

City and County of Denver, Colorado

TAX GUIDE

Topic No. 95

Marijuana – Medical and Retail

The Denver Revised Municipal Code (“DRMC”) imposes sales tax on the purchase price or charge for all medical marijuana, medical marijuana products, retail marijuana, and retail marijuana products. *See*, D.R.M.C. §§53-54(a)(1) and 53-92(a).

MEDICAL MARIJUANA

All medical marijuana and medical marijuana products sold in Denver are subject to the general sales tax rate. The general sales tax rate is applicable regardless of the form in which the medical marijuana is sold, including as an ingredient within food. The State of Colorado also imposes sales tax on the sale of medical marijuana, and medical marijuana products (contact the Colorado Department of Revenue for specific information).

Important Information Regarding Exemptions

The State of Colorado offers an **exemption from state sales tax** for patients that are issued a registry card that has a tax-exempt status notation from the Colorado Department of Public Health and Environment (CDPHE). The tax-exempt status is based on income (contact the Colorado Department of Public Health and Environment or the Colorado Department of Revenue for specific information).

The City and County of Denver, unlike the State of Colorado, **has no exemption from Denver sales tax** for the sale of medical marijuana and medical marijuana products. **As a result, Denver sales tax must be charged on the sale of all medical marijuana and medical marijuana products, even for purchases by a person with a Colorado tax-exempt status notation on their registry card.**

RETAIL/RECREATIONAL MARIJUANA

All retail marijuana and retail marijuana products sold in Denver are subject to the general sales tax rate of 4.81%, as well as a special sales tax rate of 5.5%, for a combined sales tax rate of 10.31%. The combined rate of 10.31% is applicable regardless of the form in which the retail marijuana is sold, including as an ingredient within food. The State of Colorado also imposes tax on the sale of retail marijuana and retail marijuana products (contact the Colorado Department of Revenue for specific information).

EXAMPLES

1. Mary has a medical condition that results in severe and chronic pain. Mary’s physician suggests that Mary may benefit from the use of marijuana for her medical condition. Mary obtains a Colorado Medical Marijuana Registry card, and complies with all other requirements associated with obtaining and using the card. Mary goes to a medical marijuana center (dispensary) located in Denver and purchases one ounce of medical marijuana, and she also purchases some medical marijuana-infused fudge. The purchases of both are subject to Denver sales tax at general rate plus all applicable Colorado sales taxes.
2. Fred has a Medical Marijuana Registry Card that has a tax-exempt status notation from the Colorado Department of Public Health and Environment (CDPHE). Fred goes to a medical marijuana center

(dispensary) located in Denver and purchases one ounce of medical marijuana. The medical marijuana center correctly charges Fred the general rates of Denver sales tax on the purchase, but also correctly does not charge Colorado sales tax, since Fred's registry card notation exempts his purchases from Colorado sales tax.

3. An out of state visitor on vacation decides to visit a retail marijuana center to purchase ¼ ounce of retail marijuana. This is a purchase of retail marijuana and the retail marijuana center correctly charges Denver sales tax at the rate of 10.31%, plus all applicable Colorado sales taxes.

PURCHASES MADE BY MARIJUANA BUSINESSES

Taxable Purchases

Tangible personal property purchased by the business that is not for resale would be subject to sales tax (collected by the vendor) or use tax (paid by the purchaser if the vendor is not licensed with Denver or otherwise has not charged Denver tax). Examples of taxable purchases include, but are not limited to property consumed in the growing of the end product like fertilizer, nutrients, growing mediums, growing containers, growing supplies, or electricity. In addition, leasehold improvements that are specific to the business (for example grow rooms, drying rooms, etc.) would be subject to Business Personal Property tax instead of Real Property tax.

Non-Taxable Purchases

Items purchased for resale are not subject to tax, since these will be resold to an end-user and sales tax will apply to that transaction. Examples of purchases for resale include, but are not limited to items such as marijuana products, edibles, Tee-shirts, and containers for the final product, etc. that are transferred directly to the end consumer.

EXAMPLES

1. Buds R Us operates a grow facility in Denver. For their grow operations they purchase nutrients, a grow light system, and a separator machine from an unlicensed non-Denver vendor. Denver use tax at the general rate would be due on this purchase. In addition, the grow light system and separator machine should be declared on the annual Business Personal Property declaration filed with the Denver Assessor.

RELATED TAX GUIDE TOPIC

Drugs
Medical Exemptions
Use Tax

*Colorado Constitution, Article XVIII, Section 14.

* DRMC Section 53-54(a)(1). Imposition of tax.

* DRMC Section 53-92(a). Imposition of tax.

* DRMC Section 53-104(a)(1). Imposition of tax

* C.R.S. 18-18-406.3.

* C.R.S. 25-1.5-106.

The complete Denver Tax Guide, the Denver Revised Municipal Code (DRMC), tax forms, and other related information and forms are available on-line at www.denvergov.org/treasury.

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THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

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