

CANNABIS

SPECIAL NOTICE



Reminders for Cannabis Distributors and Retailers New Responsibilities for Cannabis Retailers Beginning January 1, 2023

Distributor Sales or Transfers to a Cannabis Retailer before January 1, 2023

Distributors must continue to collect the cannabis excise tax from cannabis retailers for cannabis or cannabis products sold or transferred to a cannabis retailer before January 1, 2023, based on the average market price of cannabis or cannabis products.

- The average market price in an arm's length transaction is the retailer's wholesale cost of the cannabis or cannabis products plus a mark-up determined by the California Department of Tax and Fee Administration (CDTFA). The mark-up rate is 75 percent through the end of 2022.
- Distributors must provide cannabis retailers with an invoice or receipt that indicates, among other requirements, the amount of cannabis excise tax.
- Distributors must also report and pay the cannabis excise tax to CDTFA for cannabis or cannabis products sold or transferred to a cannabis retailer before January 1, 2023.

Cannabis Retailer Purchases before January 1, 2023

Cannabis retailers must continue to pay the cannabis excise tax to the distributor that sold or transferred cannabis or cannabis products to that retailer before January 1, 2023. Through the end of 2022, the cannabis excise tax will continue to be based on the average market price.

- The average market price in an arm's length transaction is the retailer's wholesale cost plus the CDTFA determined mark-up. The mark-up rate is 75 percent through the end of 2022.
- For retail sales of cannabis or cannabis products made before January 1, 2023, retailers must collect the cannabis excise tax from purchasers on the retail sale based on the average market price of the cannabis or cannabis products.
- Retailers should keep documentation, such as invoices or receipts, that show the cannabis excise tax was paid to a distributor and collected from the purchaser on the retail sale. Without such documentation, CDTFA may hold a cannabis retailer liable for the cannabis excise tax.

New Responsibilities for Cannabis Retailers Beginning January 1, 2023

In December, CDTFA will automatically register cannabis retailers for a cannabis retailer excise tax permit based on their licensing information with the Department of Cannabis Control. Our [online services](#) will be available for cannabis retailers to register in mid-December. Additional information will be provided in November.

For retail sales of cannabis or cannabis products made on and after January 1, 2023, cannabis retailers must collect the 15 percent cannabis excise tax from purchasers based on the gross receipts from the retail sale of cannabis or cannabis products.

- Gross receipts include the sales price of the cannabis or cannabis products and all charges related to the sale, such as delivery fees and any local cannabis taxes listed separately on the invoice or receipt to the purchaser. Gross receipts for cannabis excise tax purposes do not include sales tax.
- Cannabis retailers must file cannabis retailer excise tax returns and pay the cannabis excise tax collected from purchasers to CDTFA. The first cannabis retailer excise tax return will be due May 1, 2023, for the January 1, 2023, through March 31, 2023, reporting period.
- Cannabis retailers may claim a credit on their cannabis retailer excise tax return for cannabis excise tax paid to a distributor for cannabis sold or transferred to the retailer before January 1, 2023, and sold at retail on or after January 1, 2023.
- Cannabis retailers must keep documentation to support any credits reported on their cannabis retailer excise tax return. Without proper documentation, the claimed credit may be disallowed. CDTFA may hold the cannabis retailer liable for any unpaid cannabis excise tax.

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 on state holidays.