



Collecting and Remitting Tax to Treasury

Cannabis Regulatory Agency Webinar Series

November 21, 2024

Treasury Outreach

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.

TREASURY'S MISSION, VISION, and VALUES

MISSION

Providing fair and efficient financial services on behalf of taxpayers, governments, students, and all Michiganders, for the long-term fiscal health and stability of our state.

VISION

We are the innovative and inclusive resource provider of exceptional financial services for a better Michigan.

VALUES

Integrity ~ Inclusion & Diversity ~ Innovation ~ Public Service



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



Disclaimer

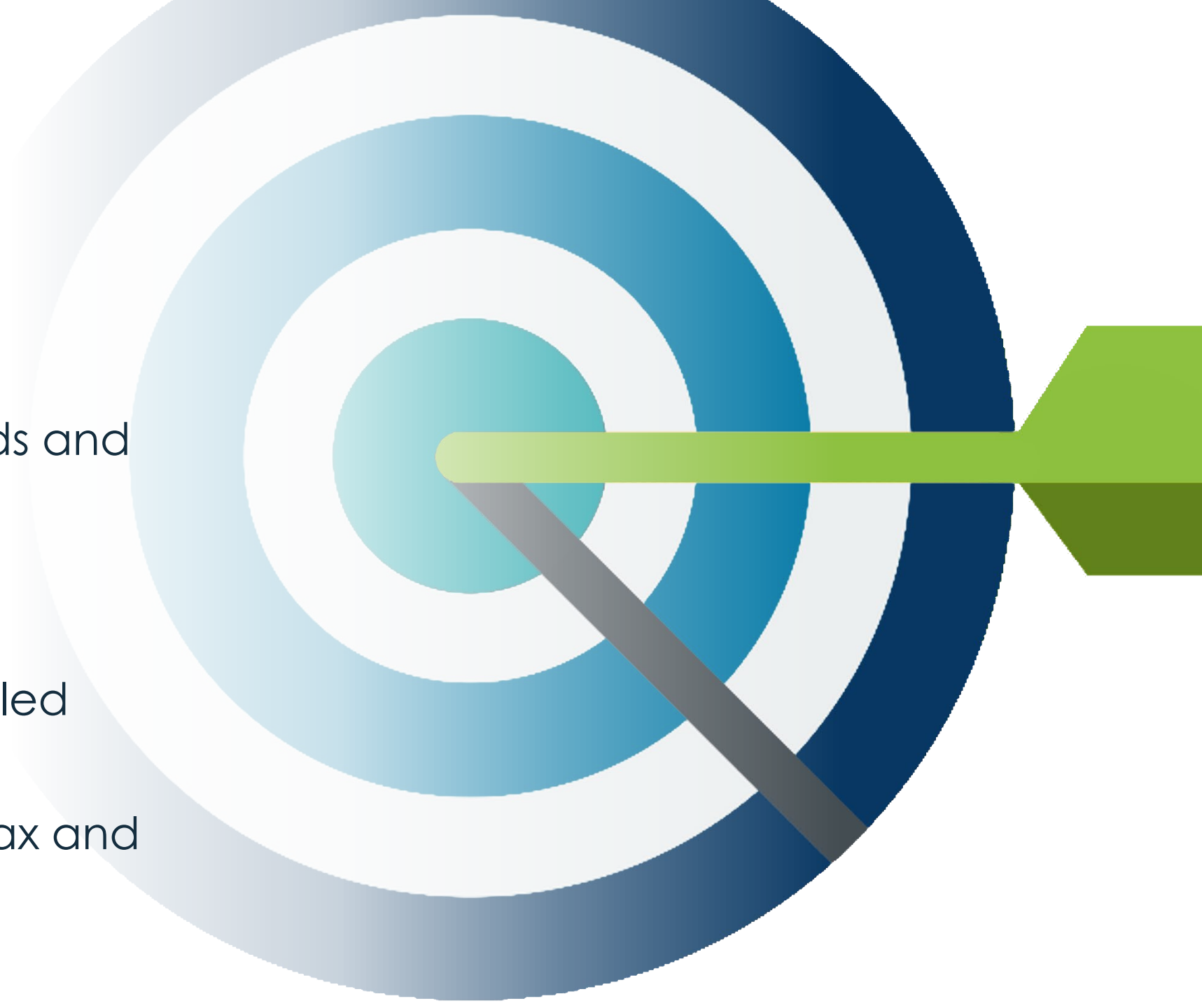
This handout is provided as part of a presentation and is for illustrative purposes only.

The content does not carry the weight of law, bulletins, or rulings. Therefore, it should only be used as an aid for understanding concepts, taking notes, and reference based on the material presented.

