



Revised Cannabis Tax Return Beginning with the January 2022 and First Quarter 2022 Filing Periods

Revisions to the cannabis tax return require cannabis distributors to report additional information when filing their online return beginning with the January 2022 and First Quarter 2022 filing periods.

What's new for reporting the cannabis excise tax?

The cannabis excise tax portion of the return will require you to separately report the average market price for arm's length transactions and nonarm's length transactions subject to the 15 percent cannabis excise tax.

- The average market price for arm's length transactions is the cannabis retailer's wholesale cost of the cannabis or cannabis products plus the CDTFA predetermined mark-up, which is currently set at 80 percent.
- The average market price for nonarm's length transactions is the cannabis retailer's gross receipts from the retail sale of the cannabis or cannabis products.

What's new for reporting the cultivation tax?

For the cultivation tax portion, the return will now have three schedules to report cannabis that entered the commercial market during the reporting period for each cultivation tax category: cannabis flowers, cannabis leaves, and fresh cannabis plant.

Each cultivation tax schedule will require you to report the following:

- Total ounces of cannabis that entered the commercial market in the reporting period, including ounces of medicinal cannabis designated for donation and cannabis designated as trade samples.
- Ounces of medicinal cannabis designated for donation that are included in total ounces reported, if applicable.
- Ounces of cannabis designated as cannabis trade samples that are included in total ounces reported, if applicable.

Each schedule provides an option for you to choose a prior year to report cannabis that entered the commercial market during the reporting period for which you are filing, but the cultivation tax was collected based on a prior year's cultivation tax rate because the cultivator sold or transferred the cannabis in a prior year.

The system will then calculate the total exempt ounces and total taxable ounces for the return to apply the appropriate cultivation tax rate.

How to prepare for the new return:

- Begin determining and documenting the average market price separately for arm's length and nonarm's length transactions if you will be reporting both types of transactions.
- Begin determining and documenting to report the total ounces of cannabis that entered the commercial market to include exempt ounces of medicinal cannabis donations and cannabis trade samples.
- Watch our video, *How to File a Cannabis Tax Return*, located on our website at www.cdtfa.ca.gov/industry/cannabis.htm#Videos.

For more information

We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm. 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 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.