



# Understanding Cannabis-Related Taxes

## *Cannabis Regulatory Agency Webinar Series*

September 26, 2024

Treasury Outreach

# Meet Our Team



# TREASURY'S FOUNDATION

## EMPLOYEE ENGAGEMENT

*Commitment to an inclusive environment that values diverse perspectives and cultivates employee recruitment, retention, development, and leadership.*

## CULTURE OF SERVICE

*Provide complete, accurate, and timely services to all internal and external customers in a professional manner.*

## CONTINUOUS IMPROVEMENT

*Commitment to proactive and innovative employee-driven solutions in our daily operations and in strategic financial leadership.*



An innovative, knowledgeable, and dynamic team of skilled communicators, educators, and web architects who create, organize, and produce **public education resources** on important **tax-adjacent topics** – providing stakeholders with straightforward information and feedback opportunities



*before we begin...*

# Presentation Purpose

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- ▶ sales tax in relation to cannabis
- ▶ use tax on purchases in relation to cannabis
- ▶ sales and use tax exemptions
- ▶ marijuana retailers excise (MRE) tax



Did Treasury misspell  
**Marihuana?**

# Sales and Use Taxes

(as applicable to cannabis sales)





# Sales Tax Overview

- ▶ Treasury tax acronym: “**S**” of SUW
- ▶ six percent (6%)
- ▶ sale subject to tax if:
  - tangible personal property (TPP)
  - at retail
  - to the final consumer
- ▶ obligation of seller; allowed to collect tax from customer
- ▶ must register; allowed a discount



**MCL 205.52**

# Sales Tax License

- ▶ required for retailers
- ▶ not issued to wholesalers
- ▶ no fee
- ▶ valid for calendar year
- ▶ retrieve/print a copy via Michigan Treasury Online (MTO):
  - Manage Business Registration Service
  - SUW Tax Service

Sales Tax License		Business Tax Section Michigan Department of Treasury P.O. Box 30427 Lansing, MI 48909 <a href="http://www.michigan.gov/taxes">www.michigan.gov/taxes</a>	
PHANTOM OF THE TREASURY (TEST)		Notice Date:	
		Account Number:	
		Letter ID:	
		Contact Us:	517-636-6925

Below is your Sales Tax License. The licensee is required to ensure the sales tax license is displayed or readily available on premises. Treasury will no longer be mailing multiple licenses for businesses with more than one location. To obtain another Sales Tax License and 24/7 access to your business information please visit [mto.treasury.michigan.gov](http://mto.treasury.michigan.gov).


The account number on the sales tax license is your business Federal Employer Identification Number (FEIN). If you do not have an FEIN, Treasury has assigned you a 9-character account number beginning with "TR".

You must notify the Michigan Department of Treasury of any changes to your business ownership, address or FEIN. To update any existing business information please visit Michigan Treasury Online (MTO) at [mto.treasury.michigan.gov](http://mto.treasury.michigan.gov).

Note: The expiration date for the sales tax license coincides with the calendar year it is issued for.

----- CUT ALONG THIS LINE -----

164 (Rev. 4-19)

STATE OF MICHIGAN	Sales Tax License	DEPARTMENT OF TREASURY
PHANTOM OF THE TREASURY (TEST)		Account Number: [REDACTED] Expiration Date: December 31, 20[REDACTED]
Issued under authority of P.A. 167 of 1933, as amended.		

# Definitions

## ► Sales Price

- the total amount of consideration for which TPP or services are sold
- **tax base** = portion subject to sales tax
- sales tax is destination based
- all costs incurred prior to the transfer of ownership

**MCL 205.51(1)(d)**



***Exemption-Based  
Tax Determinations***

# Tax Exempt Claims

- ▶ based on the **use of the item** or **who purchases the item**
- ▶ used two ways:
  - when your purchase is tax exempt
  - when your customer's purchase is tax exempt
- ▶ acceptable formats:
  - *Michigan Sales and Use Tax Certificate of Exemption* ([Form 3372](#))
  - the same information in another format
- ▶ seller keeps exemption claim in their records

**MCL 205.62**  
**RAB 2022-19**

# Form 3372

## Michigan Sales & Use Tax Certificate of Exemption

### Michigan Sales and Use Tax Certificate of Exemption

This exemption claim should be completed by the purchaser, provided to the seller, and is not valid unless the information in all four sections is complete. Do not send a copy to Treasury unless one is requested.

#### SECTION 1: TYPE OF PURCHASE

Check one of the following:

- A. One-Time Purchase  
Order or Invoice Number: \_\_\_\_\_
- B. Blanket Certificate. Recurring Business Relationship
- C. Blanket Certificate  
Expiration Date (maximum of four years): \_\_\_\_\_

The purchaser completing this form hereby claims exemption from tax on the purchase of tangible personal property or services purchased from the seller named below. This claim is based upon: the purchaser's proposed use of the property or services; OR the purchaser's exempt status.

