Processors

Marijuana processors are licensed by the Washington State Liquor Control Board (LCB) to process marijuana into useable marijuana, marijuana concentrates, and marijuana-infused products and sell these products at wholesale to marijuana retailers and other marijuana processors.

How Taxes Apply to the Processing and Sale of Marijuana

Marijuana processors are subject to Washington taxes administered by the Department of Revenue.

Business and Occupation (B&O) Tax:

Marijuana processors must report under both of the following B&O tax classifications:

Manufacturing B&O Tax


Wholesaling B&O Tax

Marijuana processors must report wholesaling B&O tax on all sales of useable marijuana, marijuana concentrates, and marijuana-infused products to marijuana retailers and other marijuana processors.

Multiple Activities Tax Credit (MATC)

The MATC may be claimed so that B&O tax is only paid under one classification for the same product. A business must complete the MATC (Schedule C) each time the credit is claimed. See WAC 458-20-19301.

Amount Subject to B&O Tax

For purposes of the B&O tax, gross income includes, but is not limited to:

- Cost of goods sold.
- Markup, which may include:
  - The 25% marijuana excise tax paid to the LCB.
  - Business expenses.
  - Additional markup for desired profit.
Retail Sales Tax and Use Tax:
Marijuana processors must also pay retail sales tax or use tax on all machinery, equipment, and supplies used to process marijuana into useable marijuana, marijuana concentrates, and marijuana-infused products, as marijuana processors are considered the consumer of these items.

Marijuana Processors Do Not Qualify for the Manufacturers’ Machinery and Equipment Sales and Use Tax (M&E) Exemption:
Effective June 12, 2014, marijuana processors are not eligible to claim the M&E exemption on purchases of machinery and equipment used in the manufacturing, research and development, or testing of marijuana, useable marijuana, or marijuana-infused products, including marijuana concentrates.

For more information, see our Special Notice: Recreational and Medical Marijuana – Repeal and Clarification of Excise Tax Deductions, Exemptions, and Preferential Rates.

25% Marijuana Excise Tax is Paid to Liquor Control Board
Marijuana processors are also liable for the 25% marijuana excise tax based on gross revenues. This tax is administered and payable to LCB. For more information, see LCB’s FAQs on the marijuana excise tax at: www.liq.wa.gov/marijuana/faqs-on-taxes. If you have questions regarding this tax, contact LCB’s Customer Service Team at marijuanataxes@lcb.wa.gov or 360-664-1789.
The Department of Revenue will not accept payments for the 25% excise tax paid to LCB.

Do You Also Have a Marijuana Producer License?
If you also have a Marijuana Producer license in order to grow marijuana, please see our Fact Sheet for marijuana producers at: http://dor.wa.gov/marijuana.