



## Cannabis Tax Frequently Asked Questions

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These FAQ's are a supplement for Informational Bulletin FY 2020-12, Reporting and Paying Tax on Cannabis Sales.

### 1. What taxes are due on sales of cannabis in the state of Illinois?

The **Cannabis Cultivation Privilege Tax** is a tax imposed upon the privilege of cultivating cannabis at the rate of 7% of the gross receipts from the first sale of adult use cannabis by a cultivator or craft grower.

The **Medical Cannabis Cultivation Privilege Tax** is a tax imposed upon the privilege of cultivating medical cannabis at the rate of 7% of the sales price per ounce.

The **Cannabis Purchaser Excise Tax** is a tax imposed on purchasers for the privilege of using cannabis, cannabis flower, cannabis concentrate, and cannabis-infused products. Cannabis dispensaries must collect and remit this tax on all retail sales of adult use cannabis. The tax is imposed at the following rates:

- 10% of taxable receipts from the sale of adult use cannabis, other than cannabis-infused products, sold with 35% THC or less,
- 25% of taxable receipts from the sale of adult use cannabis, other than cannabis-infused products, sold with greater than 35% THC, and
- 20% of taxable receipts from the sale of adult use cannabis-infused products.

**Sales Tax:** Both medical cannabis and adult use cannabis are subject to **Retailers' Occupation Tax**.

- **Medical cannabis:** Medical cannabis is subject to state and local retailers' occupation taxes at the same rate as other qualifying drugs, *i.e.*, 1% State Retailers' Occupation Tax rate and is generally exempt from locally imposed retailers' occupation taxes (except for Regional Transportation Authority and Metro-East Transit District retailers' occupation taxes).
- **Adult use cannabis:** Adult use cannabis is subject to the 6.25% **State Retailers' Occupation Tax** as well as local retailers' occupation taxes in the same manner as other general merchandise. In addition, counties and municipalities may impose, by ordinance, a local retailers' occupation tax on all persons engaged in the business of selling adult use cannabis at retail in the municipality or county on the gross receipts from sales of adult use cannabis (medical cannabis is excluded from these local cannabis-specific taxes). The rate imposed under the **Municipal Cannabis Retailers' Occupation Tax** may not exceed 3%. The **County Cannabis Retailers' Occupation Tax** may not exceed 3.75% in unincorporated areas of the county and 3% in a municipality located in the county.

### 2. Who is responsible for the remittance of Cannabis Tax?

**Cannabis Cultivation Privilege Tax** is imposed on the cultivator and it is solely the responsibility of the cultivator who makes the first sale to remit the tax and is not the responsibility of a subsequent purchaser, a dispensing organization, or an infuser. Persons subject to the Cannabis Cultivation Privilege Tax may, however, reimburse themselves for their tax liability by separately stating this amount as an additional charge on the subsequent purchaser's sales receipt. [\[410 ILCS 705/60-10\(b\)\]](#)

**Medical Cannabis Cultivation Privilege Tax** is imposed on the cultivator and it is solely the responsibility of the cultivation center to remit the tax and is not the responsibility of a dispensing organization or a qualifying patient. Persons subject to the Medical Cannabis Cultivation Privilege Tax may seek reimbursement for their tax liability, however the charge for reimbursement may not be identified on an invoice as a tax. [\[86 Ill. Adm. Code 429.110\(c\)\]](#)

**Cannabis Purchaser Excise Tax** is imposed on the purchaser and it is the responsibility of the cannabis retailer to collect the tax from the purchaser at the appropriate rates and to remit the tax. All sales to a purchaser who is not a cardholder under the Compassionate Use of Medical Cannabis Program Act are presumed subject to tax collection. Cannabis retailers will collect the tax from purchasers by adding the tax to the amount of the purchase price for the privilege of using cannabis, cannabis flower, cannabis concentrate, and cannabis-infused products. The tax, when collected, is to be stated as a distinct item separate and apart from the purchase price of the cannabis. [\[410 ILCS 705/65-15\(a\)\]](#)

**Retailers' Occupation Tax, including State, County, and Municipal Retailers' Occupation Taxes**, is imposed on the purchaser and it is the responsibility of the cannabis retailer to collect the tax from the purchaser at the appropriate rates and to remit the tax. The tax, when collected, is to be stated as a distinct item separate and apart from the purchase price of the cannabis. [[35 ILCS 120/1 et seq.](#), [55 ILCS 5/5-1006.8](#), and [65 ILCS 5/8-11-23](#)]

**3. What is the definition of “cannabis”?**

“Cannabis” is defined as marijuana, hashish, and other substances that are identified as including any parts of the plant *Cannabis sativa* and including derivatives or subspecies, such as indica, of all strains of cannabis, whether growing or not; the seeds thereof, the resin extracted from any part of the plant; and any compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin, including tetrahydrocannabinol (THC) and all other naturally produced cannabinol derivatives, whether produced directly or indirectly by extraction; however, “cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted from it), fiber, oil or cake, or the sterilized seed of the plant that is incapable of germination. “Cannabis” does not include industrial hemp as defined and authorized under the Industrial Hemp Act. “Cannabis” also means cannabis flower, concentrate, and cannabis-infused products.