Seller's Name and Address
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#### SECTION 2: ITEMS COVERED BY THIS CERTIFICATE

Check one of the following:

1.  All items purchased.
2.  Limited to the following items: \_\_\_\_\_

#### SECTION 3: BASIS FOR EXEMPTION CLAIM

Check one of the following:

1.  For Lease. Purchaser will lease the property and elects to pay tax based on rental receipts. Enter sales tax license or use tax registration number: \_\_\_\_\_
2.  For Resale at Retail. Enter Sales Tax License Number: \_\_\_\_\_
3.  Direct Pay - Authorized to pay use tax on qualified transactions directly to Michigan Treasury under account number: \_\_\_\_\_

The following exemptions DO NOT require the purchaser to provide a number:

4.  Agricultural Production. Enter percentage: \_\_\_\_\_ %
5.  Government Entity (U.S. or its instrumentalities, State of Michigan or its political subdivisions), Nonprofit School, Nonprofit Hospital, Church or House of Religious Worship (circle type of organization)
6.  Contractor (provide *Michigan Sales and Use Tax Contractor Eligibility Statement* (Form 3520)).
7.  For Resale at Wholesale.
8.  Industrial Processing. Enter percentage: \_\_\_\_\_ %
9.  Nonprofit Internal Revenue Code Section 501(c)(3), 501(c)(4), or 501(c)(19) Exempt Organization.
10.  Nonprofit Organization with an authorized letter issued by Michigan Department of Treasury prior to July 17, 1998 (sales tax) or June 13, 1994 (use tax).
11.  Rolling Stock purchased by an Interstate Motor Carrier.
12.  Other (explain): \_\_\_\_\_

#### SECTION 4: CERTIFICATION

I declare, under penalty of perjury, that the information on this certificate is true, that I have consulted the statutes, administrative rules and other sources of law applicable to my exemption, and that I have exercised reasonable care in assuring that my claim of exemption is valid under Michigan law. In the event this claim is disallowed, I accept full responsibility for the payment of tax, penalty and any accrued interest, including, if necessary, reimbursement to the vendor for tax and accrued interest.

Business Name		Type of Business (see codes on page 2)
Business Address		City, State, ZIP Code
Business Telephone Number (include area code)	Name (Print or Type)	
Signature	Title	Date Signed



***Fact-Based Tax  
Determinations***



# Situational Tax Exemption

## ▶ type of item sold

- food for human consumption
- prescription drugs
- durable medical equipment, mobility enhancing equipment, prosthetic devices
- periodicals

## ▶ transfer of ownership outside Michigan

## ▶ delivery and installation charges

- effective April 26, 2023
- if separately itemized on the invoice to the customer and seller maintains records of tax calculations for the transaction
- does not involve the sale of electricity, natural gas, or artificial gas by a utility

**MCL 205.54g**  
**MCL 205.54a(1)(i)**  
**MCL 205.54a(1)(k)**  
**MCL 205.92(2)(1)(v)**



# Use Tax on Purchases

- ▶ no representation in the SUW acronym
- ▶ six percent (6%)
- ▶ due when business becomes the final consumer of tangible personal property, but sales tax not paid
- ▶ no registration; can be reported on every tax return; no discount



**MCL 205.93**

*Michigan  
sales and use taxes  
are complementary  
and generally  
**not** due on the same  
transaction.*



Sales/Use/  
Marihuana Taxes



what you **sold** it for

Tax Return  
Starting Points

Withholding Tax



what you pay  
**employees/retirees**

# **Marihuana Retailers Excise Tax**



# Marihuana Retailers Excise Tax Overview

- ▶ Treasury acronym: **MRE**
- ▶ ten percent (10%) tax
- ▶ applies to retail sale of “adult use” or recreational marihuana to anyone other than marihuana establishments, tribal marihuana businesses, and medical marihuana transactions.
- ▶ levied on sellers, not purchasers (including microbusinesses)



**MCL 333.27963**



**Marihuana is considered  
TPP; therefore, any  
transaction subject to  
MRE tax is also subject  
to Michigan sales tax**

# Marihuana Exemptions & Deductions

- ▶ **medical** marihuana sales are only subject to 6% sales tax; deductible on the MRE tax return
- ▶ **recreational/adult-use** marihuana sales
  - allowed all retailer exemptions except:
    - food for human consumption
    - prescription drug
    - greenhouses
  - MRE tax not due on small amounts removed from inventory and direct use in business; but use purchases is due
- ▶ owners can deduct ordinary and necessary business expenses on the **Michigan** individual income tax return