The topics covered, screenshots provided, and guidance supplied is subject to change. The most current Treasury information on this topic is available at michigan.gov/taxes.

Presentation Purpose

- ▶ tax collection methods and calculation examples
 - sales tax
 - MRE tax
- ▶ bundled and unbundled MRE tax calculations
- ▶ calculate both MRE tax and sales tax on the same transaction



Collect and Remit to Treasury



Collecting Tax



GROSS PROCEEDS



MRE TAX = 10%



SALES TAX = 6%

Tax Collection Methods

	separately stated Sales Tax	tax included Sales Tax
non-inclusive MRE Tax	non-inclusive MRE tax separately stated sales tax	non-inclusive MRE tax tax included sales tax
inclusive MRE Tax	inclusive MRE tax separately stated sales tax	inclusive MRE tax tax included sales tax

MRE Tax Collection Methods

▶ **non-inclusive**

- tax itemized on receipt/invoice
- track sales and tax separately in books and records

▶ **inclusive**

- charge customers one amount that includes tax
- tax still tracked separately in books and records

Example A1

non-inclusive MRE tax transactions

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Unbundled Invoice

product	price
cannabis vaporizer	\$100
cannabis	\$ 20

MRE Tax Unbundled Calculation

sales subject to MRE tax × 10%
 $\$20 \times 10\% = \mathbf{\$2}$

prohibited Bundled Invoice

product	price
cannabis vaporizer w/ cannabis	\$120

MRE Tax Bundled Calculation

sales × 10%
 $\$120 \times 10\% = \mathbf{\$12}$

Example A2

inclusive MRE tax transactions

RAB 2023-25

Unbundled Invoice

product	price
cannabis vaporizer	\$100
cannabis	\$ 22

MRE Tax Unbundled Calculation

sales subject to MRE tax ÷ 11
 $\$22 \div 11 = \mathbf{\$2}$

prohibited Bundled Invoice

product	price
cannabis vaporizer w/ cannabis	\$132

MRE Tax Bundled Calculation

sales ÷ 11
 $\$132 \div 11 = \mathbf{\$12}$

Sales Tax Collection Methods

- ▶ **separately stated sales tax**
 - tax itemized on receipt/invoice
 - track sales and tax separately in books and records
 - applicable to sales tax and use tax on sales and rentals
- ▶ **tax included in gross sales (TIGS)**
 - charge customers one amount that includes tax
 - tax still tracked separately in books and records
 - not allowed for use tax on sales and rentals

**Sales and Use Tax Rules,
1979 AC, R 205.28, Rule 28**

Which Example is TIGS?

Example B1

- ▶ a retailer sells 100 t-shirts for \$10 each with a separate line item calculating sales tax on each invoice
- ▶ the customers pay a total of \$1,060 (\$10.60 per t-shirt)
- ▶ **gross sales = \$1,000**; not \$1,060
- ▶ no deduction calculation needed

Separately Stated Sales Tax

Example B2

- ▶ a retailer sells 100 t-shirts for \$10 each, indicating on the invoice that sales tax is included in the price
- ▶ the customers pay a total of \$1,000 (\$10.00 per t-shirt)
- ▶ **gross sales = \$1,000**
- ▶ deduction calculation needed

Tax Included in Gross Sales

Calculating Tax Due:

Sales Tax

Separately Stated
Method

This method must be used
to calculate use tax on
sales & rentals.

Example C1

total gross sales	\$98,000
- total deductions/exemptions	\$16,500
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taxable sales	\$81,500
× 6%	6%
<hr/>	
sales tax due	\$ 4,890

Calculating Tax Due:

Sales Tax
TIGS method

This method cannot be
used to calculate use tax
on sales & rentals.

Example C2

total gross sales	\$98,000
- exempt sales	\$16,500
- tax included in gross	\$ 4,890
<hr/>	
taxable sales	\$81,500
× 6%	6%
<hr/>	
sales tax due	\$ 4,890

Examples: Sales and MRE Tax Calculations

► facts for tax calculations in examples D & E:

■ sales

- gross marihuana sales (excluding tax) = **\$66,000**
- medical marihuana sales = **\$1,000**
- gross of other TPP sales = **\$25,800**

■ exemptions

- MRE tax exemptions (sales of marihuana to other marihuana establishments) = **\$3,000**
- sales tax exemptions (resale) = **\$16,500**



Example D1:

compute MRE tax with
non-inclusive pricing

medical marihuana sales are not
subject to MRE tax, but as TPP
they are subject to sales tax

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MRE Tax Calculations

gross marihuana sales	\$66,000
- medical marihuana sales	\$ 1,000
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recreational marihuana sales	\$65,000
- allowable MRE tax exemptions	\$ 3,000
<hr/>	
sales subject to MRE tax	\$62,000
× 10%	10%
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MRE tax due	\$ 6,200

