

TAX HELP

for the Cannabis Industry



**A Guide to California
Sales and Use Tax and
Cannabis Tax Laws**

New Cannabis Taxes Effective January 1, 2018

Note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on back page. If there is a conflict between the text in this publication and the law, the law is controlling.

Get Registered!

If you sell cannabis or cannabis products, you **must** register with the California Department of Tax and Fee Administration (CDTFA) for a seller's permit to report and pay your sales and use tax. Cannabis businesses making sales are required to obtain and maintain a seller's permit as a prerequisite for applying for a license with the California Department of Food and Agriculture, the California Department of Consumer Affairs, or the California Department of Public Health.

You can register for a permit online at www.cdtfa.ca.gov. Click [Register](#) to get started. There is no cost to register for a seller's permit.

Distributors of cannabis or cannabis products **must** also register for a cannabis tax permit to report and pay the two new cannabis taxes (Cultivation Tax and Cannabis Excise Tax) to the CDTFA. The cannabis tax permit is separate from your seller's permit.

Filing Returns and Making Payments

After you register, the CDTFA will notify you how often you must file your return(s) and make your payment(s).

It is important that you file your tax return(s) and pay any taxes due on time. Otherwise, you will owe penalties and interest.

You **must** still file a sales and use tax return by the deadline even if you do not make taxable sales (for example, all your sales are for resale). Additionally, if you are a cannabis distributor, you **must** file a cannabis tax return even if you have zero sales to report.

Payments can be made online, by mail, or in-person at your local office. For information or questions on acceptable in-person payment methods, contact your local office.

For more information on how to register, file and pay, visit our website at www.cdtfa.ca.gov.

Cultivation Tax

A tax on harvested cannabis entering the commercial market is imposed upon cultivators. If you are a cannabis cultivator, you are required to pay the cultivation tax to either a distributor or a manufacturer. The cultivation tax rates are:

- \$9.25 per dry-weight ounce of cannabis flowers
- \$2.75 per dry-weight ounce of cannabis leaves

Additional categories and rates may be specified at a later date.

Cannabis Excise Tax

The excise tax is imposed on all purchasers of cannabis and cannabis products, including medicinal cannabis, at a rate of 15 percent of the average market price of the retail sale. For information on how to calculate the average market price, see our [Tax Guide for Cannabis Businesses](#).

If you are a retailer of cannabis or cannabis products, you are required to collect the excise tax from your customers and pay it to your distributor. The purchaser of the cannabis or cannabis products must pay the excise tax at the time of sale. The excise tax is subject to sales tax.

Cannabis Distributors

If you are a cannabis distributor, you are required to:

- Register online with the CDTFA for a cannabis tax permit and a seller's permit if you make sales.
- Collect the excise tax from retailers you supply with cannabis or cannabis products.
- Collect the cultivation tax from cultivators or manufacturers that send or transfer cannabis or cannabis products to you.
- File both your cannabis tax and sales and use tax returns electronically and pay any amount due to the CDTFA.

Sales and Use Tax

If you sell cannabis or cannabis products to consumers, those sales are generally subject to sales or use tax. This includes sales of cannabis flowers, hash, bud, vape pens, edibles (food products containing cannabis), oils, and plants.

The sales or use tax must be reported on your sales and use tax return and paid to the CDTFA. The excise tax is included in gross receipts for purposes of the sales tax.

If sales tax is included in the selling price of the items, you must post a sign in a visible location at your place of business stating "sales tax included," or include this statement on your invoice or receipt.

Resale Certificates

The sale of cannabis for resale is not subject to sales tax. If you sell cannabis or cannabis products for resale to other licensees, such as a distributor, make sure the purchaser gives you a timely and valid resale certificate. If you do not receive a valid resale certificate, you may be liable for the sales tax. For the required elements of a valid resale certificate, see publication 103, *Sales for Resale*, on our website at www.cdtfa.ca.gov or [CDTFA-230, General Resale Certification](#).

Keeping Records

It is important that you keep accurate and complete records. We understand the challenges facing the cannabis industry, but California law requires that you keep sales and purchase records, receipts, resale certificates, and normal books of account.



Read our [Tax Guide for Cannabis Businesses](http://www.cdtfa.ca.gov/industry/cannabis.htm)
www.cdtfa.ca.gov/industry/cannabis.htm

Certain Sales of Medicinal Cannabis are Exempt from Sales and Use Tax

Retail sales of medicinal cannabis to persons who have a valid Medical Marijuana Identification Card (MMIC) issued by the California Department of Public Health (CDPH) and a valid government-issued identification card (ID) are exempt from sales and use tax.

To obtain the sales and use tax exemption, qualified patients or their primary caregivers must show their valid MMIC and valid ID to the retailer at the time of purchase. The card must be issued by the CDPH; other marijuana or cannabis cards or recommendations from physicians are not sufficient to qualify for the sales and use tax exemption.

To claim exempt sales, you must maintain specific information for your records. For information on recordkeeping requirements, see our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm.

Tax Exemptions are Available

If you are a cannabis cultivator, you may qualify for a partial sales or use tax exemption on machinery and equipment purchased to produce and harvest cannabis or other crops.

If you are a cannabis manufacturer, you may qualify for a partial sales or use tax exemption on equipment purchased to manufacture your products.

For information on these exemptions and others available for the cannabis industry, such as for diesel fuel, see our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm.

For More Information:

Visit our *Tax Guide for Cannabis Businesses* on the CDTFA website for in-depth information to help you comply with your tax obligations. www.cdtfa.ca.gov/industry/cannabis.htm.

For the Federal Government's guidance regarding marijuana enforcement, see the U.S. Department of Justice website at www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

Need Assistance?

Free sales and use tax in-person, educational consultations are available for your business. Contact your local office to schedule an appointment. Find a listing of offices online at www.cdtfa.ca.gov/contact.htm.

Do you need help filing your return or have a general tax question?

Call our Customer Service Center 1-800-400-7115 (TTY:711) Monday through Friday 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Get It in Writing

Tax laws can be complex. You are encouraged to put your tax questions in writing. Provide the specific facts and circumstances of your planned sales or purchases, and ask how tax applies to your transaction.

Requests for written advice can be emailed or mailed directly to the CDTFA office nearest you.

Find our contact information at www.cdtfa.ca.gov/contact.htm.

Taxpayers' Rights Advocate

Call 1-888-324-2798 toll-free for help with problems you have not been able to resolve through normal channels (for example, by speaking to a supervisor).

www.cdtfa.ca.gov

