This publication outlines the California Department of Tax and Fee Administration’s (CDTFA) Cannabis Inspection Program and provides a general overview of your rights as an operator of a cannabis business in California. For more information about registration, recordkeeping, and other obligations of a cannabis business, please see our Tax Guide for Cannabis Businesses at www.cdtfa.ca.gov/industry/cannabis.htm.

Why are we conducting an inspection?

Our inspectors are conducting a routine inspection of your business to ensure you:

• Possess the required tax permits and/or licenses for your type of cannabis operation,
• Understand your tax responsibilities as an owner of a cannabis business, and
• Follow the state cannabis tax laws.

These inspections are authorized by Revenue and Taxation Code (R&TC) §34016.

Can I refuse to allow an inspection?

When our inspectors arrive at your business, you or your representatives are required by law to allow them to inspect your business. Any person who does not allow an inspection is guilty of a misdemeanor, and our inspectors may issue a criminalcitation to you for not allowing an inspection. Each offense is punishable by a fine of up to $5,000, or imprisonment not exceeding one year in a county jail, or both the fine and imprisonment (R&TC §34016(b)).

What will happen during the inspection?

Our inspectors will enter your business, identify themselves by name to you or your representative, show their CDTFA identification, and explain the reason for their visit. They may ask you to:

• Show your identification.
• Provide verification of ownership of the business.
• Provide the required permits and/or licenses.
• Provide your business records/invoices.
• Provide access to any areas where cannabis or cannabis products may be stored.

Our inspectors may examine the cannabis or cannabis products at your business location(s) and any place where you store additional cannabis or cannabis products. They may verify:

• Your purchase invoices and sales receipts reconcile with your inventory.
• Cannabis or cannabis products are packaged securely as required by the laws administered by the Department of Cannabis Control (DCC).
• You have an active commercial cannabis license with DCC.
• Cannabis or cannabis products were properly reported in the California Cannabis Track-and-Trace system.

You will also be given a copy of publication 557, Tax Help for the Cannabis Industry.
What happens if I operate without a seller’s permit or operate as a cannabis retailer without a cannabis retailer excise tax permit?

Making cannabis or cannabis product sales without a seller’s permit or making retail sales of cannabis or cannabis products without a cannabis retailer excise tax permit is a misdemeanor. If you operate without the required permits, our inspectors may issue you a criminal citation for operating the business without a seller’s permit or cannabis retailer excise tax permit (R&T&C §6071 and §34014). Each offense for operating without a seller’s permit is punishable by a fine between $1,000 and $5,000, imprisonment up to one year in county jail, or both the fine and imprisonment at the discretion of the court. Each offense for operating without a cannabis retailer excise tax permit is punishable by a fine of up to $1,000, imprisonment up to six months in county jail, or both.

What happens if I refuse to provide records or provide false records?

Our inspectors are authorized to examine the books and records of any person licensed, or required to be licensed with DCC, as the inspectors deem necessary to carry out the Cannabis Tax Law (R&T&C §55361). Each offense for refusing to provide records is punishable by a fine of up to $500.

Rendering false or fraudulent reports to us is a misdemeanor, and our inspectors may issue a criminal citation for refusing to furnish required records (R&T&C §55361). Each offense is punishable by a fine of up to $500.

Refusing to provide records to our inspectors is a misdemeanor, and our inspectors may issue a criminal citation for refusing to furnish required records (R&T&C §55361). Each offense is punishable by a fine of up to $500.

What are my rights related to this inspection?

You have specific legal rights as a California taxpayer. Our inspectors must honor and protect those rights. As explained in publication 70, Understanding Your Rights as a California Taxpayer, you have the right to:
- Courteous and prompt service,
- Fair treatment,
- Confidentiality, and
- Information and assistance.

Can I file a complaint if I have concerns about the inspection or the inspector’s behavior?

Yes. If you believe an inspector was unprofessional or violated your rights, you may file a complaint by:
- Calling the Inspections Section at: 1-833-430-7030
- Filing online at: www.cdtfa.ca.gov/legal/complaint.aspx
- Writing to: California Department of Tax and Fee Administration Inspections Section, MIC:42 PO Box 942879 Sacramento, CA 94279-0042

Be sure to fully explain your concerns in detail. Your complaint will be handled by an Inspections Section supervisor or manager, who will contact you. If you are unable to resolve the problem with the supervisor or manager, or if you prefer to have your complaint handled outside the Inspections Section, you may contact our Taxpayers’ Rights Advocate Office.

Taxpayers’ Rights Advocate Office

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through the normal channels (for example, by speaking to a supervisor), please see publication 70, Understanding Your Rights as a California Taxpayer, or contact the Taxpayers’ Rights Advocate Office for help at 1-888-324-2798.

If you prefer, you can write to: California Department of Tax and Fee Administration Taxpayers’ Rights Advocate Office, MIC:70 PO Box 942879 Sacramento, CA 94279-0070.
For more information
If you have any questions about the inspection, you may contact our Inspections Section at 1-833-430-7030. For more information regarding cannabis business taxation requirements, please see our Tax Guide for Cannabis Businesses or publication 557, Tax Help for The Cannabis Industry, on our website at www.cdtfa.ca.gov.

For help filing your return or general questions, please call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

For guidance regarding California cannabis licenses, see the Department of Cannabis Control website at www.cannabis.ca.gov.

For the federal government’s guidance regarding marijuana enforcement, see the U.S. Department of Justice website at www.justice.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

Tax evasion hurts all of us...
To report suspected tax evasion, you may call our Tax Evasion Hotline at 1-888-334-3300 or file a complaint online at www.cdtfa.ca.gov/legal/icomplaint.aspx.

When calling, please provide the following information: suspect and business name, location address, a summary of the tax evasion, period in which the tax evasion occurred, and whether you have evidence to support the allegation.