Cannabis Excise Tax Exemption Guidance

Title: Substitute House Bill (SHB) 1453 Cannabis Excise Tax Exemption
Number: GD24-01

Laws: RCW 69.50.535
Rules: WAC 314-55-083; WAC 314-55-087; WAC 314-55-089;
Resources: House Bill (SHB) 1453; WAC 246-70-040

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Requested By: Cannabis Stakeholders

Purpose: This document provides guidance on record keeping for cannabis retail licensees with a medical cannabis endorsement when providing the 37% cannabis excise tax exemption for qualifying sales before LCB rulemaking is complete.

Background: Substitute House Bill 1453, chapter 79, Laws of 2024 provides a temporary exemption from the 37% excise tax levied in RCW 69.50.535 for sales that satisfy three conditions:

1) The purchaser is a patient registered in the Department of Health’s Authorization database with a valid recognition card,

2) The product purchased is cannabis identified by the Department of Health as compliant with WAC 246-70-040,

3) The medically compliant product purchased is from a retailer with a medical cannabis endorsement.

This exemption is scheduled to expire June 30, 2029.

The legislation and tax exemption are effective June 6, 2024, and the Liquor and Cannabis Board does not anticipate having permanent rules in place until September 2024 at the earliest.

Guidance: Retailers providing the medical cannabis excise tax exemption should keep the following records for every sale where the medical cannabis excise tax exemption is being provided:

1) Date of sale,

2) Sales price of cannabis concentrates, useable cannabis, or cannabis-infused products identified by the Department of Health as a medically compliant cannabis product in chapter WAC 246-70-040,
3) Unique identifying authorization card number of the qualifying patient making the purchase,

4) Stock keeping unit (SKU) of cannabis concentrates, useable cannabis, or cannabis-infused products identified by the department as a compliant cannabis product in WAC 246-70-040 and tested to the standards in WAC 246-70-040

Other documentation:

- The licensee should have a monthly sales/tax report from their point-of-sale system summarizing total cannabis product sold, total medical cannabis product sold, collected and calculated cannabis excise tax to support their monthly sales/tax report submitted to the LCB.

- The retail licensee should maintain the COAs for the medically compliant product sales demonstrating the product meet Department of Health testing standard for the medically compliant product.

- Licensee will need to enter excise tax information into CCRS, in accordance with WAC 314-55-083(4)

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