



CDTFA

CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION



Cannabis Inspection Program

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,
- Follow the state cannabis tax laws, and
- Use or possess the [universal symbol](#) for cannabis in connection with commercial cannabis activity licensed by the Department of Cannabis Control (DCC).

These inspections are authorized by [Revenue and Taxation Code \(R&TC\) section 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 criminal citation 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 section 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 and invoices.
- Provide access to any areas where cannabis or cannabis products may be stored.
- Provide records establishing that the use or possession of the universal cannabis symbol is in connections with commercial cannabis activity licensed by DCC ([Business and Professions Code \[B&PC\] section 26031.6\(b\)](#)).

Our inspectors may examine the cannabis or cannabis products at your business locations and any place where you store additional cannabis or cannabis products. Our inspectors may also inspect any place where products or objects of any kind that bear the universal cannabis symbol are sold or stored in violation of [B&PC section 26031.6](#). They may verify:

- Your purchase invoices and sales receipts reconcile with your inventory.
- Your cannabis or cannabis products are packaged securely as required by the laws administered by DCC.
- You have an active commercial cannabis license with DCC.
- Your cannabis or cannabis products were properly reported in the California Cannabis Track-and-Trace system.
- Your products or objects of any kind that bear the universal cannabis symbol are used or possessed in connection with commercial cannabis activity licensed by DCC.

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&TC [section 6071](#) and [section 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&TC [section 34015\(c\)](#)).

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&TC [section 55361](#)). Each offense 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 rendering false or fraudulent reports (R&TC [section 34016\(d\)](#)). Each offense is punishable by a fine of up to \$1,000.

Our inspectors are authorized to seize cannabis or cannabis products from any licensed person who possesses, stores, owns, or has made a retail sale of cannabis or cannabis products if their sales or transfers of the cannabis or cannabis products were knowingly not reported or falsely reported in the California Cannabis Track-and-Trace system (R&TC [section 34016\(c\)](#)).

Also, failing to maintain or produce records in connection with products or objects of any kind that bear the universal cannabis symbol establishes that the product or object is contraband (B&PC [section 26031.6\(d\)](#)).

What happens if the inspectors find unlawful cannabis inventory?

Our inspectors may seize cannabis or cannabis products from a person who possesses, stores, owns, or has made retail sales of cannabis or cannabis products if:

- The cannabis or cannabis products are not contained in secure packaging,
- The person is not properly licensed with DCC to engage in commercial cannabis activity, or
- The person knowingly does not report or falsely reports their sales or transfers of the cannabis or cannabis products in the California Cannabis Track-and-Trace system (R&TC [section 34016\(c\)](#)).

Our inspections may also seize any package or object of any kind that bears the universal cannabis symbol used or possessed in connection with commercial activity other than commercial activity licensed by DCC in violation of B&PC section 26031.6 and deemed contraband by R&TC section 34016(c)(1)(B).

Our inspectors will:

- Explain the reason for the seizure.
- Give you a property receipt listing the items seized.
- Provide you with their contact information.
- Issue a criminal citation for possession of unlawful cannabis or cannabis products, if appropriate.

What happens if I receive a citation?

If you are issued a criminal citation, you are required to appear in court on the date and time specified on the citation. You may also receive a notice from the District Attorney's Office regarding criminal proceedings. If you fail to appear in court, a bench warrant will be issued against you and your cannabis

license may be suspended or revoked according to B&PC [section 26031](#).

Can I get seized items back?

You have the right to ask that your seized items be returned. If our inspectors seize any item during the inspection, we will mail you a notice listing the seized items and describing your rights to challenge their seizure. We will include CDTFE-1238-IB2, *Verified Petition for Release or Recovery of Property*, with the notice.

Under state law, seized items can only be returned if we seized it illegally or in error. To ask for the return of your seized items, you must submit a completed petition form within 20 days from the date of the mailing of the notice and explain why the seizure was illegal or a mistake. We will respond to your petition in writing (R&TC [section 30438](#)).

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/rptfraud.htm
- 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](#), 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/rptfraud.htm.

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.