**4. What is the definition of “adult use cannabis”?**

“Adult use cannabis” is cannabis subject to tax under the Cannabis Cultivation Privilege Tax Law and the Cannabis Purchaser Excise Tax Law and does not include cannabis subject to tax under the Compassionate Use of Medical Cannabis Program Act.

**5. What is the definition of “medical cannabis”?**

“Medical cannabis” is cannabis intended for medicinal use to treat or alleviate a registered qualifying patient’s debilitating medical condition or symptoms associated with the patient’s debilitating medical condition.

**6. What is the definition of “dispensing organization”?**

“Dispensing organization” means a facility operated by an organization or business that is licensed by the Illinois Department of Financial and Professional Regulation to acquire cannabis from a cultivation center, craft grower, processing organization, or another dispensary for the purpose of selling or dispensing cannabis, cannabis flower, cannabis concentrate, cannabis-infused products, cannabis seeds\*, paraphernalia, or related supplies to purchasers or to qualified registered medical cannabis patients and caregivers. Dispensary organizations can be a registered medical cannabis organization that has obtained an Early Approval Adult Use Dispensing Organization License.

\*Cannabis seeds may only be sold by a dispensing organization to an adult registered qualifying patient under the Compassionate Use of Medical Cannabis Program Act. [[410 ILCS 705/10-5\(b\)\(3\)](#)]

**7. What is the definition of “cultivation center”?**

For purposes of the Compassionate Use of Medical Cannabis Program Act, “cultivation center” means a facility operated by an organization or business that is registered by the Department of Agriculture to perform necessary activities to provide only registered medical cannabis dispensing organizations with usable medical cannabis.

For purposes of the Cannabis Regulation and Tax Act, “cultivation center” means a facility operated by an organization or business that is licensed by the Illinois Department of Agriculture to cultivate, process, transport (unless otherwise limited by Public Act 101-0027), and perform other necessary activities to provide cannabis, cannabis flower, cannabis concentrate, and cannabis-infused products to cannabis business establishments.

**8. What is the definition of “craft grower”?**

“Craft grower” means a facility operated by an organization or business that is licensed by the Illinois Department of Agriculture to cultivate, dry, cure, and package cannabis and perform other necessary activities to make cannabis available for sale at a dispensing organization or use at a processing organization. A craft grower may contain up to 5,000 square feet of canopy space on its premises for plants in the flowering state. The Department of Agriculture may authorize an increase or decrease of flowering stage cultivation space in increments of 3,000 square feet by rule based on market need, craft grower capacity, and the licensee’s history of compliance or noncompliance, with a maximum space of 14,000 square feet for cultivating plants in the flowering stage, which must be cultivated in all stages of growth in an enclosed and secure area. A craft grower may share premises with a processing organization or a dispensing organization, or both, provided each licensee stores currency and cannabis, cannabis flower, cannabis concentrate, or cannabis-infused products in a separate secured vault to which the other licensee does not have access or all licensees sharing a vault share more than 50% of the same ownership.

**9. What is the definition of “cannabis-infused products”?**

“Cannabis-infused product” means a beverage, food, oil, ointment, tincture, topical formulation, or another product containing cannabis or cannabis concentrate that is not intended to be smoked.

**10. What is the definition of “THC”?**

THC, or tetrahydrocannabinol, is the active chemical in cannabis that produces its psychological effects. With the exception of cannabis-infused products, Cannabis Purchaser Excise Tax rates are determined by the percent of THC in the product.

**11. I am an existing medical cultivator, do I need to register as an “Adult Use cultivator”?**

Yes, if you have obtained a new “Adult Use” Cannabis Cultivation license from the Illinois Department of Agriculture, you must electronically register with the Illinois Department of Revenue (IDOR) using [MyTax Illinois](#) to obtain an “Adult Use Cannabis Cultivation Tax” license. Cultivators must file separate returns for medical and adult use cannabis.

