

CANNABIS SPECIAL NOTICE

New Emergency Regulation for Cannabis Distributors and Retailers Requires California Cannabis Track-and-Trace

The California Department of Tax and Fee Administration (CDTFA) recently adopted emergency [Regulation 3702](#), *California Cannabis Track-and-Trace*, which requires distributors and retailers to enter the wholesale cost and the retail selling price of cannabis or cannabis products into the California Cannabis Track-and-Trace (CCTT) system. The emergency Regulation 3702 is now in effect.

The Medicinal and Adult-Use Cannabis Regulations and Safety Act and regulations adopted by the Bureau of Cannabis Control (BCC) require all commercial cannabis activity be recorded in the CCTT system. Distributors and retailers that obtain an annual license with the BCC must begin recording commercial cannabis activity in the CCTT system. In addition to the existing requirements, each licensee must now enter the following information related to the cannabis excise tax.

Cannabis Distributors

A distributor is required to enter into the CCTT system the retailer's wholesale cost of the cannabis or cannabis products that is sold or transferred to a retailer in an arm's length transaction.

In an arm's length transaction, the distributor is required to calculate the average market price of the cannabis or cannabis products, which is the retailer's wholesale cost plus a mark-up established by the CDTFA. The wholesale cost used to calculate the average market price is the amount entered into the CCTT system.

Cannabis Retailers

A cannabis retailer is required to enter into the CCTT system:

- The wholesale cost of the cannabis or cannabis products. The wholesale cost is the amount paid by the retailer for the cannabis or cannabis products in an arm's length transaction and is the amount used to calculate the average market price.
- The retail selling price of the cannabis or cannabis products when the product is sold at retail.

For More Information

This Special Notice is intended to give you an overview of some of the requirements for cannabis distributors and retailers and does not address all requirements for the Cannabis Industry. We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm.

CalCannabis Cultivation Licensing (CalCannabis), a division of the California Department of Food and Agriculture administers the CCTT system. For more information visit CalCannabis at www.cdfa.ca.gov/ismccpl/ or call 1-833-CALGROW (1-833-225-4769) with your specific questions regarding the CCTT system.

If you have additional questions regarding the excise or sales tax requirements, please 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.