

Form MC-1 General Information

What is the medical cannabis cultivation privilege tax?

“Medical cannabis cultivation privilege tax” is a tax that you (a medical cannabis cultivator) must remit for the medical cannabis sold.

Who must file Form MC-1?

You must file Form MC-1, Medical Cannabis Cultivation Privilege Tax Return, if you are a medical cannabis **cultivation center**. Do **not** file form MC-1 to report Adult Use Cannabis Cultivation Privilege Tax sold. These sales must be reported on Form CC-1, Adult Use Cannabis Cultivation Privilege Tax Return.

You must attach Schedule MC-2, Medical Cannabis Sales, to your MC-1 return to identify each cultivation center from which you made sales of medical cannabis during the reporting period.

Note: Medical cannabis **dispensing organizations** must report sales of medical cannabis on Form CD-1, Cannabis Dispensary Tax Return. Dispensaries that only sell medical cannabis will skip Step 2 when completing Form CD-1. Form ST-1, Sales and Use Tax and E911 Surcharge Return is still required to report sales of non-cannabis products. Receipts from cannabis sales should be taken as a deduction on Schedule A of Form ST-1.

Who must file Schedule MC-2?

If you have one business, but sell medical cannabis from more than one cultivation center, you must complete Schedule MC-2 to report sales from each cultivation center. You will need to complete Schedule MC-2 before completing Form MC-1. See Schedule MC-2 instructions.

What sales are subject to the medical cannabis cultivation privilege tax?

Tax is due on medical cannabis sold by a cultivation center. Medical cannabis includes both bulk medical cannabis and medical cannabis infused products.

Bulk medical cannabis is dried cannabis

- in its physical form to smoke;
- in its physical form to vaporize; and
- not infused or combined with another product for medicinal use.

Medical cannabis infused product is a product containing cannabis or a cannabis concentrate, including

- capsules;
- food and beverage products prepared for consumption;
- cooking oils;
- tinctures or tonics, such as sprays or drops;
- topicals, such as ointments, balms, oils, lotions, gels, or patches;
- bath salts or oils;

- aromatherapy sprays or essences;
- concentrates, extractions, oils, or wax for use with a vaporizer; and
- hash and concentrates, including ice wax, bubble hash, oil, wax, budder, pie crust, taffy, shatter, nectar, caviar, and kief.

See 86 Illinois Administrative Code Part 429 for more information about medical cannabis products.

How do I calculate the medical cannabis cultivation privilege tax?

Tax is calculated at a rate of 7 percent (.07) of the sales price per ounce of medical cannabis.

Tax on a package of medical cannabis is based on the total weight in ounces of medical cannabis as shown on the label required by 8 Illinois Administrative Code Section 1000.420.

The sales price is determined without any deduction on account of the cost of property sold, the cost of materials used, labor or service cost, or any other expense whatsoever. See 86 Illinois Administrative Code Section 429.110 for rules regarding the treatment of transportation and delivery charges.

The tax is computed on the sales price of the medical cannabis sold after the application of any applicable discounts.

There is no cultivation privilege tax on free samples of medical cannabis given to a dispensing organization by a cultivation center. However, a cultivation center will incur Use Tax liability on the cost price of any free samples of medical cannabis given to dispensing organizations. See 86 Illinois Administrative Code Section 150.305(c).

When must I file Form MC-1?

You must file this return, along with any payment you owe, on or before the 20th day of the month following the end of the reporting period.

Note: If the due date falls on a weekend or holiday, your return and payment are due the next business day.

How can I file and pay electronically?

Illinois law requires Form MC-1 to be filed electronically and the tax to be paid electronically. You must use MyTax Illinois at mytax.illinois.gov to file your Form MC-1 and pay any tax due. To request a waiver of the electronic payment mandate, complete Form IL-900-EW, Electronic Waiver Request, which is available from the Illinois Department of Revenue by request at 217 782-6045 or by email at rev.atp-mfr@illinois.gov. If granted and unless renewed, this waiver shall not exceed two years.

How do I make a payment?

