

CANNABIS SPECIAL NOTICE

Cannabis Rate Changes Effective January 1, 2020

Cannabis Mark-up Rate

The California Department of Tax and Fee Administration (CDTFA) is responsible for determining the cannabis mark-up rate every six months. An analysis of statewide market data was used to determine the average mark-up rate between the wholesale cost and the retail selling price of cannabis and cannabis products. Based on this analysis, effective January 1, 2020, the mark-up rate will be set at **80 percent**.

The 15 percent cannabis excise tax is based on the average market price of the cannabis or cannabis products sold in a retail sale. The mark-up rate is used when calculating the average market price to determine the cannabis excise tax due in an arm's length transaction. In an arm's length transaction, the average market price is the retailer's wholesale cost of the cannabis or cannabis products, plus the mark-up rate determined by the CDTFA. In a nonarm's length transaction, the average market price is the cannabis retailer's gross receipts from the retail sale of the cannabis or cannabis products.

Cultivation Tax Rates

As required by the Cannabis Tax Law, effective January 1, 2020, the cultivation tax rates reflect an adjustment for inflation. The adjusted rates for each category shown below will be reflected on the monthly and quarterly cannabis tax returns beginning January 1, 2020.

CANNABIS CATEGORY	CURRENT RATE	RATE EFFECTIVE 1/1/2020
Flower per dry-weight ounce	\$9.25	\$9.65
Leaves per dry-weight ounce	\$2.75	\$2.87
Fresh cannabis plant per ounce	\$1.29	\$1.35

- On or after January 1, 2020, the rates apply to cannabis that a cultivator sells or transfers to a manufacturer or distributor.
- Cultivator cannabis sales or transfers made prior to January 1, 2020, will use the current rate listed above.

For current cannabis mark-up and tax rates, see our *Special Taxes and Fees* rate page at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm, under *Cannabis Taxes*.

For More Information

We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. When calling, select the option for *Special Taxes and Fees*.