tion of any provision of Federal or State crimi-  
15          nal law relating to marijuana or marijuana  
16          products,

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

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

1       “(c) INFORMATION REPORTING.—The Secretary may  
2 require—

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

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

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

## 11                   **“Subchapter D—Operations**

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

“Sec. 5932. Packaging and labeling.

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

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

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

## 12       **“SEC. 5931. INVENTORIES, REPORTS, AND RECORDS.**

13       “Every producer, importer, and export warehouse  
14 proprietor shall—

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

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

4           “(3) keep such records in such manner as the  
5           Secretary shall by regulation prescribe, with such  
6           records to be available for inspection by any internal  
7           revenue officer during business hours.

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

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

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

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

22          “(d) INDECENT OR IMMORAL MATERIAL PROHIB-  
23          ITED.—No indecent or immoral picture, print, or rep-  
24          resentation shall be contained in, attached to, or stamped,

1 marked, written, or printed on any package of marijuana  
2 products.

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

6 “(1) for experimental purposes, or

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

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

13 “(a) RESTRICTION.—No person shall—

14 “(1) with intent to defraud the United States,  
15 purchase, receive, possess, offer for sale, or sell or  
16 otherwise dispose of, after removal, any marijuana  
17 products—

18 “(A) upon which the tax has not been paid  
19 or determined in the manner and at the time  
20 prescribed by this chapter or regulations there-  
21 under, or

22 “(B) which, after removal without payment  
23 of tax pursuant to section 5904, have been di-  
24 verted from the applicable purpose or use speci-  
25 fied in that section,

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

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

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

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

1 **“SEC. 5934. RESTRICTIONS RELATING TO MARKS, LABELS,**  
2 **NOTICES, AND PACKAGES.**

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

8 **“SEC. 5935. RESTRICTION ON IMPORTATION OF PRE-**  
9 **VIOUSLY EXPORTED MARIJUANA PRODUCTS.**

10 “(a) EXPORT LABELED MARIJUANA PRODUCTS.—

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

14 “(A) may be transferred to or removed  
15 from the premises of a producer or an export  
16 warehouse proprietor only if such articles are  
17 being transferred or removed without tax in ac-  
18 cordance with section 5904,

19 “(B) may be imported or brought into the  
20 United States, after their exportation, only if  
21 such articles either are eligible to be released  
22 from customs custody with the partial duty ex-  
23 emption provided in section 5904(d) or are re-  
24 turned to the original producer of such article  
25 as provided in section 5904(c), and

1           “(C) may not be sold or held for sale for  
2           domestic consumption in the United States un-  
3           less such articles are removed from their export  
4           packaging and repackaged by the original pro-  
5           ducer into new packaging that does not contain  
6           an export label.

7           “(2) ALTERATIONS BY PERSONS OTHER THAN  
8           ORIGINAL PRODUCER.—This section shall apply to  
9           articles labeled for export even if the packaging or  
10          the appearance of such packaging to the consumer  
11          of such articles has been modified or altered by a  
12          person other than the original producer so as to re-  
13          move or conceal or attempt to remove or conceal (in-  
14          cluding by the placement of a sticker over) any ex-  
15          port label.

16          “(3) EXPORTS INCLUDE SHIPMENTS TO PUER-  
17          TO RICO.—For purposes of this section, section  
18          5904(d), section 5941, and such other provisions as  
19          the Secretary may specify by regulations, references  
20          to exportation shall be treated as including a ref-  
21          erence to shipment to the Commonwealth of Puerto  
22          Rico.

23          “(b) EXPORT LABEL.—For purposes of this section,  
24          an article is labeled for export or contains an export label



1 if it bears the mark, label, or notice required under section  
 2 5904(b).

### 3 **“Subchapter E—Penalties**

“Sec. 5941. Civil penalties.

“Sec. 5942. Criminal penalties.

#### 4 **“SEC. 5941. CIVIL PENALTIES.**

5       “(a) OMITTING THINGS REQUIRED OR DOING  
 6 THINGS FORBIDDEN.—Whoever willfully omits, neglects,  
 7 or refuses to comply with any duty imposed upon them  
 8 by this chapter, or to do, or cause to be done, any of the  
 9 things required by this chapter, or does anything prohib-  
 10 ited by this chapter, shall in addition to any other penalty  
 11 provided in this title, be liable to a penalty of \$10,000,  
 12 to be recovered, with costs of suit, in a civil action, except  
 13 where a penalty under subsection (b) or (c) or under sec-  
 14 tion 6651 or 6653 or part II of subchapter A of chapter  
 15 68 may be collected from such person by assessment.

