

CANNABIS SPECIAL NOTICE

Donated Medicinal Cannabis Exempt from Taxes

Beginning March 1, 2020, California law provides that cannabis retailers may donate free medicinal cannabis or medicinal cannabis products (medicinal cannabis) to medicinal cannabis patients, or cannabis licensees may donate free medicinal cannabis to cannabis retailers for subsequent donation to medicinal cannabis patients, without payment of certain taxes (see [Senate Bill 34](#)).

What taxes will not apply to donated medicinal cannabis?

- The *cultivation tax* will not apply to medicinal cannabis when the cultivator designates for donation in the California Cannabis Track-and-Trace system.
- The *cannabis excise tax* does not apply when a cannabis retailer donates free medicinal cannabis to a medicinal cannabis patient.
- The *use tax* will 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.

Who qualifies as a medicinal cannabis patient?

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 California Department of Public Health.

How do you certify that the medicinal cannabis will be donated?

The cannabis licensee that receives medicinal cannabis for donation must certify in writing to the licensee donating it that the medicinal cannabis will ultimately be donated to a medicinal cannabis patient. Cannabis licensees may use a written document, such as a letter, note, purchase order, or preprinted form, as a cannabis donation certificate. Or, a cannabis licensee may use CDTFA-230-CD, *Cannabis Donation Certificate* as a written certification that the medicinal cannabis will be donated to a medicinal cannabis patient. The CDTFA-230-CD is available on our website at www.cdtfa.ca.gov/formspubs/cdtfa230cd.pdf.

When taken in good faith by the licensee donating the medicinal cannabis, the written certification relieves:

- The cultivator from the liability of the cultivation tax.
- The manufacturer from its responsibility to collect the cultivation tax from the cultivator.
- The distributor from its responsibility to collect the cultivation tax from the cultivator and the cannabis excise tax from the retailer.
- Each licensee from liability of the use tax when donating the medicinal cannabis.

If a cannabis licensee certifies in writing that medicinal cannabis will be donated to a medicinal cannabis patient and later sells or uses the medicinal cannabis in some other manner than for donation, the certifying licensee will be liable for any taxes that would be due, including the cultivation tax, cannabis excise tax, and use tax.

For more information

We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. When calling, select the option for *Special Taxes and Fees*.