



Special Notice

CALIFORNIA STATE BOARD
OF EQUALIZATION
450 N STREET
SACRAMENTO, CA 95814

Recordkeeping Requirements for Exempt Sales of Medical Marijuana Beginning November 9, 2016

EXECUTIVE DIRECTOR
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BOE WEBSITE AND
BOARD MEMBER CONTACT
INFORMATION
www.boe.ca.gov

CUSTOMER SERVICE CENTER
1-800-400-7115

TTY
711

On November 8, 2016, California voters approved Proposition 64, *Control, Regulate and Tax Adult Use of Marijuana Act*. As a result, certain sales of medical marijuana are now exempt from state, local, and district taxes. To properly claim an exempt sale, retailers of medical marijuana must verify purchasers have the proper identification and maintain specific information for their records, as explained below.

What qualifies for the sales and use tax exemption?

The sales and use tax exemption applies to the retail sales of medical cannabis, medical cannabis concentrate, edible medical cannabis products, or topical cannabis as those terms are defined in the Business and Professions Code section 19300.5. To obtain the exemption, qualified patients or their primary caregivers must furnish their valid *Medical Marijuana Identification Card* (MMIC) issued by the California Department of Public Health (CDPH) and a valid government issued identification (ID) card at the time of purchase.

What does a retailer need to do to properly claim the sales and use tax exemption?

In order to properly claim the sales and use tax exemption, retailers should not collect sales tax reimbursement on qualifying exempt sales of medical marijuana. In addition, they should claim a deduction on their sales and use tax returns for their qualifying exempt medical marijuana sales. Retailers should maintain the following records (either physical or electronic) for each transaction:

- The purchaser's nine-digit ID number and expiration date, as shown on the qualified patient's or primary caregiver's unexpired MMIC (see below for an example of a patient MMIC); and
- The related sales invoice and/or other original record of sale.

What is a valid MMIC?

A valid MMIC is issued by the CDPH. The card (sample pictured below) includes the following:



- Issued by the "State of California" with the state seal
- Either "Patient" or "Caregiver"
- Patient's or primary caregiver's photo
- Nine-digit ID number
- CDPH website to verify the ID number
- Expiration date
- County that issued card, with phone number

Retailers may verify the validity of the nine-digit ID number on the CDPH website at www.calmmp.ca.gov.

For more information

For more information, please see the California State Board of Equalization's online *Tax Guide for Medical Cannabis Businesses* at www.boe.ca.gov/industry/medical_cannabis.html. You may also call the Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.