**12. I am an existing medical dispensary, do I need to register as an “Adult Use dispensary”?**

Yes, you must electronically register with the Illinois Department of Revenue (IDOR) using [MyTax Illinois](#) and obtain an “Adult Use and Medical Cannabis Dispensary Tax” license. All dispensaries are required to register for IDOR’s new cannabis dispensary (CD-1) account type whether or not you have obtained a new “Adult Use” cannabis license from the Illinois Department of Financial and Professional Regulation. Despite registering for a combined account, dispensaries are required to keep separate inventories for medical and adult use cannabis.

**13. Are there any prerequisites to registering a cannabis account with IDOR?**

Yes. Cannabis cultivators and craft growers are required to be licensed by the [Illinois Department of Agriculture](#) and dispensaries are required to be licensed by the [Illinois Department of Financial and Professional Regulation](#) before they can register with IDOR. IDOR requires the license number and the issue date of the license to register a cannabis account.

**14. How do I register for a cannabis account with IDOR?**

Register with IDOR electronically using MyTax Illinois, available at [mytax.illinois.gov](http://mytax.illinois.gov):

- If you do not have a MyTax Illinois account, click on “Registration,” and then “Register a New Business” and complete Form REG-1, Illinois Business Registration Application. After you receive an email that your application has been processed, allow one business day before signing up for a MyTax Illinois account. To create a MyTax Illinois account, return to MyTax Illinois, click the “Sign up Now” button, and then submit the requested information.

- Corporations, S-Corps, Partnerships, or LLC organization types with active MyTax Illinois accounts can register for new tax types, or licenses, by simply logging into their MyTax Illinois account and clicking on “Register for New Tax Accounts” to complete the registration.
- Sole Proprietorships can register electronically by selecting “Registration” in the upper right corner of the MyTax Illinois home page and then selecting “Register a New Business.”

Registration for cannabis accounts must be completed electronically. You cannot complete a paper Form REG-1 to register for this tax. Contact our Central Registration Division at 217 785-3707 for information or assistance with registering your business.

#### 15. Do I need to register each cultivation center or dispensary separately?

If you have one business, but operate cultivation centers or dispensaries in more than one location, you only need to register for one account. Each location will be registered under that single account. Separate books and records should be kept for each cultivation center or dispensary you operate.

If you have more than one business that operates cultivation centers or dispensaries, you must register each business separately to report and pay the cannabis taxes.

#### 16. What forms are required to be filed by cultivators and craft growers to report sales of cannabis?

Adult use cannabis cultivators or craft growers must use Form CC-1, Adult Use Cannabis Cultivation Privilege Tax Return, to report sales of adult use cannabis products. Adult use cultivators with multiple cultivation sites must also complete Schedule CC-2, Multiple Site Form for Adult Use Cannabis Cultivators, to report the taxable receipts from each cultivation site.

Cannabis cultivators selling medical cannabis must file Form MC-1, Medical Cannabis Cultivation Privilege Tax Return, to report sales of medical cannabis. Cultivators with multiple cultivation sites must also complete Schedule MC-2, Medical Cannabis Sales, to report sales from each cultivation site.

**Note:** Cultivators with sales of both medical and adult use cannabis must file the appropriate corresponding forms: Form MC-1, Form CC-1, and any corresponding schedules that apply.

#### 17. What forms are required to be filed by dispensaries to report sales of cannabis?

Cannabis dispensaries (including Medical Cannabis Dispensaries who previously reported sales on Form ST-1) must file Form CD-1, Cannabis Dispensary Tax Return, to report sales of medical and adult use cannabis beginning with the January 2020 reporting period. Multiple site dispensaries must also file Schedule CD-2, Sales and Use Tax Multiple Site Form for Cannabis Dispensaries, to calculate the Sales and Use Tax due on sales of adult use and medical cannabis from each dispensing site. Multiple site dispensaries must also file Schedule CD-3, Cannabis Purchaser Excise Tax Multiple Site Form for Cannabis Dispensaries, to report sales of adult use cannabis subject to Cannabis Purchaser Excise Tax from each dispensing site.

**Note:** In addition to reporting receipts from cannabis sales on Form CD-1, dispensaries are also required to report their total receipts of cannabis and non-cannabis products sold on Form ST-1, Sales and Use Tax and E911 Surcharge Return. Receipts from cannabis sales should be taken as a deduction on Schedule A of Form ST-1.

#### 18. When are the cannabis returns due?

**Cannabis returns are due monthly.** You must file your cannabis return, along with any payment you owe, on or before the 20th day of the month following the end of the reporting period. You must file a return for each reporting period regardless of whether you have receipts to report.