Payments must be made electronically through one of the following options:

- Easily make your payment online through **MyTax Illinois** at mytax.illinois.gov. Electronic payments can be made through **MyTax Illinois**. For your initial payment through **MyTax Illinois**, you must set up your account and follow the instructions provided.
- Submit your payment through ACH credit (payments authorized through your financial institution). If you wish to set up or make changes to this option, you must first contact IDOR's Electronic Funds Transfer Division at **217 782-6257** for additional information.

Note: Businesses that **cannot** pay electronically are required to make cash payments. Additional instructions for submitting cash payments to IDOR will be provided upon request.

What if I fail to file or pay the amount I owe?

You owe a **late-filing penalty** if you do not file a processable return by the due date, a **late-payment penalty** if you do not pay the amount you owe by the original due date of the return, a **bad check penalty** if your remittance is not honored by your financial institution, and a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on a bill. Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax. We will bill you for penalty and interest. For more information, see Publication 103, Penalty and Interest for Illinois Taxes, which is available on our website at tax.illinois.gov.

What if I need help?

Visit our website at tax.illinois.gov, or call us weekdays between 8:00 a.m. and 4:00 p.m. at **217 782-6045** or email us at: rev.atp-mfr@Illinois.gov.

Specific Instructions

When completing this form, please round to the nearest dollar by dropping amounts of less than 50 cents and increasing amounts of 50 cents or more to the next dollar.

For multiple site businesses, you must use Schedule MC-2, Medical Cannabis Sales, to report sales from each cultivation center. You will need to complete Schedule MC-2 before completing Form MC-1. See Schedule MC-2 instructions. Submit Schedule MC-2 when you file form MC-1

Step 1: Figure the total number of ounces sold

Line 1a - Enter the sum of the number of bulk ounces sold from each cultivation center from Schedule MC-2. (Enter ounces to three decimal places.)

Line 1b - Enter the sum of the number of deductible bulk ounces. This amount cannot exceed the amount you entered on Line 1a. (Enter ounces to three decimal places.) A reason for the deduction is required.

Line 1 - Subtract Line 1b from Line 1a. This is your net bulk ounces sold.

Line 2a - Enter the sum of the number of ounces infused into products sold from each cultivation center from Schedule MC-2. (Enter ounces to three decimal places.)

Line 2b - Enter the sum of the number of deductible ounces infused into products. This amount cannot exceed the amount you entered on Line 2a. (Enter ounces to three decimal places.) A reason for the deduction is required.

Line 2 - Subtract Line 2b from Line 2a. This is your net ounces infused into products sold from each cultivation center.

Line 3 - Add Lines 1 and 2. This is your total ounces sold from each cultivation center subject to tax.

Step 2: Figure your privilege tax due

Line 4a - Enter the sum of the consideration received for bulk ounces.

Line 4b - Enter the sum of deductible consideration for bulk ounces. This amount cannot exceed the amount you entered on Line 4a.

Line 4 - Subtract Line 4b from Line 4a. This is your net consideration received for bulk ounces from Schedule MC-2.

Line 5a - Enter the sum of the consideration received for ounces infused into products.

Line 5b - Enter the sum of deductible consideration for ounces infused into products. This amount cannot exceed the amount you entered on Line 5a.

Line 5 - Subtract Line 5b from Line 5a. This is your net consideration received for ounces infused into products from Schedule MC-2.

Line 6 - Add Lines 4 and 5. This is your total consideration received subject to tax.

Line 7 - Multiply Line 6 by the tax rate. This is your privilege tax due.

Line 8 - If you file your return and pay the amount due by the due date, you are entitled to a discount. Enter the lesser of the product of Line 7 multiplied by 1.75 percent (.0175) or \$1,000, only if you file your return and pay the amount due by the due date. Otherwise, enter '0.'

Note: The discount is only valid for electronically filed returns and electronic payments, unless a payment waiver is in place.

Line 9 - Subtract Line 8 from Line 7. This is your net tax due.

Line 10 - Enter the sum of all quarter-monthly (accelerated) payments that were made for the filing period

Line 11 - Subtract Line 10 from Line 9. This is your tax due after quarter-monthly (accelerated) payments.

Line 12 - If you have a credit memorandum or prior overpayment and you wish to use it toward what you owe, enter the amount you are using.

Line 13 - Subtract Line 12 from Line 11. This is your payment due. We will bill you for any penalty and interest amounts owed. See Publication 103, Penalties and Interest for Illinois Taxes, for more information.