

# CANNABIS SPECIAL NOTICE

## New Proposed Cultivation Tax Category, Tax Application, and Invoicing Requirements for Cannabis Businesses

The California Department of Tax and Fee Administration (CDTFA) wants to ensure you are informed regarding the taxation requirements for the cannabis industry. The CDTFA is proposing a new category and rate for the cannabis cultivation tax. The CDTFA has included this category and rate in proposed emergency Regulation 3700. This category and rate are subject to change until approved by the Office of Administrative Law. Once approved, the rate will take effect January 1, 2018, along with the other existing cultivation tax rates. The cannabis excise tax application to inventory retailers purchased prior to January 1, 2018, and invoicing requirements are also covered below.

### **New proposed category and rate for the cannabis cultivation tax**

Proposition 64, which was approved by voters on November 8, 2016, established a cultivation tax based on the dry-weight ounce of cannabis flowers and leaves. The CDTFA has proposed a new cannabis cultivation tax category for fresh cannabis plants at a rate of \$1.29 per ounce. The cultivation tax rates are:

- \$9.25 per dry-weight ounce of cannabis flowers,
- \$2.75 per dry-weight ounce of cannabis leaves, and
- \$1.29 per ounce of fresh cannabis plant.

All fresh cannabis plants must be weighed within two hours of harvesting. Rates are also posted on our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm).

### **Excise tax applies to all retail sales of cannabis and cannabis products starting January 1, 2018**

The cannabis excise tax applies to all retail sales of cannabis and cannabis products starting January 1, 2018, including sales of cannabis and cannabis products retailers may have purchased prior to January 1, 2018. If you are a cannabis retailer, you are required to collect the cannabis excise tax from your customers on each retail sale of cannabis or cannabis products starting January 1, 2018, and pay the excise tax to a distributor. More information on how to remit the cannabis excise tax on your inventory purchased prior to January 1, 2018, is coming soon.

### **Invoice Requirements**

Every sale or transport of cannabis or cannabis products must be recorded on an invoice or receipt. Cannabis licensees are required to keep invoices for a minimum of seven years. Distributors (or in some cases manufacturers) are responsible for collecting the cannabis cultivation and excise taxes, and the invoices they provide must include, among other specified requirements, the amount of tax collected. Retailers, cultivators, and manufacturers must keep these invoices as verification that the appropriate tax was paid. Distributors are liable for paying the cannabis taxes to the CDTFA.

Retailers are required to provide purchasers with a receipt or other similar document that includes the following statement, "The cannabis excise taxes are included in the total amount of this invoice." See our *Tax Guide for Cannabis Businesses* at [www.cdtfa.ca.gov/industry/cannabis.htm](http://www.cdtfa.ca.gov/industry/cannabis.htm) for more information on invoicing and recordkeeping requirements.

### **For more information**

There are very specific requirements for the cannabis industry. Read our *Tax Guide for Cannabis Businesses* at [www.cdtfa.ca.gov/industry/cannabis.htm](http://www.cdtfa.ca.gov/industry/cannabis.htm) for helpful information. 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.