Example D2:

compute sales tax
when MRE tax
collected with
non-inclusive pricing

sales price of cannabis subject to
the 6% sales tax includes other
taxes, and therefore includes the
10% MRE tax

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MCL 205.51(1)(d)(ii)

Sales Tax Calculations

recreational marihuana sales	\$65,000
+ MRE tax due	\$ 6,200
+ medical marihuana sales	\$ 1,000
<hr/>	
taxable marihuana sales	\$72,200
+ gross of other TPP sales	\$25,800
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total gross sales	\$98,000
- allowable sales tax exemptions	\$16,500
<hr/>	
sales subject to sales tax	\$81,500
× 6%	6%
<hr/>	
sales tax due	\$ 4,890

Example E1:

compute MRE tax with
inclusive pricing

marihuana establishments are permitted to sell cannabis to customers for a set price that is inclusive of the 10% MRE tax

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MRE Tax Calculations

gross marihuana sales	\$72,200
- medical marihuana sales	\$ 1,000
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recreational marihuana sales	\$71,200
- allowable MRE tax exemptions	\$ 3,000
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sales subject to MRE tax	\$68,200
÷ 11	11
<hr/>	
MRE tax due	\$ 6,200

Example E2:

compute sales tax
when MRE tax
collected with
inclusive pricing

the only change from example
D2 is that MRE tax due is already
included in the recreational
marihuana sales

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Sales Tax Calculations

recreational marihuana sales	\$71,200
+ medical marihuana sales	\$ 1,000
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taxable marihuana sales	\$72,200
+ gross of other TPP sales	\$25,800
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total gross sales	\$98,000
- allowable sales tax exemptions	\$16,500
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sales subject to sales tax	\$81,500
× 6%	6%
<hr/>	
sales tax due	\$ 4,890

File and Pay SUW and MRE Tax Returns

Filing Frequency

- ▶ **SUW taxes:** Treasury determines based on amount of tax owed (monthly, quarterly, or annually)
- ▶ **MRE tax:** quarterly, due the 20th of the month following the tax period
 - only available through Michigan Treasury Online (MTO)

Payment Frequency

- ▶ no later than the due date of the return but as often as you like

Payment Methods

- ▶ **pay electronically** through MTO
- ▶ **mail payments** with payment voucher:
 - MRE tax = Form 5677
 - SUW taxes = Form 5094
- ▶ schedule appointment to **pay in person** with the [LARA cashiering calendar](#)

Wrap Up



Further Reference

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

- ▶ 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

▶ email:
TreasuryOutreach@michigan.gov

Treasury Outreach

Taxability Questions?

Ask Business Tax Technical!

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



Contact Treasury

Business Taxes	517-636-6925
<i>i.e. Registration, Sales, Use, and Withholding (SUW) taxes, Marijuana Retailers Excise (MRE) tax, Corporate Income Tax (CIT), Michigan Business Tax (MBT), Flow-Through Entity (FTE) tax</i>	
Business Tax Technical	517-636-4230
City Taxes (Business) – Detroit.....	517-636-5829
City Taxes (Individual) – Detroit.....	517-636-5829
Collection Services Bureau	517-636-5265
Essential Services Assessment	517-241-0310
International Fuel Tax Agreement (IFTA)	517-636-4580
Individual Income Tax	517-636-4486

Contact Treasury Continued

Miscellaneous Taxes	517-636-0515
<i>i.e. 911 Fee, Airport Parking, Bottle Deposit, Convention Facilities Tax, Health Insurance Claims Assessment (HICA), Health Maintenance Organization (HMO) Use Tax, Insurance Provider Assessment Act (IPAA), Severance Tax, and State Real Estate Transfer Tax (SRETT)</i>	
Motor Carrier Tax	517-636-4580
Motor Fuel	517-636-4600
Property Tax	517-335-3429
Taxpayer Advocate	517-636-4759
Tax Professionals Helpline	517-636-0616
Tobacco & Cigarette Taxes	517-636-4630
Tribal	517-241-2185
Unclaimed Property (Claimants)	517-636-5320
Unclaimed Property (Holders)	517-636-6940

Join us next month as we discuss...

- ▶ **[File/Pay Taxes & Communicate about Cannabis with Treasury](#)**
 - learn details of filing & paying cannabis-related taxes to Treasury
 - discuss filing frequency, filing and payment options, and using Michigan Treasury Online (MTO) to satisfy your business' Treasury obligations
 - free to attend; no registration required
 - 10:00 a.m. ET on December 5, 2024
- ▶ view all related events on the [CRA's calendar of events](#)



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