



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

Intended audience: Marijuana retailers with a medical endorsement

May 6, 2016
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Sales and Use Tax Exemptions for Marijuana Retailers with a Medical Endorsement

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

- Sales and donations of compliant marijuana products as identified by the Department of Health (DOH) 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.

(Revised Code of Washington ([RCW 82.08.9998](#) and [82.12.9998](#).)

What are marijuana products and low-THC products?

- Marijuana products: 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.

What marijuana products are beneficial for medical use?

For purposes of the exemptions provided under RCW 82.08.9998(1)(a) and RCW 82.12.9998(1)(a) the DOH has determined that a “compliant marijuana product” is any marijuana product purchased by a qualifying patient with a recognition card. See DOH policy statement [MMJ 21-01](#).

What marijuana products are high-CBD compliant products?

To qualify as a high-CBD compliant product, a product must meet all of the following requirements:

- Identified as a “high-CBD compliant product” by DOH under [Washington Administrative Code \(WAC\) 246-70-040](#).
- Labeled “Chapter 246-70 WAC Compliant - High CBD,” which uses the logo approved by DOH to show the product is in compliance with [Chapter 246-70 WAC](#).
- Entered into the Liquor and Cannabis Board’s (LCB’s) traceability system as “high-CBD compliant” products.

Marijuana retailers must have a medical marijuana endorsement to make tax exempt sales

Only sales by marijuana retailers with a medical marijuana endorsement can qualify for these exemptions. Marijuana retailers without an endorsement must collect and remit sales tax on all sales of marijuana products and low-THC products, including sales that would otherwise qualify for these exemptions.

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

Do qualifying patients and designated providers need to have a recognition card to qualify for an exemption?

- **Compliant marijuana products and low-THC products** – Yes. Qualifying patients and designated providers must provide a valid recognition card for these sales. If the patient or designated provider does not have or refuses to provide a valid recognition card, a retailer must collect and remit sales tax.
- **High-CBD compliant marijuana products** – No. Buyers do not need a valid recognition card. A marijuana retailer with a medical marijuana endorsement can sell these products tax exempt to all buyers that can legally buy these high-CBD compliant marijuana products.

How do I complete my tax return?

Sales of compliant marijuana products and low-THC products to qualifying patients and designated providers with recognition cards

Report these sales under the ‘Retailing business and occupation (B&O) tax’ and ‘Retail Sales tax’ lines of the return. Under the ‘Retail Sales tax’ line, report a deduction under

'Medical endorsed retailer – Sales of marijuana and low-THC products to patients with recognition cards.'

Sales of high CBD compliant marijuana products

Report these sales under the *'Retailing B&O tax'* and *'Retail Sales tax'* lines of the return. Under the *'Retail Sale tax'* line, report a deduction under *'Medical endorsed retailer – Sales of high CBD compliant marijuana products.'*

How do I document these exemptions?

Marijuana retailers with medical marijuana endorsements must keep records and documents that establish exemption eligibility ([WAC 458-20-254](#)).

For sales and donations of marijuana products and low-THC products to qualifying patients and designated providers who have been issued recognition cards – Retailers must:

- Verify the qualifying patient or designated provider has a current recognition card.
- Enter the qualifying patient or designated provider's recognition card number into LCB's traceability system.
- Keep a copy of the qualifying patient or designated provider's recognition card as required by [RCW 69.50.375\(e\)](#). Retailers only need to keep one copy of each valid recognition card and do not need to get multiple copies of the same card for repeat customers.
- Keep records of tax exempt sales, including the applicable recognition card number used by the purchaser, for at least five years.

For donations – retailers must also keep records to show these products (marijuana and low-THC products to qualifying patients and designated providers with recognition cards) were provided at no charge.

For sales of high-CBD compliant marijuana products – Retailers must:

- Document for each tax exempt sale that the marijuana product sold was a product in the LCB's traceability system as a "high-CBD compliant product".
- Maintain these records for at least five years.

No B&O tax exemption

Marijuana retailers must still pay retailing B&O tax on all their retail sales of these marijuana and low-THC products.

Sales of other marijuana products and paraphernalia

Marijuana retailers with medical marijuana endorsements must collect and remit retail sales tax on all other sales of marijuana products to consumers.

Retailers must also collect and remit retail sales tax on all sales of paraphernalia, including sales to qualifying patients and designated providers with a recognition card.

37% marijuana excise tax paid to LCB is still due

Marijuana retailers with a medical marijuana endorsement must collect and pay the 37% marijuana excise tax on all sales of marijuana products to consumers, including sales that qualify for a sales and use tax exemption. This tax is paid to LCB.

For more information, see LCB's webpage on the marijuana excise tax at liq.wa.gov/marijuana/faqs-on-taxes. If you have questions, contact LCB's Customer Service Team at marijuanataxes@lcb.wa.gov or 360-664-1789.

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
- LCB website on marijuana licensing: liq.wa.gov/mjlicense/cannabis-licensing