

**Final Text of Proposed Amendments to  
California Code of Regulations  
Title 18. Public Revenues  
Division 2. California Department of Tax and Fee Administration –  
Business Taxes  
Chapter 8.8. Cannabis Excise Tax Effective on and after January 1, 2023  
Section 3810. Vendor Compensation**

**Regulation 3810. Vendor Compensation**

(a) Definitions. For purposes of this regulation, the following definitions shall apply:

(1) “Cannabis excise tax” means the cannabis excise tax imposed by section 34011.2 of the Revenue and Taxation Code.

~~(2) “Department” means the California Department of Tax and Fee Administration.~~

~~(3)~~ (2) “Fee waiver” means a retailer license fee waiver or retailer license renewal fee waiver provided pursuant to section 26249 of the Business and Professions Code and implementing regulations.

~~(4)~~ (3) “Licensed cannabis retailer” means a cannabis retailer, as defined in section 34010 of the Revenue and Taxation Code, that has obtained a retailer license.

~~(5)~~ (4) “Licensed retail premises” means the physical location from which commercial cannabis activities are authorized to be conducted under a retailer license.

~~(6)~~ (5) “Retailer license” means a license issued by the Department of Cannabis Control pursuant to division 10 ~~(commencing with section 26000)~~ of the Business and Professions Code authorizing a cannabis retailer to engage in the retail sale of cannabis or cannabis products to customers.

(b) Requirements to Retain Vendor Compensation. A licensed cannabis retailer may retain vendor compensation in an amount equal to 20 percent of the cannabis excise taxes imposed on their retail sales of cannabis or cannabis products authorized under their retailer license for one licensed retail premises, during the periods prescribed by subdivision (d), if the licensed cannabis retailer has received:

(1) Approval from the Department of Cannabis Control for a fee waiver that applies to the issuance or renewal of that retailer license; and

(2) A notice from the Department described in subdivision (c)(4) approving the licensed cannabis retailer to retain vendor compensation from the cannabis excise taxes imposed on their retail sales of cannabis or cannabis products authorized under that retailer license.

(c) Vendor Compensation Application.

(1) A licensed cannabis retailer must request approval to retain vendor compensation by submitting a completed Vendor Compensation Application to the Department through the Department's online services portal via its website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

(2) Every Vendor Compensation Application shall include the following:

(A) The name under which the cannabis retailer transacts or intends to transact business;

(B) The addresses of each licensed premises at which the licensed cannabis retailer is authorized to engage in retail sales of cannabis or cannabis products, and identification of the licensed premises where commercial cannabis activities are authorized to be conducted under the retailer license for which the Department of Cannabis Control approved the licensed cannabis retailer's fee waiver;

(C) The number of the licensed cannabis retailer's cannabis tax permit issued pursuant to part 14.5 (commencing with section 34010) of division 2 of the Revenue and Taxation Code;

(D) The issuance and expiration dates and number of the retailer license of the licensed cannabis retailer for which the Department of Cannabis Control approved the licensed cannabis retailer's fee waiver;

(E) The date the Department of Cannabis Control approved the licensed cannabis retailer's fee waiver;

(F) The number of the licensed cannabis retailer's seller's permit issued pursuant to article 2 (commencing with section 6066), chapter 2, part 1, division 2 of the Revenue and Taxation Code; and

(G) The contact information for the individual completing the application, including the individual's first and last name, telephone number, and email address.

(3) Each completed Vendor Compensation Application shall also be submitted with the following:

(A) A copy of the Department of Cannabis Control approved fee waiver issued to the licensed cannabis retailer; and

(B) A copy of the retailer license of the licensed cannabis retailer for which the Department of Cannabis Control approved the licensed cannabis retailer's fee waiver.

(4) The Department will notify the licensed cannabis retailer in writing as to whether they are approved to retain vendor compensation. If they are approved, the Department will also specify the quarterly periods for which they are approved to retain vendor compensation, as provided in subdivision (b), from the cannabis excise taxes imposed on their retail sales of cannabis or cannabis products authorized under their retailer license referred to in subdivision (b).

(d) Retention Periods.

