

Medical Cannabis Tax Preferences

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$4.9M

Multiple taxes

Seven tax preferences provide tax relief to medical cannabis patients and cooperatives



Preferences have no scheduled expiration.

Six preferences provide exemptions from sales and use tax on retail purchases of cannabis and cannabis-based products, and one preference provides an exemption from the B&O tax for medical cannabis cooperatives.

Three preferences for cannabis patient cooperatives.

Five preferences require registration in a patient database.

Six preferences require access to a medically endorsed retailer.

Availability of medically endorsed retailers may limit use

- Patients must access a medically endorsed retailer to register in the patient database and make certain tax-exempt purchases.
- The Liquor and Cannabis Board endorses retailers that meet certain requirements.
- Because retailers are not required to obtain an endorsement, the preferences may not always be available to eligible customers.

275 of 510

WA retailers are medically endorsed.



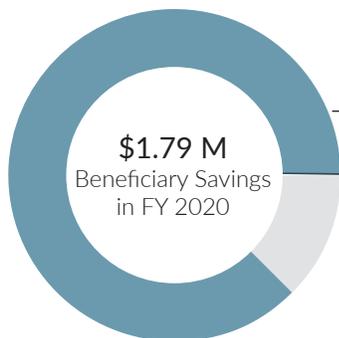
205 retailers in 32 counties

made tax exempt sales in FY 2020.

Pending taxpayer guidance to reflect 2019 statutory changes may affect beneficiary savings

A 2019 change specified one of the preferences applies only to purchases of **products that meet the Department of Health's (DOH) compliant product standards.**

It is unclear how pending taxpayer guidance may affect beneficiary savings.



Of \$1.79 million in beneficiary savings in FY 2020 for all preferences, **\$1.57 million (87%)** were realized under the preference that changed.

Less than \$7,000 of these savings were from purchases of DOH-compliant products.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue.

The Legislature should continue the preferences because they provide tax relief to medical cannabis patients.

The Department of Revenue and the Department of Health should update guidance to reflect 2019 statutory changes.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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