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

21       “(c) SALE OF MARIJUANA OR MARIJUANA PRODUCTS  
 22 FOR EXPORT.—

23               “(1) Every person who sells, relands, or receives  
 24 within the jurisdiction of the United States any

1 marijuana products which have been labeled or  
2 shipped for exportation under this chapter,

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

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

7 shall, in addition to the tax and any other penalty provided  
8 in this title, be liable for a penalty equal to the greater  
9 of \$10,000 or 10 times the amount of the tax imposed  
10 by this chapter. All marijuana products relanded within  
11 the jurisdiction of the United States shall be forfeited to  
12 the United States and destroyed. All vessels, vehicles, and  
13 aircraft used in such relanding or in removing such mari-  
14 juana products from the place where relanded, shall be  
15 forfeited to the United States.

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

20 “(e) CROSS REFERENCES.—For penalty for failure to  
21 make deposits or for overstatement of deposits, see section  
22 6656.

23 **“SEC. 5942. CRIMINAL PENALTIES.**

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

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

5           “(2) fails to keep or make any record, return,  
6           report, or inventory, or keeps or makes any false or  
7           fraudulent record, return, report, or inventory, re-  
8           quired by this chapter or regulations thereunder,

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

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

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

18                 “(A) upon which the tax has not been paid  
19                 or determined in the manner and at the time  
20                 prescribed by this chapter or regulations there-  
21                 under, or

22                 “(B) which, without payment of tax pursu-  
23                 ant to section 5904, have been diverted from  
24                 the applicable purpose or use specified in that  
25                 section,

1 shall, for each such offense, be fined not more than  
2 \$10,000, or imprisoned not more than 5 years, or both.

3 “(b) OFFENSES RELATING TO RETAIL TRANS-  
4 ACTIONS.—Any retailer who sells, in any single trans-  
5 action, more than 1 ounce of any marijuana product (or  
6 in the case of any marijuana product containing a mari-  
7 juana derivative, an equivalent amount, as established by  
8 the Secretary) shall be, upon conviction, fined not more  
9 than \$10,000, or imprisoned for not more than 5 years,  
10 or both.

11 “(c) OTHER OFFENSES.—Whoever, otherwise than  
12 as provided in subsections (a) and (b) and section  
13 5911(b), violates any provision of this chapter, or of regu-  
14 lations prescribed thereunder, shall, for each such offense,  
15 be fined not more than \$1,000, or imprisoned not more  
16 than 1 year, or both.

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

20 (b) STUDY.—Not later than 2 years after the date  
21 of the enactment of this Act, and every 5 years thereafter,  
22 the Secretary of the Treasury, or the Secretary’s delegate,  
23 shall—

24 (1) conduct a study concerning the characteris-  
25 tics of the marijuana industry, including the number

1 of persons operating marijuana enterprises at each  
 2 level of such industry, the volume of sales, the  
 3 amount of tax collected each year, and the areas of  
 4 evasion, and

5 (2) submit to Congress recommendations to im-  
 6 prove the regulation of the industry and the admin-  
 7 istration of the related tax.

8 (c) CONFORMING AMENDMENT.—Section  
 9 6103(o)(1)(A) of the Internal Revenue Code of 1986 is  
 10 amended by striking “and firearms” and inserting “fire-  
 11 arms, and marijuana”.

12 (d) CLERICAL AMENDMENT.—The table of chapters  
 13 for subtitle E of title I of the Internal Revenue Code of  
 14 1986 is amended by adding at the end the following new  
 15 chapter:

“CHAPTER 56. MARIJUANA PRODUCTS”.

16 (e) EFFECTIVE DATE.—

17 (1) IN GENERAL.—The amendments made by  
 18 this section shall apply to sales, and applications for  
 19 permits under section 5922 of the Internal Revenue  
 20 Code of 1986 (as added by subsection (a)), after  
 21 180 days after the date of the enactment of this Act.

22 (2) SPECIAL RULES FOR EXISTING BUSI-  
 23 NESSES.—In the case of any producer operating  
 24 under a permit issued on or before the date of the  
 25 enactment of this Act under State law, the require-

1       ments under section 5922 of such Code (as so  
2       added) shall apply beginning on the date that is 6  
3       months after the date of the enactment of this Act.

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