

CANNABIS

SPECIAL NOTICE

Certain Cannabis Retailers May Apply to Retain Vendor Compensation

Beginning January 1, 2023, cannabis retailers that have been approved by the Department of Cannabis Control (DCC) to receive an equity fee waiver (fee waiver) for the issuance or renewal of their cannabis retailer license can apply with us for vendor compensation. Eligible cannabis retailers may be approved to retain 20 percent of the cannabis excise tax due on their retail sales of cannabis or cannabis products. A cannabis retailer must be approved by the California Department of Tax and Fee Administration before they can retain the excise tax due as vendor compensation. The vendor compensation program will end on December 31, 2025.

Vendor compensation application

Cannabis retailers must request approval to retain vendor compensation by submitting a completed Vendor Compensation Application to us by logging into their online services account with their username and password. After logging in, find the cannabis retailer excise tax account and select the *More* option. The *Vendor Compensation Application* link is listed under the *More* section of the page.

When submitting the Vendor Compensation Application, cannabis retailers will be required to provide the following information and documentation:

- The address of the retail location approved for the DCC fee waiver.
- The issuance and expiration dates for the retailer license that was approved for the DCC fee waiver.
- The date DCC approved the cannabis retailer for the DCC fee waiver.
- The contact information for the individual completing the application.
- A copy of the DCC fee waiver approval notice issued to the cannabis retailer.
- A copy of the cannabis retailer license that was approved for the DCC fee waiver.

Vendor compensation approval and period of retention

- We will send the cannabis retailer an email notification once the Vendor Compensation Application is approved or denied.
- The approval notification will include the period for which the cannabis retailer may retain vendor compensation (retention period).
- The retention period will begin on the first day of the calendar quarter after the date we issue the notice approving vendor compensation. For example, if we approve a Vendor Compensation Application on January 18, 2023, the retention period will begin on April 1, 2023.
- The retention period will generally be for a 12-month period as long as the cannabis retailer remains eligible for the DCC fee waiver for that period. Retention periods will not continue beyond December 31, 2025.

Report vendor compensation on the cannabis retailer excise tax return

- The vendor compensation we approve is to be retained from the cannabis excise taxes due on the retail sales of cannabis or cannabis products. The excise tax retained for vendor compensation must be collected on sales made under the cannabis retailer license that was approved by DCC for a fee waiver.
- Vendor compensation cannot be retained on any retail sales made if the cannabis retailer license is expired or revoked or made under any other cannabis retailer license that the cannabis retailer may have.
- The cannabis retailer should report the amount of vendor compensation retained from the cannabis excise tax reported on their excise tax return for the retail location approved for vendor compensation.

For more information

Please visit DCC's website at <https://cannabis.ca.gov> on how to apply for a fee waiver for licenses issued by DCC.

We also encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm, for information about cannabis retailers' responsibilities and vendor compensation.

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 on state holidays.