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**TAX ANNOUNCEMENT 2022-1**

Date: March 1, 2022  
To: All Marijuana Producers & Marijuana Retailers  
From: Secretary, Department of Finance  
Subject: **Tax on Marijuana Retailers and Cannabis Excise Tax**

The purpose of this announcement is to provide guidance regarding the Tax on Marijuana Retailers and Cannabis Excise Tax, which were established by Public Law 21-5 and became effective on August 21, 2019.

**Tax on Marijuana Retailers**

Public Law 21-05 amended Title 4, Division 1, Chapter 3 of the Commonwealth Code to establish a Tax on Marijuana Retailers (codified at 4 CMC § 1310). Section 1310 provides:

In addition to the tax imposed by 4 CMC § 1301(a) a yearly surtax is imposed on total gross revenue of Marijuana Retailers, as defined in the Taulamwaar Sensible CNMI Cannabis Act of 2018, in the amount of fifteen percent, except gross revenue attributable to the sale of medical marijuana shall be taxed in the amount of 7.5 percent.

Thus, marijuana retailers, in addition to gross revenue taxes imposed under 4 CMC § 1301 (as well as any other applicable taxes), are required to pay a tax on gross revenues derived from the sale of “marijuana items,” “marijuana,” “marijuana products,” and “marijuana extracts,” as defined in 4 CMC § 53005, in the amount of 7.5% for medical marijuana sales and 15% for all other retail sales. Gifting of items subject to the Tax on Marijuana Retailers shall be presumed to be a means of evading the tax and the Division of Revenue and Taxation will impute gross revenues subject to tax at a retail value commensurate with the actual price received for products of like quality, character, and use.

Every person subject to the Tax on Marijuana Retailers must file a monthly return using the Form OS-3105C and pay taxes due on or before the last day of the month following the month in which gross revenues were received or accrued. Businesses are required to file monthly tax returns reporting gross revenues even if no tax is due.

Please refer to NMIAC § 70-40.6-375 for additional information.

## **Cannabis Excise Tax**

Public Law 21-05 amended Title 4, Division 1, Chapter 4, Article 1 of the Commonwealth Code to establish a Cannabis Excise Tax (codified at 4 CMC § 1402(a)(21)). Section 1402(a)(21) imposes an excise tax on marijuana producers at the rate of 15% of the gross revenues from the first sale of cannabis or marijuana grown by a producer. The sale of any product that contains any amount of cannabis or marijuana is subject to the Cannabis Excise Tax on the full selling price of the product. The Division of Revenue and Taxation may determine the selling price of the cannabis or marijuana when the seller and purchaser are affiliated persons, when the sale and purchase of cannabis or marijuana is not an arm's length transaction, or when cannabis or marijuana is transferred by a producer to the producer's marijuana lounge, marijuana retail facility, marijuana wholesale facility, or marijuana processing facility and a value is not established for the cannabis or marijuana.

The Cannabis Excise Tax is solely the responsibility of the marijuana producer who makes the first sale and is not the responsibility of a subsequent purchaser, marijuana retailer, marijuana lounge, marijuana wholesaler, or marijuana processor. Persons subject to the Cannabis Excise Tax may, however, reimburse themselves for their tax liability by separately stating the tax liability as an additional charge on the invoice.

Every person subject to the Cannabis Excise Tax must file a monthly return using the Form OS-3105C and pay taxes due on or before the last day of the month following the month in which gross revenues were received or accrued. Businesses are required to file monthly tax returns reporting gross revenues even if no tax is due.


Please refer to NMIAC § 70-40.6-1701 for additional information.

## **Filing and Payment for 2021/2022 Tax Years**

The Tax on Marijuana Retailers and Cannabis Excise Tax were in effect in 2021, when the first marijuana retailers and producers of cannabis and marijuana were licensed by the Commonwealth Cannabis Commission. The Division of Revenue and Taxation promulgated regulations relating to these taxes, which became effective December 8, 2021, and can be found at Sections 70-40.6-375 and 70-40.6-1701 of the Northern Mariana Islands Administrative Code, respectively. Every person subject to the Tax on Marijuana Retailers and/or Cannabis Excise Tax is required to file monthly returns using the Form OS-3105C and pay taxes due from the date the person began operating through the present. The Division of Revenue and Taxation will waive any penalties and interest that may have accrued for persons that file all monthly returns and pay all taxes due through February 2022 on or before March 31, 2022. Form OS-3105C is available at: <https://www.finance.gov.mp/forms.php>.

Please feel free to contact the Division of Revenue and Taxation- Compliance Branch if you have any questions.

Regards,



David DLG. Atalig