

Marijuana

JULY 2017

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 seeds and plants

Effective July 23, 2017, Engrossed Substitute Senate Bill 5131 (Laws of 2017) allows marijuana producers to sell marijuana seeds and plants to cooperatives, medical marijuana patients with recognition cards and marijuana research licensees.

Marijuana producers must collect and remit retail sales tax and pay retailing B&O tax on all such sales of marijuana seeds and plants. No tax exemptions apply.

Continued on next page.

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 percent marijuana excise tax imposed on producers is repealed. Instead, a new marijuana excise tax of 37 percent 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 marijuananaxes@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.

TSFS0077 07/17