

CANNABIS SPECIAL NOTICE

New Cannabis Taxes Begin January 1, 2018

If you sell cannabis or cannabis products, you must register with the California Department of Tax and Fee Administration (CDTFA) for a seller's permit. Cannabis cultivators, processors, manufacturers, retailers, microbusinesses, and distributors making sales are required to obtain and maintain a seller's permit as a prerequisite for applying for a license with the California Department of Food and Agriculture, the California Department of Consumer Affairs, or the California Department of Public Health.

Distributors of cannabis and cannabis products must also register with the CDTFA for a cannabis tax permit to report and pay the two new cannabis taxes to the CDTFA. The cannabis tax permit is in addition to your seller's permit.

Beginning January 1, 2018, two new cannabis taxes are in effect:

- A 15 percent excise tax is imposed upon purchasers of cannabis and cannabis products. Retailers are required to collect the excise tax from the purchaser and pay it to the cannabis distributor.
- A tax on the cultivation of cannabis that enters the commercial market is imposed upon cultivators. Cultivators are required to pay the cultivation tax to either a distributor or a manufacturer depending upon the nature of the transaction. The cultivation tax rates are:
 - \$9.25 per dry-weight ounce of cannabis flowers, and
 - \$2.75 per dry-weight ounce of cannabis leaves.

Additional categories and rates may be specified at a later date.

All cannabis businesses making sales are required to:

- Register online with the CDTFA for a seller's permit.
- File sales and use tax returns electronically and pay any sales and use tax to the CDTFA. Even if none of your sales are subject to sales tax, you are still required to file a return and report your activities on your return to the CDTFA.

In addition, if you are a cannabis distributor, the following requirements apply to you:

- Prior to January 1, 2018, register online with the CDTFA for a cannabis tax permit. (**Registration will be available in November 2017.**)
- Beginning January 1, 2018, collect the excise tax from retailers you supply.
- Beginning January 1, 2018, collect the cultivation tax from cultivators or manufacturers that send or transfer cannabis and cannabis products to you.
- File both your cannabis tax *and* sales and use tax returns electronically and pay any tax amounts due to the CDTFA.

For more information:

Read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm. We will continually update the guide as we receive more information about taxes impacting the cannabis industry.

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.