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

#### 19. Can I get a waiver to file my cannabis return on paper?

No. Cannabis returns are required to be filed electronically at [mytax.illinois.gov](https://mytax.illinois.gov).

## 20. If I am a medical cannabis dispensary, can I still use only Form ST-1 to report sales tax from sales of cannabis?

No. Medical cannabis dispensaries must report their gross receipts from sales of medical cannabis in Step 1 on Form CD-1, Cannabis Dispensary Tax Return. Dispensaries that sell only medical cannabis will skip Step 2 (Cannabis Purchaser Excise Tax) when completing their Form CD-1.

In addition to reporting receipts from medical cannabis sales on Form CD-1, medical cannabis dispensaries are also required to report their total receipts of cannabis and non-cannabis products sold on Form ST-1, Sales and Use Tax and E911 Surcharge Return. Receipts from medical cannabis sales should be taken as a deduction on Schedule A of Form ST-1.

## 21. What payments are required for cannabis returns?

All cultivators, craft growers, and dispensaries will be subjected to review for quarter-monthly (accelerated) payment requirements as of January 1, 2020. Quarter-monthly (accelerated) payments are due on or before the 7th, 15th, 22nd, and the last day of each month that a tax liability has occurred. Each quarter-monthly (accelerated) payment will be the lower of either 22.5% of the actual liability for the month or 25% of the liability for the same month of the preceding year.

**EXAMPLE:** A cannabis dispensary has a liability for the current month of \$20,000. Last year for the same month, the taxpayer's liability was \$30,000. The dispensary is required to pay the lower of either 22.5% of the actual liability for the month or 25% of the liability for the same month of the preceding year. In this case, 22.5% of this month's liability is \$4,500 ( $\$20,000 \times 0.225 = \$4,500$ ), while 25% of last year's liability is \$7,500 ( $\$30,000 \times 0.25 = \$7,500$ ). The dispensary is required to make a quarter-monthly (accelerated) payment of \$4,500, the lower of the two amounts.

If there is no liability in the same month of the preceding year, no quarter-monthly (accelerated) payment will be due. IDOR will notify the taxpayer when quarter-monthly (accelerated) payments are required.

**EXAMPLE:** A cannabis cultivator has a liability for the current month of \$20,000. Last year for the same month, the taxpayer's liability was \$0.00. The cultivator is required to pay the lower of either 22.5% of the actual liability for the month or 25% of the liability for the same month of the preceding year. In this case, 22.5% of this month's liability is \$4,500 ( $\$20,000 \times 0.225 = \$4,500$ ), while 25% of last year's liability is \$0 ( $\$0.00 \times 0.25 = \$0.00$ ). The cultivator is not required to make a quarter-monthly (accelerated) payment because the lower amount is \$0.00.

If any quarter-monthly (accelerated) payment is not paid on time or in the amount required, then the taxpayer will be liable for penalties and interest on the difference between the minimum amount due as a payment and the amount of the quarter-monthly (accelerated) payment actually and timely paid.

In addition, if your quarter-monthly (accelerated) payments do not equal the actual liability, the balance due is required by the due date of the return. Failure to pay on time may result in penalties and interest on the amount due.

## 22. How do I make a payment for taxes due from cannabis sales?

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

- Make your electronic payment online at [tax.illinois.gov](https://tax.illinois.gov). 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 request a waiver of the electronic payment mandate. Complete Form IL-900-EW, Electronic Waiver Request, which is available from IDOR by request at **217 782-7897**, **1 800 732-8866**, or **217 782-3336**. If granted and unless renewed, this waiver is valid for not more than two years. An electronic payment waiver is **not** a waiver for the quarter-monthly (accelerated) payment requirement.

### 23. What do I include when calculating my total receipts for cannabis taxes?

When totaling your receipts for the purpose of calculating taxes, include the following from your reporting period:

- the “**selling price**” (for cultivators or craft growers) or the customer’s “**purchase price**” (for dispensaries) of all cannabis sold;
- taxes or reimbursement of taxes collected; and
- any charge payment or time sale payment received.

“**Selling price**” means the consideration for a sale of cannabis, valued in money, whether received in money or otherwise (including cash, credits, property, and services), and is determined without any deduction on account of the cost of the property sold, the cost of materials used, labor or service cost, or any other expense whatsoever. It does not include separately stated charges identified on the invoice by cultivators to reimburse themselves for their tax liability.

