

Washington marijuana dispensaries may face high hurdles

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OLYMPIA – State officials may crack down on medical marijuana dispensaries next year, even as they license other businesses to grow, process and sell the drug for recreational uses.

The state's 15-year-old medical marijuana law was never intended to allow people to make a profit by selling the drug to patients, a task force of officials from several agencies told a legislative committee. Dispensaries aren't even mentioned in the law.

"These dispensaries are absolutely illegal, criminal operations," said state Rep. Chris Hurst, D-Enumclaw, chairman of the House Government Oversight and Accountability Committee. "What's it going to take to shut all these down?"

He urged the task force to develop recommendations by January for the Legislature to close the dispensaries.

A member of a medical marijuana coalition said it is the state's own fault there are no regulations to control dispensaries. The Legislature passed extensive regulations on medical marijuana two years ago but former Gov. Chris Gregoire vetoed them, said Steve Sarich, of the Cannabis Action Coalition.

The coalition supports regulations but will fight efforts to close dispensaries, Sarich said: "They're going to have a war on their hands this time."

Closing dispensaries could mean patients who aren't able to grow their own marijuana would have to buy it illegally because the state can't be sure its recreational marijuana stores will even open, he said.

The committee hearing highlighted some significant roadblocks that remain for recreational marijuana businesses opening by mid-2014, a target set by the Washington State Liquor Control Board. Those businesses currently can't get bank accounts, so they would be unable to accept credit or debit cards from customers, or pay

for supplies or taxes with checks or electronic transfers. They'd have to run all-cash operations.

Banks want to offer accounts and make loans to those fledgling businesses, said Denny Eliason, of the Washington Bankers Association. But they could lose their federal charters by doing so because banking regulations forbid banks from accepting money from illegal drugs and marijuana is still illegal under federal law.

The state can't set up its own system for the marijuana businesses to make deposits and withdrawals, Eliason added, because it would face the same restrictions.

The businesses could pay their local, state and federal taxes and fees in cash, but that will be difficult. They might have to send envelopes full of cash to the Internal Revenue Service to pay income taxes, Hurst said.

The prospect of businesses with large sums of cash on hand has law enforcement officials worried about an increase in robberies. Protecting those businesses could be difficult because federal regulations emphasized in a recent memo from the U.S. Justice Department prohibit having firearms on the premises for security.

State Rep. Jeff Holy, R-Spokane, described them as "soft targets" for robberies.

Rick Garza, director of the Liquor Control Board, said the state won't have regulations against licensees having firearms or armed security guards but will be telling applicants federal officials may enforce their rule and the state can't control that.

"Can this business model even exist?" Holy asked.

Voters made clear they wanted recreational marijuana made legal for adults when they passed Initiative 502 last year, he said. But it may be proving more difficult than many realized.

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