



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 31, 2011

Sales of Medical Cannabis Remain Subject to Sales Tax

Background

Engrossed Second Substitute Senate Bill 5073 – relating to medical use of cannabis (marijuana) – was signed (with partial veto) by the Governor on April 29, 2011. This law takes effect July 22, 2011.

Sales tax

This bill has no effect on the taxability of medical cannabis. Retail sales of cannabis remain subject to retail sales tax even when sold by a dispensary for medical purposes.

Sales of medical cannabis are not eligible for the retail sales tax exemption provided for prescription drugs. RCW 82.08.0281 provides an exemption from retail sales tax for certain drugs, but only when prescribed as authorized by the laws of this state. However, cannabis is a Schedule I controlled substance and cannot be prescribed under either federal or state law in Washington.

In addition, sales of cannabis-infused products (edibles, liquids, etc.) are not eligible for the retail sales tax exemption provided for food and food ingredients under RCW 82.08.0293 as these products are not "food or food ingredients." Therefore retail sales tax applies on sales of cannabis-infused products.

Business and occupation tax

In addition, gross income from retail cannabis sales are subject to business and occupation (B&O) tax under the retailing classification. Sellers of medical cannabis may qualify for the small business B&O tax credit, which can be used to partially or completely offset the B&O tax. The small business B&O tax credit may not be used to offset any sales tax liability.

For more information

Contact the Department's Telephone Information Center at 800-647-7706.