

CANNABIS

SPECIAL NOTICE



New Cannabis Excise Tax Rate Effective October 1, 2025

Effective October 1, 2025, the cannabis excise tax rate will decrease from 19 percent to 15 percent of the gross receipts from all retail sales of cannabis or cannabis products. However, the tax rate of 19 percent still applies to retail sales of cannabis or cannabis products that occurred from July 1, 2025, through September 30, 2025.

What is the effective excise tax rate?

The cannabis excise tax is imposed on purchasers of cannabis or cannabis products at the following percentages of gross receipts of retail sales by a cannabis retailer:

- 19 percent for sales that occurred beginning July 1, 2025, through September 30, 2025.
- 15 percent for sales that occurred on or after October 1, 2025 (subject to change July 1, 2028).

If a retailer collects 19 percent excise tax on or after October 1, 2025, then the retailer will have collected 4 percent more than what is required by law. Any excess amount collected must either be returned to the purchaser or reported on the cannabis excise tax return as excess tax collected.¹

For current and prior cannabis tax rates, please see our *Tax Rates—Special Taxes and Fees* page at www.cdtfa.ca.gov/taxes-and-fees/special-taxes-and-fees-tax-rates/#cannabis under *Cannabis Taxes*.

Why did the tax rate temporarily increase?

As required by Revenue and Taxation Code (RTC) section 34011.2, CDTFA adjusted the cannabis excise tax rate effective July 1, 2025, by an additional 4 percent. The additional rate was intended to generate revenue equivalent to what would have been collected if the cultivation tax had not ended.²

Assembly Bill 564³ (Stats. 2025, ch. 127), signed by the Governor on September 22, 2025, amends RTC 34011.2, reduces the cannabis excise tax rate from 19 percent to 15 percent, and delays another rate adjustment until fiscal year 2028–2029. The new 15 percent excise tax rate is effective October 1, 2025.

How does the tax apply?

Cannabis retailers are responsible for collecting the cannabis excise tax from their customers for the purchase of cannabis or cannabis products based on the gross receipts from the retail sale. Gross receipts generally include any amount the purchaser is required to pay to purchase the cannabis or cannabis products. For more information on what is included in gross receipts, please see the *Gross Receipts Subject to Tax* section at www.cdtfa.ca.gov/industry/cannabis/retailers.htm#RetailGrossReceipts in our *Tax Guide for Cannabis Businesses* under the *Retailers* page at www.cdtfa.ca.gov/industry/cannabis/retailers.htm.

¹ cdtfa.ca.gov/lawguides/vol4/fcpl/fcpl-55221-5.html

² cdtfa.ca.gov/lawguides/vol3/ctl/ctl-34011-2.html

³ leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB564

For more information

To better understand how the cannabis excise tax applies to your business operations, please read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis/. If you need assistance, you may also call our Customer Service Center at 1-800-400-7115 (TTY:711) and select the option for *Special Taxes and Fees*. Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.