

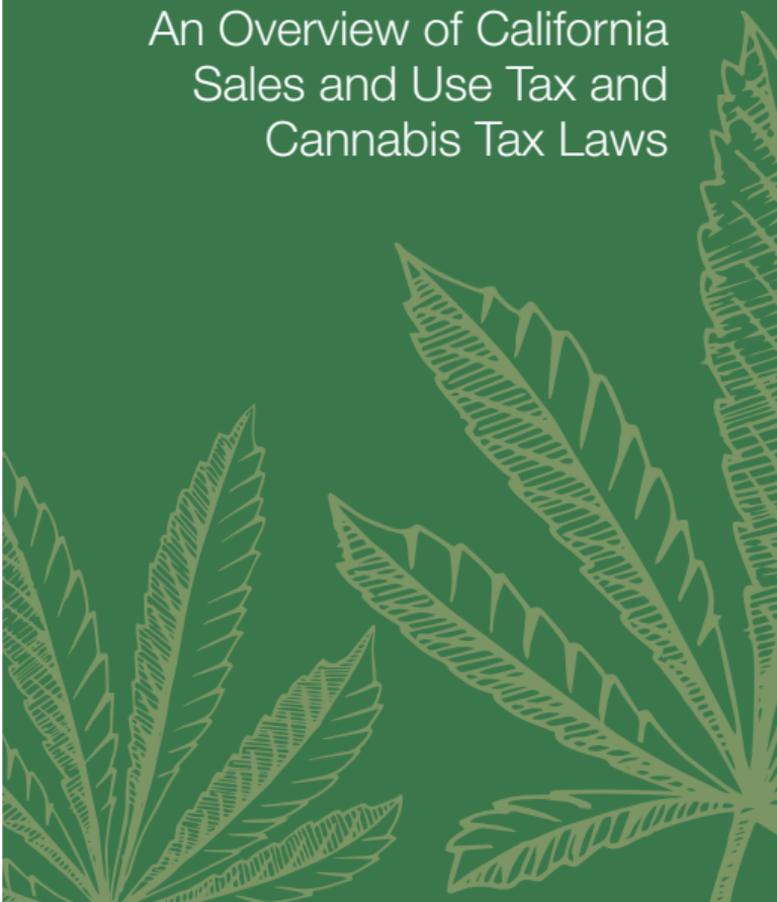


CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION



TAX HELP FOR THE CANNABIS INDUSTRY

An Overview of California
Sales and Use Tax and
Cannabis Tax Laws



The California Department of Tax and Fee Administration (CDTFA) welcomes you and your cannabis business.



Whether you are a cannabis cultivator, manufacturer, distributor, or retailer, it is essential to understand how the California Department of Tax and Fee Administration (CDTFA) administers the California sales and use tax and the cannabis tax. This publication provides a general overview.



Get Registered!

If you sell cannabis or cannabis products, you must:

- Register with us for a seller's permit,
- File returns, even if you made no sales and
- Report and pay any sales or use tax due.
- Retailers of cannabis or cannabis products **must** also register for a cannabis retailer excise tax permit to report and pay the cannabis excise tax to us. The cannabis retailer excise tax permit is separate from your seller's permit.

Cannabis businesses making sales are required to obtain and maintain a valid seller's permit in addition to applying for a license with the Department of Cannabis Control (DCC). For more information on licensing requirements, please visit the Department of Cannabis Control's website at <https://cannabis.ca.gov/>.

You can register for a permit online at www.cdtfa.ca.gov. Click [Register](#) to get started. There is no cost to register for a seller's permit or a cannabis retailer excise tax permit.

Filing Returns and Making Payments

After you register, we will notify you how often you must file your returns and make your payments.

You must file your tax returns and pay any taxes due on time. Otherwise, you may owe penalties and interest.

You **must** file your sales and use tax return by the deadline even if you do not make taxable sales (for example, all your sales are for resale). Additionally, if you are a cannabis retailer, you **must** file your cannabis tax return even if you have zero transactions to report.

Payments can be made online, by mail, or in person at your local office. For information or questions regarding acceptable in-person payment methods, contact your [local office](#).

For more information on how to register, file, and pay, visit our Tax Guide for Cannabis Businesses at www.cdtfa.ca.gov/industry/cannabis.htm.



Cannabis Excise Tax

The Cannabis Tax Law imposes a 15 percent cannabis excise tax upon purchasers of cannabis or cannabis products. This rate is subject to change beginning July 1, 2025. Cannabis retailers are responsible for collecting the cannabis excise tax from their purchasers at the retail sale of cannabis or cannabis products.

Cannabis excise tax is based on gross receipts from the retail sale of cannabis or cannabis products. Gross receipts include the sales price of the cannabis or cannabis products and all charges related to the sale, such as delivery fees or local business taxes listed separately on the receipt to the purchaser. Cannabis excise tax must be listed separately on the receipt or invoice provided to the purchaser. Cannabis excise tax is included in gross receipts subject to sales and use tax.

Cannabis Retailers

If you are a cannabis retailer, you are required to:

- Register online with us for a seller's permit and a cannabis retailer excise tax account.
- Collect cannabis excise tax from your purchasers.
- File sales and use tax returns and cannabis retailer excise tax returns online and pay sales and use tax and cannabis excise tax due to us.

Cannabis Distributors, Manufacturers, and Cultivators

If you are a cannabis distributor, manufacturer, or cultivator, you are required to:

- Register online with us for a seller's permit if you make sales.
- File sales and use tax returns electronically and pay any amount due to us.

