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THE TAX LAWYER

TAXES 11/28/23

### California Rakes In \$269.3 Million In Cannabis Taxes From Q3 Of 2023



State tax coffers in California keep climbing. The California Department of Tax and Fee Administration (CDTFA) has reported cannabis tax revenue for the third quarter of 2023. As of November 16, 2023, total cannabis tax revenue from third-quarter returns is \$269.3 million. This includes California's cannabis excise tax, which generated \$156.9 million, and \$112.4 million in sales tax revenue from cannabis businesses.

The previously reported revenue for the second quarter of 2023 returns was revised to \$285.1 million, including \$164.8 million in cannabis excise tax, and \$120.3 million in sales tax. The revisions came from amended and late tax returns and other tax return adjustments.

These figures reflect the states' new [vendor compensation](#) program. During the third quarter, eligible cannabis vendors retained \$845,272 in vendor compensation. Starting April 1, 2023, cannabis retailers eligible for the [vendor compensation](#) program may retain 20 percent of the cannabis excise tax due on their retail sales of cannabis or cannabis products for a 12-month period. Cannabis retailers must be approved by the [Department of Cannabis Control](#) and CDTFA before claiming vendor compensation. The vendor compensation program runs through December 31, 2025.

The third quarter figures also reflect \$622,320 in excise tax credits claimed by retailers who paid excise taxes to distributors under the previous tax structure. Starting January 1, 2023, cannabis retailers are required to collect, report, and pay the cannabis excise tax.

Since January 2018, total cannabis tax revenue in the state to date is nearly \$5.5 billion, including nearly \$2.8 billion in cannabis excise tax and nearly \$2.2 billion in sales tax. That also includes \$501 million in cultivation tax, which was eliminated July 1, 2022, as a result of [cannabis tax reform legislation](#). The total reported cannabis tax revenues do not include outstanding returns or returns that are still being processed. They also do not include locally imposed taxes collected by cities and counties.

Retail sales of cannabis and cannabis products are subject to state and local sales tax. [Sales tax](#) applies to sales of cannabis, cannabis products,

the [cannabis excise tax](#), and sales of other merchandise such as pipes, rolling papers, and shirts. Certain retail sales of medicinal cannabis are exempt from sales and use taxes when the purchaser holds a valid Medical Marijuana Identification Card issued by the California Department of Public Health.

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