

# Marijuana

MAY 2016

FACT SHEET

## Producers

Marijuana producers are licensed by the Washington State Liquor and Cannabis Board (LCB) (formerly called the Liquor Control Board) to produce and sell marijuana at wholesale to marijuana processors and other marijuana producers.

### How taxes apply to the production and sale of marijuana

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

#### Business and occupation (B&O) tax:

The gross income received from the sale of marijuana to marijuana processors and other marijuana producers is subject to the B&O tax under the Wholesaling classification.

Marijuana, useable marijuana, and marijuana-infused products, including marijuana concentrates, are specifically excluded from the definition of an "agricultural product" under RCW 82.04.213. Since these products are not agricultural products, marijuana producers (growers) are not farmers and they do not qualify for the B&O tax exemption on wholesale sales of agricultural products by farmers.

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

### Sales of marijuana plants to cooperatives

Marijuana producers must pay retailing B&O tax and collect and remit retail sales tax on all sales of marijuana plants to cooperatives registered through LCB. Starting July 1, 2016, marijuana producers are allowed to sell marijuana plants to cooperatives (See [House Bill \(HB\) 2520 \(Chapter 170, Laws of 2016\)](#)). These sales are retail sales subject to retailing B&O and retail sales tax and no tax exemptions apply.

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## Retail sales and use tax

All marijuana producers must also pay retail sales tax or use tax on all machinery, equipment, and supplies used to produce marijuana. Marijuana producers are considered the consumer of these items. Examples of taxable items include:

- Lights and lighting equipment
- Ventilation equipment
- Other supplies such as timers, hygrometers, grow tents, etc.

Marijuana producers also owe sales tax or use tax on their purchases of seeds, seedlings, clones, fertilizer, sprays, pesticides, and other products used directly in the growing of marijuana. Since marijuana producers are not farmers, sales of these items to marijuana producers are retail sales. (See our [Special Notice: Recreational and Medical Marijuana – Repeal and Clarification of Excise Tax Deductions, Exemptions, and Preferential Rates.](#))

## Marijuana excise tax

Effective July 1, 2015, the 25% marijuana excise tax imposed on producers is repealed. Instead, a new marijuana excise tax of 37% is imposed on consumers. Retailers must collect and remit this tax on each retail sale of useable marijuana, marijuana concentrates, and marijuana-infused products. The LCB is the only agency authorized to accept payments for the marijuana excise tax.

If you have questions regarding this tax, contact LCB's Customer Service Team at [marijuanataxes@lcb.wa.gov](mailto:marijuanataxes@lcb.wa.gov) or 360-664-1789.

## Do you also have a marijuana processor license?

If you also have a Marijuana Processor license to process marijuana, useable marijuana, marijuana concentrates, or marijuana-infused products, please see our Fact Sheet for marijuana processors at: <http://dor.wa.gov/marijuana>.

**TELEPHONE INFORMATION CENTER**  
**1-800-647-7706**

**[HTTP://DOR.WA.GOV/MARIJUANA](http://dor.wa.gov/marijuana)**

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.