

**Illinois Department of Revenue  
Regulations**

**Title 86 Part 422 Section 110 Tax Imposed**

**TITLE 86: REVENUE  
CHAPTER I: DEPARTMENT OF REVENUE  
  
PART 422  
CANNABIS CULTIVATION PRIVILEGE TAX**

**Section 422.110 Tax Imposed**

- a) *Beginning September 1, 2019, the Tax is imposed upon the privilege of cultivating cannabis at the rate of 7% of the gross receipts from the first sale of cannabis by a cultivator. [410 ILCS 705/60-10(a)]*

EXAMPLE 1: A cultivator grows cannabis and sells the grown cannabis to an infuser for \$200. The cultivator owes \$14 in Tax on the cannabis sold to the infuser.

EXAMPLE 2: A craft grower grows cannabis and sells 100 quarter ounces of the grown cannabis to a cultivator for \$5000. The craft grower is liable for Tax in the amount of \$350. The cultivator subsequently sells 50 quarter ounces of this cannabis to a dispensary for \$55 per quarter ounce. The cultivator has no Tax liability on the sale of cannabis to the dispensary.

- b) *The sale of any product by a cultivator that contains any amount of cannabis or any derivative thereof is subject to the Tax on the full selling price of the product. [410 ILCS 705/60-10(a)]*

EXAMPLE 1: A cultivator grows cannabis and sells the cannabis for \$200 to an infuser. The cultivator has \$14 in Tax liability on the sale of the cannabis to the infuser. The infuser creates cannabis-infused products and sells the products to a dispensary. The infuser has no Tax liability.

EXAMPLE 2: A cultivator grows cannabis, processes a pound of cannabis into cannabis-infused products, and sells the cannabis-infused products to a dispensary for \$500. It normally sells the cannabis at wholesale for \$200 an ounce. The cultivator has \$35 ( $\$500 \times .07$ ) in Tax liability on the sale of the cannabis-infused products to the dispensary.

- c) It shall be presumed that all sales of cannabis are subject to Tax until the contrary is established, and the burden of proving that a transaction is not taxable shall be upon the cultivator.

- d) In computing Tax liability, no deductions shall be made by a taxpayer from gross receipts or selling prices on account of the cost of property sold, the cost of materials used, labor or service costs, incoming freight or transportation costs, overhead costs, processing charges, salesmen's commissions, interest paid by the taxpayer, or any other expenses whatsoever. Costs of doing business are an element of the cultivator's gross receipts and are subject to the Tax even if separately stated on the bill to the customer. (See 86 Ill. Adm. Code 130.415 for rules regarding the treatment of transportation and the delivery charges.)

EXAMPLE: A cultivation center sells 500 ounces of cannabis to a dispensing organization for \$100,000, plus a delivery charge of \$250 and a fuel surcharge of \$50. The fuel surcharge is a cost of doing business and is part of the selling price. The cultivation center delivers the cannabis to the dispensing organization. The cultivation center does not provide the dispensing organization with the option to pick up the cannabis. As a result, the cost of the delivery service is part of the selling price of the cannabis. The selling price for purposes of determining the Tax is \$100,300.

- e) The Tax is computed on the selling price of the cannabis after the application of any applicable discounts.

EXAMPLE: A cultivation center sells 500 ounces of cannabis to a dispensing organization for \$200 an ounce. The cultivation center provides a nondiscriminatory 10% discount for sales over 300 ounces. The total price with the discount is \$90,000. The Tax is computed on the gross receipts of \$90,000.

- f) *The Department may determine the selling price of the cannabis when the seller and purchaser are affiliated persons, when the sale and purchase of cannabis is not an arm's length transaction, or when cannabis is transferred by a cultivator to the cultivator's dispensing organization or infuser and a value is not established for the cannabis. The value determined by the Department shall be commensurate with the actual price received for products of like quality, character, and use in the area. If there are no sales of cannabis of like quality, character, and use in the same area, then the Department shall establish a reasonable value based on sales of products of like quality, character, and use in other areas of the State, taking into consideration any other relevant factors. [410 ILCS 705/60-10(a)]*

- g) *The Tax is solely the responsibility of the cultivator who makes the first sale and is not the responsibility of a subsequent purchaser, a dispensing organization, or an infuser. Cultivators subject to the Tax may, however, reimburse themselves for their Tax liability under this Part by separately stating reimbursement for their Tax liability as an additional charge. [410*

ILCS 705/60-10(b)] The charge for reimbursement may not be identified on the invoice as a tax.

- h) *A cultivator may not either directly or indirectly discriminate in price between different cannabis business establishments that are purchasing a like grade, strain, brand, and quality of cannabis or cannabis-infused product. Nothing in this subsection (h) prevents a cultivator from pricing cannabis differently based on differences in the cost of manufacturing or processing, the quantities sold, such as volume discounts, or the way the products are delivered. [410 ILCS 705/20-30(e) and 30-30(f)]*
- i) *The Tax shall be in addition to all other occupation, privilege, or excise taxes imposed by the State of Illinois or by any unit of local government. [410 ILCS 705/60-10(c)]*

(SOURCE: Adopted at 44 Ill. Reg.10732, effective June 02, 2020.)