

CANNABIS TAX FACT

Cultivation Tax No Longer Applies

Beginning July 1, 2022, the cultivation tax no longer applies to cannabis or cannabis products that enter the commercial market. Additionally, distributors and manufacturers are no longer required to collect the cultivation tax from cultivators when a cultivator sells or transfers cannabis to a manufacturer or distributor on or after July 1, 2022.

What happens when a cultivator sells cannabis to a distributor or manufacturer on or after July 1, 2022?

The distributor or manufacturer must not collect the cultivation tax from the cultivator. The invoice between the cultivator and distributor or manufacturer should indicate no cultivation tax was due.

What happens when a cultivator sells cannabis to a distributor or manufacturer before July 1, 2022, and the cannabis or cannabis products enter the commercial market on or after July 1, 2022?

The cultivation tax is not due on cannabis or cannabis products that enter the commercial market on or after July 1, 2022, even if a cultivator sold or transferred cannabis prior to July 1, 2022. Any cultivation tax collected on cannabis that entered the commercial market on or after July 1, 2022, must be returned to the cultivator that originally paid the cultivation tax. Cannabis enters the commercial market when the cannabis or cannabis products pass the required testing and quality assurance review.

What happens if cultivation tax cannot be returned to the cultivator?

Cultivation tax that cannot be returned to the cultivator who paid it is considered excess cultivation tax collected and a distributor must pay the California Department of Tax and Fee Administration (CDTFA) the excess cultivation tax collected.

How does a manufacturer pay excess cultivation tax collected?

A manufacturer who collected cultivation tax and cannot return it to the cultivator who paid it must transfer the excess cultivation tax collected to a distributor for the distributor to pay the excess cultivation tax collected to CDTFA.

How does a distributor pay excess cultivation tax?

A distributor must pay excess cultivation tax collected to CDTFA by reporting and paying the excess cultivation tax collected on their next cannabis tax return.

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.