



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 6, 2016

Cooperatives exempt from taxes on marijuana provided to members

Starting July 1, 2016, cooperatives that grow (produce), process, and provide marijuana products and low-THC products to their members, *qualify for the following tax exemptions:*

- sales tax
- use tax
- business and occupation (B&O) tax

(Revised Code of Washington [\(RCW\) 82.04.756](#), [82.08.9998\(1\)\(d\)](#) and [82.12.9998\(2\)\(e\)&\(f\)](#).)

What is a cooperative?

A “cooperative” is a group of more than one, but no more than four qualified medical marijuana patients and/or designated providers who share responsibility for growing and processing marijuana only for the medical use of the members of the cooperative under [RCW 69.51A.250](#) and rules established by the Washington State Liquor and Cannabis Board (LCB).

Cooperatives must be registered with the LCB, and be in strict compliance with [RCW 69.51A.250](#) and all LCB rules.

What products can a cooperative produce and provide to its members exempt from tax?

- Marijuana products: marijuana, marijuana concentrates, useable marijuana, and marijuana infused products ([RCW 69.50.101](#))
- Low-THC products: products containing THC with a THC concentration of 0.3 percent or less that, when used as intended, are inhalable, ingestible, or absorbable

B&O tax exemption for cooperatives

Cooperatives are exempt from B&O tax on producing marijuana and processing marijuana concentrates, useable marijuana, and marijuana-infused products for use by their members.

Sales and use tax exemptions

Marijuana products and low-THC products produced and processed by a cooperative and provided to its members are exempt from sales and use tax.

How do cooperatives document these exemptions?

Cooperatives must keep records and documents that establish exemption eligibility for at least five years. Cooperatives must keep records that clearly reflect all activity, inventory, and conditions to document that the cooperative is in compliance with [RCW 69.51A.250](#) and all LCB rules.

For more information on general recordkeeping requirements, see Washington Administrative Code ([WAC 458-20-254\(4\)](#)).

Purchases of marijuana plants from marijuana producers

Members must pay retail sales tax on the initial purchase of marijuana plants for use to produce, process, and provide marijuana products for cooperative members. These plants must be purchased or cloned from a plant purchased from an LCB licensed marijuana producer. (See [House Bill \(HB\) 2520 \(Chapter 170, Laws of 2016\)](#).)

Are purchases of other goods or services taxable?

Yes. Some of the goods and services purchased by members that require sales or use tax include:

- Soil, fertilizer, sprays, pesticides, and other products used directly in the growing of marijuana
- Lights and lighting equipment
- Ventilation equipment
- Other supplies such as timers, hygrometers, grow tents, etc.
- Horticultural services
- Construction services – including building, repairing, or improving new or existing buildings and structures

Do cooperatives need to register with Department of Revenue?

Cooperatives that strictly operate under [RCW 69.51A.250](#) and comply with all LCB rules are not businesses and do not need to register with the Department of Revenue.

For more information

- Department of Health's website on medical marijuana: doh.wa.gov/medicalmarijuana
- Department of Revenue's website on marijuana: dor.wa.gov/medicalmarijuana
- The LCB's role under the new laws: lcb.wa.gov/mj2015/cppa-impact