“**Purchase price**” means the consideration paid for a purchase of cannabis, valued in money, whether received in money or otherwise (including cash, credits, property, and services), and is determined without any deduction on account of the cost of materials used, labor or service costs, or any other expense whatsoever. It does not include consideration paid for:

- any charge for a payment that is not honored by a financial institution;
- any finance or credit charge, penalty or charge for delayed payment, or discount for prompt payment; and
- any amounts added to a purchaser’s bill because of charges made for the Cannabis Purchaser Excise Tax, the Municipal Cannabis Retailers’ Occupation Tax, the County Cannabis Retailers’ Occupation Tax, the Retailers’ Occupation Tax, the Use Tax, the Service Occupation Tax, the Service Use Tax, or any locally imposed occupation or use tax.

### 24. If I am a cultivator and buy “adult use” cannabis from another cultivator or craft grower to sell to a dispensary, do I owe Cannabis Cultivation Privilege Tax when I sell the cannabis to a dispensary?

No. Cannabis Cultivation Privilege Tax is due on the first sale of adult use cannabis by a cultivator or craft grower. The cultivator or craft grower that made the first sale of the adult use cannabis that you bought is responsible to remit the Cannabis Cultivation Privilege Tax. The sale of this cannabis by you to the dispensary should be taken as a deduction on your Form CC-1 to avoid calculating the Cannabis Cultivation Privilege Tax again. You may, however, be charged a fee from the cultivator as reimbursement for the tax that they are required to remit.

### 25. If I am a dispensary, am I allowed to give free samples of cannabis or cannabis products to my customers?

**Medical cannabis** can be given as samples to purchasers who are cardholders under the Compassionate Use of Medical Cannabis Program Act. If the medical cannabis was given as a sample to you by a cultivator, the cultivator incurs the responsibility of paying the Use Tax on the cannabis. If the cultivator did not sample out the cannabis to you, the Use Tax on the sampled cannabis must be paid by you. [[86 Ill. Adm. Code 429.110\(d\)\(4\)](#)]

**Adult use cannabis** cannot be given away as samples to purchasers. No cannabis business establishment nor any other person or entity may encourage the sale of adult use cannabis or cannabis products by giving away adult use cannabis or cannabis products. [[410 ILCS 705/55-20\(d\)](#)]

**26. As a cannabis cultivator, how do I determine the amount of tax that I owe on cannabis infused products?**

The tax on a package of **medical cannabis infused product** is computed by multiplying the average **sales price** per ounce or gram of cannabis flower by the **weight** in ounces or grams of useable cannabis in the package and then multiplying by the **Medical Cannabis Privilege Tax rate** of 7%. The weight in ounces or grams of usable cannabis for each package must be shown on the label as required by [8 Ill. Adm. Code 1000.420\(e\)](#). The selling price of the total package of medical cannabis infused products is **not** used to compute the Medical Cannabis Privilege Tax.

For example, a package of medical cannabis infused product is offered for sale to a dispensing organization for \$25. The package states that it contains 1.25 grams of useable cannabis. If the average per gram flower price for this example is \$9, then \$0.79 is the amount of Medical Cannabis Privilege Tax due on this package.

\$9.00 Average **sales price** per gram of cannabis flower  
X 1.25g **Weight** of usable cannabis contained in the package  
**\$11.25 Taxable price for usable cannabis in the package of cannabis infused product**  
X .07 **Medical Cannabis Privilege Tax rate (7%)**  
**\$0.79 Amount of Medical Cannabis Privilege Tax due on the package of cannabis infused product**

Because the tax for medical cannabis infused products is calculated based on the average sales price of usable cannabis in the package and not the price for the total package, the price for the total package is not used for calculating tax in this example.

**NOTE: See regulation Section 429.110 for more information on calculating the average sales price for cannabis flower.**

The tax on a package of **adult use cannabis infused product** is computed by multiplying the total **sales price** of the product by the **Cannabis Cultivation Privilege (Adult Use) Tax rate** of 7%, without regard to the amount of useable cannabis in the package.

For example, a package of adult use cannabis infused product is offered for sale to a dispensing organization for \$25. The package states that it contains 1.25 grams of useable cannabis. The amount of Cannabis Cultivation Privilege (Adult Use) Tax due on this package is \$1.75.

\$25.00 Total **sales price** for the package of adult use cannabis infused product  
X .07 **Cannabis Cultivation Privilege (Adult Use) Tax rate (7%)**  
**\$1.75 Amount of Cannabis Cultivation Privilege (Adult Use) Tax due on the package of cannabis infused product**

Because the tax for adult use cannabis infused products is calculated based on the sales price of the total package, the weight of useable cannabis is not used for calculating tax in this example.