

TAX HELP

for the Cannabis Industry



**A Guide to California
Sales and Use Tax Law**

During the past two decades, the medical cannabis industry has grown significantly. To be successful, growers, distributors, processors, and retailers must understand their state tax obligations.

Visit our *Cannabis Industry Guide* on our website for in-depth information to help you comply with your sales and use tax obligations. www.boe.ca.gov/cannabis.

Get Registered!

If you make sales of cannabis, you are required to hold a seller's permit. You can register for one online at www.boe.ca.gov. Click on [New Registration](#) to get started. There is no cost to register for a seller's permit.

If you do not register, we may issue a criminal citation for prosecution for operating without a permit.

What is Taxable?

If you sell medical cannabis, products containing cannabis, including bartered products, and other accessories to end users in California, those sales are subject to tax. This includes sales of cannabis flowers, hash, bud, vape pens, edibles (food products containing cannabis), oils, and plants. You must pay sales tax to the Board of Equalization (BOE) based upon the amount you charge the buyer and the tax rate in effect where the sale occurs.

If 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.

Keeping Records

It is vitally important that you keep accurate and complete records. We understand the challenges facing the medical cannabis industry, but California law requires that you keep sales and purchase records, receipts, resale certificates, and normal books of account. Records must be kept for at least four years. For more information, visit www.boe.ca.gov/sutax/faqrec.htm.

Resale Certificates

The sale of property for resale is not subject to tax. So, as a grower, you may sell cannabis products for resale to dispensaries or other resellers. Make sure the purchaser gives you a timely and valid resale certificate. If you do not receive a valid resale certificate, you may remain liable for the tax. For the required elements of a valid resale certificate, see publication 103, *Sales for Resale*, at www.boe.ca.gov/formspubs/pub103/. A valid resale certificate must contain a valid seller's permit number, which can be confirmed by visiting our website. Scroll down to *How Do I..*, then click on [Verify a Permit or License](#).



Filing a Return and Making a Payment

After you register, the BOE will tell you how often you must file a return and make your payment.

It is important that you file your sales tax return and pay any taxes due on time. If you do not file and pay on time, you will owe penalties and interest.

Even if you do not make taxable sales (for example, all your sales are for resale), you **must** still file a return by your deadline.

Payments can be made online, by mail, or in-person at your local field office. If your payment is in cash, you will need to call your field office to obtain approval and schedule a date and time to make the payment.

For more information on how to register, file and pay, visit our [Online Services](#) tab on the front page of our website at www.boe.ca.gov.

Sales and Use Tax Exemptions are Available

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

www.boe.ca.gov/industry/agriculture.html

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

www.boe.ca.gov/MRDexemption.

Need Assistance?

Free sales and use tax in-person educational consultations are available for your business. Contact your local field office to schedule an appointment. Find the listing of offices online at www.boe.ca.gov/info/phone.htm.

Read our Cannabis Industry Tax Guide

www.boe.ca.gov/cannabis

For More Information:

Visit our **Cannabis Industry Guide** on our website at www.boe.ca.gov/cannabis.

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.

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. (except state holidays)

Get It in Writing

Sales and Use Tax Law can be complex. You are encouraged to put your tax questions in writing. Requests for written advice can be sent to the BOE at www.boe.ca.gov/email/.

Provide the specific facts and circumstances of your planned sales or purchases, and ask how sales or use tax applies. For more information see *Get it in Writing!* at www.boe.ca.gov/pdf/boe8.pdf.

Taxpayers' Rights Advocate

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

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Certain Sales of Medical Marijuana are Exempt from Sales and Use Tax

With the passage of Proposition 64, effective November 9, 2016, retail sales of medical marijuana to persons who have a valid Medical Marijuana Identification Card (MMIC) issued by the CA Department of Public Health (CDPH) and a valid government-issued identification card (ID) are exempt from sales and use tax.

To obtain the exemption from tax, qualified patients or their primary caregivers must show their valid MMIC and valid ID to the retailer at the time of purchase.

A valid MMIC (sample pictured below) includes:

- “State of California” with the state seal (issued by CA)
- “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 the card, with phone number

The card must be issued by CDPH; other marijuana or cannabis cards or recommendations from physicians are not sufficient to qualify for the tax exemption.



What Products Qualify for the Exemption from Tax?

Exempted products include medical cannabis, medical cannabis concentrate, edible medical cannabis products, and topical cannabis. These terms are defined in Business and Professions Code section [19300.5](#).

Keep Records to Support Exempt Sales

Retailers that make qualifying exempt sales and claim a deduction on their sales and use tax return must verify that purchasers have the proper identification (a valid MMIC and a valid government-issued ID). Retailers should maintain these records for each claimed exempt transaction:

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

New Excise Taxes Beginning January 1, 2018

Beginning January 1, 2018, a 15 percent excise tax is imposed upon purchasers of all marijuana and marijuana products, including medical marijuana, based on the gross receipts from the retail sale. Retailers, such as a dispensary, or other persons required to be licensed to sell marijuana will be required to collect the excise tax from the purchaser and pay it to the California State Board of Equalization.

Also beginning January 1, 2018, a tax on cultivators of marijuana will be imposed as follows:

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



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