Sales and Use Tax

If you sell cannabis or cannabis products to consumers, those sales are generally subject to sales or use tax. This includes sales of cannabis flowers, hash, bud, vape pens, edibles (food products containing cannabis), oils, and plants.

The sales or use tax must be reported on your sales and use tax return and paid to us. The cannabis excise tax is included in gross receipts for purposes of the sales tax.

If sales 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.

Resale Certificates

The sale of cannabis or cannabis products for resale is not subject to sales tax. If you sell cannabis or cannabis products for resale to other licensees, such as a distributor, make sure the purchaser gives you a timely and valid resale certificate. If you do not receive a valid resale certificate, you may be liable for the sales tax. For the required elements of a valid resale certificate, see [publication 103](#), Sales for Resale, on our website at www.cdtfa.ca.gov.

Keeping Records

You must keep accurate and complete records. The Medicinal and Adult Use Cannabis Regulation and Safety Act requires you to keep accurate records of your commercial cannabis activity for a minimum of seven years. We understand the challenges facing the cannabis industry, but California law requires that you keep sales and purchase records, receipts, resale certificates, and normal books of account.

Read our Tax Guide for Cannabis Businesses
www.cdtfa.ca.gov/industry/cannabis.htm

Tax Exemptions Are Available

Retail Sales to Qualified Patients Exemption:
Medicinal cannabis or cannabis products sold at retail to qualified patients or their primary caregivers are exempt from the sales and use tax when the patients or primary caregivers show the following to the retailer at the time of purchase:

- Their valid Medical Marijuana Identification Card issued by the California Department of Public Health (CDPH), and
- Their valid government-issued identification card.

This exemption does not apply to cannabis excise tax.



Donated Medicinal Cannabis Exemptions:

Cannabis retailers may donate free medicinal cannabis or cannabis products to medicinal cannabis patients, or cannabis licensees may donate free medicinal cannabis or cannabis products to cannabis retailers for subsequent donation to medicinal cannabis patients.

- A medicinal cannabis patient is a qualified patient who possesses a qualifying physician's recommendation, or a qualified patient (or the patient's primary caregiver) with a valid Medical Marijuana Identification Card issued by the CDPH.
- Use tax and the cannabis excise tax do not apply when a cannabis retailer donates free medicinal cannabis to a medicinal cannabis patient, or when another licensee, such as a distributor or manufacturer, donates free medicinal cannabis to a retailer for subsequent donation to a medicinal cannabis patient.

Trade Samples:

Certain cannabis licensees may provide cannabis trade samples to other licensees for targeted advertising of cannabis or cannabis products.

Cannabis excise tax does not apply to cannabis or cannabis products designated as trade samples and not sold to other licensees or consumers.

Vendor Compensation:

Cannabis retailers that have been approved by DCC to receive an equity fee waiver for the issuance or renewal of their cannabis retailer license can apply with us to retain 20 percent of the cannabis excise tax due on their retail sales of cannabis or cannabis products. A cannabis retailer must be approved by us before they can retain the excise tax due as vendor compensation. The vendor compensation program will end on December 31, 2025.

Equipment Exemptions:

If you are a cannabis cultivator or manufacturer, you may qualify for a partial sales or use tax exemption on equipment purchased to produce or manufacture your products.

For information on these exemptions, vendor compensation, and other exemptions available for the cannabis industry, see our online Tax Guide for Cannabis Businesses at www.cdtfa.ca.gov/industry/cannabis.htm.

Cannabis Inspection Program

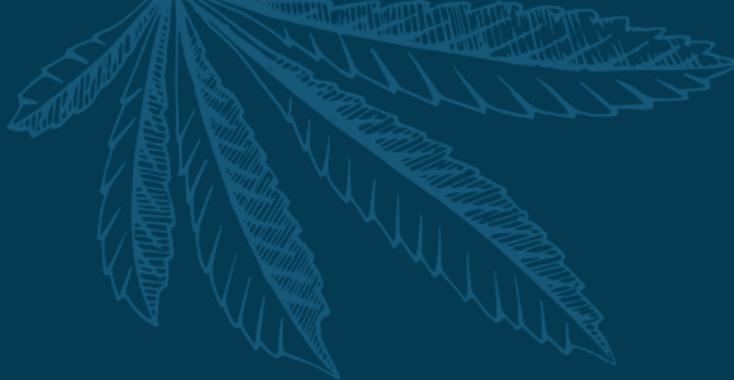
We conduct routine inspections of cannabis businesses to ensure owners possess the required tax permits and/or licenses, understand their tax responsibilities as an owner or operator of a cannabis business, and are in compliance with California's cannabis tax laws. These inspections are authorized by [Revenue and Taxation Code § 34016](#).

For More Information

Visit our Tax Guide for Cannabis Businesses on our website for in-depth information to help you comply with your tax obligations.
www.cdtfa.ca.gov/industry/cannabis.htm

For the Federal Government's guidance regarding marijuana enforcement, see the U.S. Department of Justice website at www.justice.gov.





Need Assistance?

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

Do you need help filing your return or have a general tax question?

Call our Customer Service Center at 1-800-400-7115 (CRS:711) Monday through Friday 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Get It in Writing

Tax laws can be complex. We encourage you to send your tax questions to us in writing. Provide the specific facts and circumstances of your planned sales or purchases and ask how tax applies to your transaction.

Requests for written advice can be emailed or mailed directly to a CDTFA office nearest you.

Find our contact information at www.cdtfa.ca.gov/contact.htm.

Taxpayers' Rights Advocate

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

This publication summarizes the law and applicable regulations in effect when it was written. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.

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