# Marihuana Retail Sales Restrictions

- ▶ customer must be 21+ years of age
- ▶ sold in limited quantities
  - $\leq 2.5$  oz of marihuana
  - $\leq 15$  gm marihuana concentrate
- ▶ cannot be bundled with any other type of product or service in a single transaction





**Wrap Up**



# Further Reference

## [legislature.mi.gov](http://legislature.mi.gov)

- ▶ **Sales Tax Act**  
MCL 205.51 – 205.78
- ▶ **Michigan Regulation and Taxation of Marihuana Act**  
MCL 333.27951 – MCL 333.27967
- ▶ **Medical Marihuana Facilities Licensing Act**  
MCL 333.27101 – MCL 333.27801
- ▶ **Michigan Medical Marihuana Act**  
MCL 333.26424

# Further Reference

## [michigan.gov/taxes](https://michigan.gov/taxes)

- ▶ Business Taxes, [Marihuana Retailers Excise Tax](#)
- ▶ Business Taxes, [Sales and Use Tax](#)
- ▶ Reports and Legal:
  - [Revenue Administrative Bulletin 2023-25](#)
  - [Revenue Administrative Bulletin 2022-26](#)
  - [Notice to Taxpayers regarding the Michigan Regulation and Taxation of Marihuana Act – January 29, 2019](#)
- ▶ Audit: [Other Deductions Sales & Use Tax Manual](#)

▶ website:  
[michigan.gov/treasuryoutreach](https://michigan.gov/treasuryoutreach)

▶ email:  
[TreasuryOutreach@michigan.gov](mailto:TreasuryOutreach@michigan.gov)

# Treasury Outreach

# Taxability Questions?

## Ask Business Tax Technical!

- ▶ (517) 636-4230, Option 3
- ▶ [Treas-SUWTech@michigan.gov](mailto:Treas-SUWTech@michigan.gov)
- ▶ Michigan Department of Treasury  
Technical Services Division  
P.O. Box 30698  
Lansing, MI 48909-8198





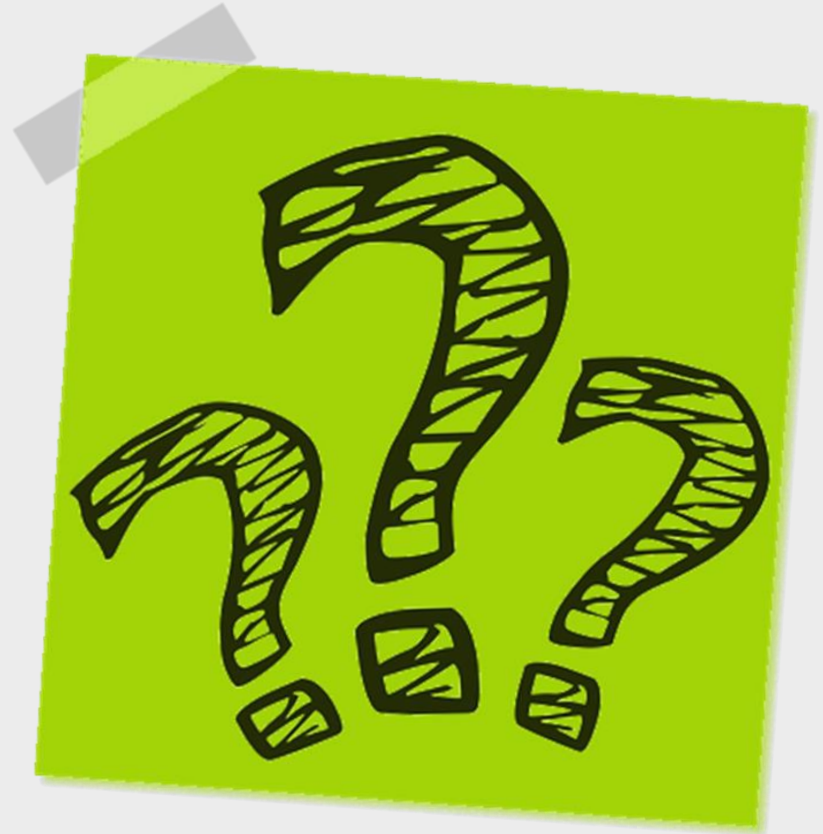
**We want your feedback!**

# Join us next month as we discuss...

## ▶ Cannabis and Treasury Tax Registration

- learn about the Treasury registration process for cannabis businesses in Michigan
  - discuss the different types of businesses related to cannabis and their tax and registration obligations with Treasury
  - free to attend; no registration required
  - 10:00 a.m. ET on October 3, 2024
- ▶ view all related events on the [CRA's calendar of events](#)

# Q & A with Treasury







[michigan.gov/treasury](http://michigan.gov/treasury)

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