

CANNABIS

SPECIAL NOTICE



Cannabis Excise Tax Changes Beginning January 1, 2023, and New Enforcement Provisions

Beginning January 1, 2023, the responsibility for collecting and paying the cannabis excise tax to the California Department of Tax and Fee Administration (CDTFA) shifts from distributors to cannabis retailers.

Distributors (including microbusiness distributors)

Starting January 1, 2023, distributors and microbusinesses authorized to distribute cannabis or cannabis products will:

- Stop collecting the 15 percent cannabis excise tax from cannabis retailers.
- No longer be required to hold a cannabis tax account with CDTFA.
 - Distributor cannabis tax accounts will automatically be closed out. Additional information will be sent to affected account holders in the fall.
- File your last cannabis tax return for December 2022 for monthly filers or Fourth Quarter 2022 for quarterly filers, due on January 31, 2023.

Cannabis retailers (including microbusiness retailers)

Starting January 1, 2023, cannabis retailers will:

- Need a cannabis retailer excise tax permit from CDTFA.
 - Retailers, including microbusiness retailers, that are licensed with the Department of Cannabis Control (DCC) will be automatically registered.
- Be responsible for collecting the 15 percent cannabis excise tax from their customers based on the gross receipts from the retail sale of cannabis or cannabis products.
 - Gross receipts include the selling price of cannabis or cannabis products (after discount), and all charges related to the sale, such as a delivery fee and any local cannabis taxes listed separately on the invoice or receipt.
- File cannabis retailer excise tax returns online with CDTFA and pay the cannabis excise tax due.
- Claim a credit on the return for any excise tax paid to a distributor for cannabis or cannabis products purchased before January 1, 2023, for cannabis or cannabis products sold at retail on or after January 1, 2023.
- If already approved for a license fee waiver with the DCC, licensees can apply to CDTFA to retain Vendor Compensation equal to 20 percent of cannabis tax due.
 - Additional information will be provided on how a cannabis retailer can apply for Vendor Compensation and how to retain 20 percent of the cannabis excise tax due.

New enforcement provisions

The new Cannabis Tax Law also contains important new enforcement provisions.

- Any unlicensed individual or cannabis business who possesses, keeps, stores, or retains for the purpose of sale, or sells or offers to sell cannabis or cannabis products may be held liable for cannabis taxes due to CDTFA.
 - A penalty of 25 percent of the tax due or \$500, whichever is greater, will be added to any assessment issued to an unlicensed cannabis business.
- CDTFA may hold any officer, member, manager, partner, or other person personally liable for any unpaid cannabis taxes, interest, and penalties when a corporation, partnership, limited liability partnership, or limited liability company fails to pay cannabis taxes due.
- Any licensed person who sells or transfers cannabis or cannabis products, and knowingly does not report or falsely reports that sale or transfer in the cannabis track and trace system may be held liable for the cannabis excise tax due to CDTFA.

Legislation information

[Assembly Bill 195](#) (Stats. 2022, ch. 56), which revised the Cannabis Tax Law, was signed by the Governor on June 30, 2022. CDTFA will provide additional information regarding your registration and return filing requirements in future special notices and on our website. We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm, for more information about the upcoming changes.

For more information

For more information, visit our website at www.cdtfa.ca.gov. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711), then select the option for *Special Taxes and Fees*. Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.