

Cannabis Retail Sales Tax Calculations for Retail and Delivery Services

**The Calculations Below are Based on the Following Example:*

\$2,000 wholesale per pound flower + \$560 distribution cost (no discounts or credits) = \$2,560 wholesale price paid by Retailer

\$2,560 per pound ÷ 16 ounces = \$160 per ounce ÷ 8 = \$20 wholesale price paid by Retailer per Eighth

If Retailer is Microbusiness or also owns or has direct relationship with Distributor, \$50 listed retail price

Calculate Excise Tax:

Excise Tax is Applicable to All Retail Sales of Cannabis and Cannabis Products
California Revenue & Taxation Code §34011

Does the Distributor Control the Retail Sales Price?

California Revenue & Taxation Code §34010 – Defines Arms’ Length and Non-Arms’ Length Transactions

Yes: NOT an Arms’ Length Transaction
Base Price 1/8 Flower: \$50

No: Arms’ Length Transaction
Wholesale Price, inclusive of Distribution Costs

Excise Tax = Retail Price x 15%

Excise Tax = \$50 x 15%

Excise Tax = \$7.50

Gross Receipt = \$57.50

Excise Tax = Average Market Price x 15%

Average Market Price = Wholesale Price + Mark Up Rate Determined by CDTFA every 6 mo. (currently 60%)
California Revenue & Taxation Code §34011*

**Wholesale includes cost of transportation, distribution and recovery of any discount or credits
California Revenue & Taxation Code §6012(a)*

Mark Up = \$20 x 60% = \$12

Average Market Price = \$20 + \$12 = \$32

Excise Tax = \$32 x 15% = \$4.80

Gross Receipt = \$20 + \$4.80 = \$24.80

Distributor Collects the Excise Tax from Retailer:

Reports Excise Tax, Files Cannabis Tax Return and Pays Excise Tax to CDTFA
California Revenue & Taxation Code §34011(b)

Collection Timeframes: *Distributor collects tax at the time of transfer to the Retailer (per contract), at the time of sale (if not an arms’ length transaction or within 90 days of the retail sale (per statute)*

Reporting and Payment Date: *Distributor reports the excise tax on the quarterly Cannabis Tax Return by last day of month following close of the quarter: April 30, July 31, October 31 and January 31*

**Distributor will also collect Resale Certificate with Retailer’s Seller’s Permit Number to avoid collecting and reporting Sales & Use Tax on the Transaction*

Retailers are NOT required to itemize the Excise Tax on their receipt

BUT the Receipt must state:

The cannabis excise taxes are included in the total amount of this invoice.

California Revenue & Taxation Code §34011(a)(2)

Tip: Include the 15% excise tax listed in the advertised price to keep wholesale cost confidential

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Calculate Sales Tax		
<i>California Revenue & Taxation Code §34011(c)&(d) – sales tax is compounded on excise and business taxes</i>		
Does Customer have a Medical Marijuana Identification Card (MMIC) issued by CDPH <i>California Revenue & Taxation Code §34011(f) – Patients with MMIC and Gov. ID Exempt from Sales Tax</i>		
Yes	NO	
Is Product Donated by the Retailer at No Cost to the Patient?	Sales Tax = Subtotal x Sales Tax Rate (varies by City, most commonly 7.75%)	
Yes	No	<i>*Sales Tax is paid by the Retailer to the CDTFA on the Sales & Use Tax Return</i>
This is NOT a Retail Sale <i>*Request Refund of Excise Tax from Distributor</i> <i>*Use Tax is due to CDTFA</i>	Patient is Exempt from Paying Sales Tax	
<i>See Chart Below for Calculations and What Retailer Should Charge the Consumer</i>		

Type of Sale	Subtotal	Tax Rate	Sales Tax	Total Price Paid by Consumer WITHOUT MMIC	Total Price Paid by Consumer WITH MMIC
Arms' Length, 5% Business Tax	\$26.04	7.75%	\$2.02	\$28.06	\$26.04
Non-Arms' Length, 5% Business Tax	\$60.38	7.75%	\$4.68	\$65.06	\$60.38
Arms' Length, No Business Tax	\$24.80	7.75%	\$1.92	\$26.72	\$24.80
Non-Arms' Length, No Business Tax	\$57.50	7.75%	\$4.46	\$61.96	\$57.50

Calculate Business Taxes, if any
Business taxes should apply to Gross Receipts as defined by <i>California Revenue & Taxation Code §6012</i>