

I-502 Marijuana

JULY 2017

Marijuana retailers – medical endorsement

Marijuana retailers with a medical marijuana endorsement are licensed by the Washington State Liquor and Cannabis Board (LCB) to sell useable marijuana, marijuana concentrates, and marijuana infused products for recreational and medical purposes.

How taxes apply to marijuana sales

Marijuana retailers with a medical endorsement 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 useable marijuana, marijuana concentrates, and marijuana-infused products to consumers is subject to the B&O tax under the Retailing classification.

Retail Sales Tax:

Marijuana retailers with a medical endorsement must collect and pay sales tax on sales of useable marijuana, marijuana concentrates, and marijuana-infused products to consumers, unless a specific exemption applies. The sales tax rate would be the tax rate based on the retailer's business location where the customer takes delivery of the product.

- **Marijuana products are not prescription drugs:** Sales of marijuana products do not qualify for the sales and use tax exemption for prescription drugs, regardless if they are sold for recreational or medical purposes.
- **Marijuana products are not food or food ingredients:** Marijuana-infused products are not food or food ingredients. Therefore, these products do not qualify for the sales tax exemption for food and food ingredients.
- **Nonresidents must pay sales tax on purchases of marijuana products:** Marijuana product sales to nonresidents are subject to sales tax. Sales of marijuana products to nonresidents do not qualify for the limited nonresident sales tax exemption.
- **Medical Marijuana recognition card fee:** The marijuana retailer is **not** to charge sales tax on the \$1 medical marijuana recognition card fee collected on behalf of the State of Washington. This fee is also, not subject to the B&O tax. However, if the retailer charges an additional amount for the card to cover their own expenses, the amount charged above \$1 would be taxable under the service and other activities B&O tax classification.

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

New exemptions starting July 1, 2016

Starting July 1, 2016 marijuana retailers with a medical endorsement can qualify for sales and use tax exemptions for:

- Sales and donations of marijuana products that are determined by the Department of Health (DOH) to be beneficial for medical use to qualifying patients and designated providers who have been issued recognition cards.
- Sales and donations of low-THC products to qualifying patients and designated providers who have been issued recognition cards.
- Sales of high-CBD compliant marijuana products to all consumers.

For more information, see our [Special Notice: Sales and Use Tax Exemptions for Marijuana Retailers with a Medical Marijuana Endorsement](#).

Marijuana excise tax is paid to Liquor Control Board

Effective July 1, 2015, consumers are subject to a 37 percent marijuana excise tax. This tax must be collected on each retail sale of useable marijuana, marijuana concentrates, and marijuana-infused products.

This 37 percent marijuana excise tax is not included in the total selling price for purposes of the B&O tax and retail sales tax.

Marijuana retailers with a medical marijuana endorsement must collect and pay the 37 percent marijuana excise tax on all sales of marijuana products to consumers. This includes sales of marijuana products that qualify for the sales tax exemptions starting on July 1, 2016. The 37 percent tax is administered and payable to LCB.

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

The LCB is the only agency authorized to accept payments for this tax.

How do retailers get a medical endorsement?

Marijuana retailers who want to add a medical endorsement need to apply to the LCB at: www.liq.wa.gov/mjlicense/add-medical-mj-endorsement-to-an-existing-retail-license.

TELEPHONE INFORMATION CENTER

1-800-647-7706

WEBSITE

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.