(1) An approval to retain vendor compensation is effective on the first day of the calendar quarter commencing after the date the Department issued the notice approving a licensed cannabis retailer's Vendor Compensation Application and is valid for that calendar quarter. For example, if the Department issues the notice approving a licensed cannabis retailer's Vendor Compensation Application on February 22, 2023, then the cannabis retailer's approval is effective April 1, 2023, and the cannabis retailer is approved to retain vendor compensation, as provided in subdivision (b), from the cannabis excise taxes they are required to report to the Department for the second calendar quarter of 2023.

(2) In general, an approval to retain vendor compensation shall remain valid for four consecutive calendar quarters beginning with the first calendar quarter commencing after the date the Department issued the notice approving the licensed cannabis retailer's Vendor Compensation Application and shall expire at the end of that one-year period.

For example, if the Department issues the notice approving a licensed cannabis retailer's Vendor Compensation Application on February 22, 2023, then the cannabis retailer is approved to retain vendor compensation, as provided in subdivision (b), from the cannabis excise taxes they are required to report to the Department for the second, third, and fourth calendar quarters of 2023, and first calendar quarter of 2024, unless the approval to retain vendor compensation expires earlier under subdivision (d)(3).

(3) Unless an approval to retain vendor compensation would expire earlier pursuant to subdivision (d)(2), it shall expire on the last day of the calendar quarter commencing after the date the Department of Cannabis Control first notifies the Department that the cannabis retailer is no longer eligible for a fee waiver, pursuant to subdivision (a)(5) of section 34011.1 of the Revenue and Taxation Code, by either:

(A) Updating a database maintained by the Department of Cannabis Control and accessible to the Department to reflect that the cannabis retailer has become ineligible for a fee waiver; or

(B) Otherwise providing information to the Department reflecting that the cannabis retailer has become ineligible for a fee waiver at the Department's request and for purposes of verifying a cannabis retailer's eligibility to retain vendor compensation.

For example, if the Department of Cannabis Control first notifies the Department on March 20, 2024, that a cannabis retailer has become ineligible for a fee waiver, the cannabis retailer's approval to retain vendor compensation expires at the end of the second quarter on June 30, 2024, unless the approval to retain vendor compensation already expired under subdivision (d)(2).

(4) A licensed cannabis retailer may not retain vendor compensation from the cannabis excise taxes required to be reported to the Department for any period commencing after the date their approval to retain vendor compensation expires.

(e) License Limitation. An approval to retain vendor compensation issued under this regulation only approves a licensed cannabis retailer to retain vendor compensation from cannabis excise taxes imposed on their retail sales of cannabis or cannabis products authorized under their retailer license referred to in subdivision (b), including retail sales authorized under that retailer license after it was renewed. An approval to retain vendor compensation does not approve a licensed cannabis retailer to retain vendor compensation from cannabis excise taxes imposed on any other retail sales. Such retail sales include, but are not limited to, retail sales made after their retailer license referred to in subdivision (b) expired and before that retailer license was renewed, made after that retailer license was revoked, or made under any other retailer license, including a new retailer license for the same premises.

(f) New Application Requirement. If a licensed cannabis retailer's approval to retain vendor compensation has expired or their retailer license referred to in subdivision (b) has expired and not been renewed or has been revoked, the licensed cannabis retailer must submit a new Vendor Compensation Application to the Department as provided in subdivision (c) along with:

(1) A copy of the current Department of Cannabis Control approved fee waiver issued to the licensed cannabis retailer; and

(2) A copy of the current retailer license of the licensed cannabis retailer for which the Department of Cannabis Control approved the licensed cannabis retailer's fee waiver.

(g) Claiming Vendor Compensation.

(1) If approved, a licensed cannabis retailer shall report the amount of vendor compensation retained from the cannabis excise taxes imposed on their retail sales of cannabis or cannabis products, pursuant to subdivision (b), as a credit on their Cannabis Retailer Excise Tax

Return for the corresponding reporting period in which they made the retail sales of cannabis or cannabis products.

(2) If a licensed cannabis retailer remits any amount of cannabis excise tax to the Department that they were eligible to retain under this regulation, then the licensed cannabis retailer must file a timely claim for refund to obtain a refund for that amount.

(h) Expiration. A licensed cannabis retailer shall not retain vendor compensation from cannabis excise taxes imposed on retail sales of cannabis or cannabis products made after December 31, 2025.

Note: Authority cited: Section 34013, Revenue and Taxation Code. Reference: Sections 34010, 34011.1 and 34011.2, Revenue and Taxation Code.