Beginning January 1, 2018, cannabis retailers must collect the cannabis excise tax from their customers on each retail sale of cannabis or cannabis products. The cannabis excise tax applies to all retail sales, including sales of cannabis or cannabis products the retailer purchased prior to January 1, 2018. Cannabis retailers are required to pay the cannabis excise tax to a cannabis distributor. Cannabis cultivators owe the cultivation tax on all harvested cannabis that enters the commercial market on or after January 1, 2018. The cultivation tax does not apply to harvested cannabis a cultivator transferred or sold prior to January 1, 2018. Cultivators are required to pay the cultivation tax to a distributor or manufacturer.

**Cannabis excise tax must be paid to cannabis distributors**

On and after January 1, 2018, distributors who sell or transfer cannabis or cannabis products to a cannabis retailer are required to collect the cannabis excise tax from the retailer. In addition, cannabis retailers, who acquired cannabis or cannabis products prior to January 1, 2018, upon which they did not pay the cannabis excise tax to a distributor, must collect the 15 percent cannabis excise tax from their customers. Retailers must pay the excise tax on those sales by the 15th of the following month in which they collected the tax to a licensed cannabis distributor with whom they have a business relationship (that is, a distributor that they purchase or acquire cannabis or cannabis products from on or after January 1, 2018).

**Cannabis retailer – collecting and invoicing requirements**

As a cannabis retailer, you are not required to separately state the cannabis excise tax on your receipt or invoice to your customer, but you must include the following statement, “The cannabis excise taxes are included in the total amount of the invoice.” The cannabis excise tax is imposed on the purchaser as 15 percent of the average market price.

To calculate the cannabis excise tax due on your retail sales of cannabis or cannabis products that you acquired prior to January 1, 2018, you must multiply the average market price by the 15 percent excise tax rate. For information on how to determine the average market price, please see our Tax Guide for Cannabis Businesses at www.cdtfa.ca.gov/industry/cannabis.htm.

Your sales of cannabis and cannabis products are generally subject to sales tax. The sales tax is due on the retail selling price of cannabis or cannabis products, including the cannabis excise tax.

**Cultivation tax not due on cannabis transferred or sold prior to January 1, 2018**

As a reminder, cannabis cultivators are required to pay the cultivation tax to a distributor or manufacturer on all harvested cannabis that enters the commercial market beginning January 1, 2018. However, the cultivation tax is not due on harvested cannabis transferred or sold to distributors or manufacturers prior to January 1, 2018, even if entry into the commercial market (completes testing and complies with quality assurance review) occurs after that date. Manufacturers and distributors must maintain documentation to support that the cannabis was transferred or sold from a cultivator prior to January 1, 2018.
Cannabis distributors – invoicing and recordkeeping requirements

Cannabis distributors must properly document the amount of cannabis excise tax collected. If you are a cannabis distributor and you collect the cannabis excise tax from retailers for cannabis or cannabis products the retailer acquired prior to January 1, 2018, you must provide the retailer an invoice, receipt, or other similar document that contains all of the following:

- The invoice date.
- Your name and seller’s permit number, or if you are not required to hold a seller’s permit because you do not make sales, you must include a statement to that effect on the receipt.
- Name of the cannabis retailer and the retailer’s seller’s permit number.
- The amount of cannabis excise tax collected.

As a distributor, you should keep accurate records of your commercial cannabis activity. This includes retaining records to support when the cannabis was transferred or sold to you from a cultivator or manufacturer, or when you sell or transfer to a retailer, and the amount of cultivation tax and excise taxes collected.

The CDTFA’s online guide, Tax Guide for Cannabis Businesses, is your best resource

Not all requirements for the cannabis industry can be addressed within one single Special Notice. We encourage you to read our Tax Guide for Cannabis Businesses at www.cdtfa.ca.gov/industry/cannabis.htm which contains separate tabs with important information for distributors, retailers, cultivators, and manufacturers. If you have additional questions, you may call our Customer Service Center at 1-800-400-7115 (TTY:711) Monday through Friday, 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.