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DRAFT Revenue Administrative Bulletin 2026-XX

Wholesale Marihuana Tax

Approved: January __, 2026

Note: A taxpayer may rely on this Revenue Administrative Bulletin until it is revoked by Treasury or until a law on which this RAB is based is altered by legislation or by binding judicial precedent. See MCL 205.6a and RAB 2016-20.

RAB 2026-XX

The Revenue Act authorizes the Department of Treasury ("Treasury") to periodically issue bulletins that explain Treasury's interpretation of current state tax laws. See MCL 205.3(f). The purpose of this Revenue Administrative Bulletin ("RAB") is to (1) explain the tax imposed on wholesale transfers and sales of adult-use marihuana under the Comprehensive Road Funding Tax Act ("CRFTA") (MCL 205.901 et seq.), (2) explain the tax base upon which the wholesale tax is imposed, as well as the method that will be used by Treasury to determine the "average wholesale price" of marihuana applicable to transactions between affiliated persons, and (3) set forth the tax return and remittance requirements and procedures that taxpayers under the CRFTA are required to follow. Note: The spelling of "marihuana" as used herein is taken from the CRFTA, which employs that spelling rather than the more common "marijuana."

This RAB addresses only the taxation of wholesale transfers and sales of adult-use or recreational marihuana, which was legalized in Michigan by the Michigan Regulation and Taxation of Marihuana Act ("MRTMA") (MCL 333.27951 et seq.). It does not directly address the MRTMA, the Medical Marihuana Facilities Licensing Act ("MMFA") (MCL 333.27101 et seq.), or the Michigan Medical Marihuana Act (MCL 333.26424 et seq.). Additionally, this RAB does not address the duties and responsibilities of the Department of Licensing and Regulatory Affairs or the Cannabis Regulatory Agency ("CRA") with respect to the regulation of marihuana.

Issues Addressed

1. What is the excise tax on wholesale sales or transfers of adult-use marihuana imposed under the CRFTA?
2. Upon what party is the excise tax on wholesale sales or transfers of adult-use marihuana imposed?

3. At what point is the excise tax on wholesale sales or transfers of adult-use marihuana imposed?
4. Does the wholesale tax apply in addition to other taxes imposed on sales of adult-use marihuana?
5. What is meant by the “average wholesale price” of marihuana? How will Treasury determine the price to be used with respect to transactions between affiliated persons?
6. What are the tax return and remittance requirements and procedures under the CRFTA?

Analysis and Discussion

1. Excise Tax on Wholesale Sales and Transfers of Adult-Use Marihuana.

On October 7, 2025, the CRFTA was signed into law. The CRFTA imposes a new excise tax on wholesale sales of adult-use (sometimes called recreational) marihuana which took effect on January 1, 2026, and which is administered by Treasury under the Revenue Act (MCL 205.1 et seq.). The use, possession, and sale of adult-use marihuana to individuals over 21 years of age became legal in Michigan following voter approval of a 2018 ballot initiative which became the MRTMA. The MRTMA imposes a separate 10% excise tax on retail sales of adult-use marihuana.

Pursuant to Sec. 5 of the CRFTA (MCL 205.905), on January 1, 2026, Michigan began to impose an excise tax on wholesale sales or transfers of adult-use “marihuana,” as that term is defined in the MRTMA. The tax is imposed at the rate of 24% of the “wholesale price” of the marihuana product sold and is applicable to (a) the first sale or transfer of marihuana from a “marihuana establishment” (such as a cultivator or processor) to a marihuana retail licensee, (b) marihuana cultivated and processed for retail sale by a marihuana retail licensee itself (e.g., a microbusiness), and (c) sales or transfers of marihuana from medical marihuana provisioning centers to adult-use marihuana retail licensees. Because the 24% wholesale tax took effect on January 1, 2026, the tax applies to all taxable sales and transfers of marihuana occurring on and after that date. The date that a particular sale or transfer occurs for purposes of the wholesale tax is when ownership of the marihuana transfers from the wholesaler to the marihuana retail licensee.

2. Imposition of the Wholesale Tax on Certain Parties.

The CRFTA provides that the excise tax on wholesale sales of adult-use marihuana applies to, among other things, “the first sale or other transfer of marihuana from a marihuana establishment to a marihuana retail licensee.” MCL 205.905(a). The term “marihuana establishment” (the selling or transferring entity) has the same meaning as it does under the MRTMA, the statute that generally regulates adult-use marihuana. The term refers to any marihuana-related entity licensed by the CRA under the MRTMA, including a marihuana grower, marihuana safety compliance facility, marihuana processor, marihuana microbusiness, marihuana retailer, and marihuana secure

transporter. MCL 205.903(g). The Act defines a “marihuana retail licensee” (the transferee or purchasing entity) as a CRA licensee holding a license issued under the MRTMA authorizing the entity to make retail sales of marihuana to individuals over 21 years of age. MCL 205.903(j).

The CRFTA provides that the wholesale tax is imposed on the entity acting as the wholesaler in each taxable transaction – the “marihuana establishment” that makes the first sale or other transfer of marihuana to a retail licensee. MCL 205.905(a). It is the wholesaler entity that is legally responsible for paying the tax on all applicable transactions, as well as remitting the tax to Treasury. The wholesaler entity is required to pay and remit the 24% wholesale tax on all taxable sales and transfers of adult-use marihuana. The CRFTA imposes the wholesale tax directly on the wholesaler entity, and not on the retail licensee. The wholesaler is permitted to recoup its own expenditure for the tax due on a wholesale transaction by passing the tax through and collecting it from the purchaser (the retail licensee), but the wholesaler nevertheless remains legally liable for both the payment and remittance of the tax. Accordingly, wholesalers passing the tax through must pay and remit the tax even on sales made to retail licensees where the sales receivable is determined to be uncollectible by the wholesaler.

Example A. Processing Co. sells 10 pounds of marihuana flower to Cannabis Store, a marihuana retail licensee, on the usual 30-day terms agreed to by the parties. Processing Co. calculates the wholesale tax due on the transaction and includes it in the total amount due from Cannabis Store. Cannabis Store suffers a financial setback, and is unable to pay the receivable owed to Processing Co. Eventually, Processing Co. determines that the receivable is uncollectible. Even though Processing Co. is unable to collect the receivable, including the tax, from Cannabis Store, it must report and remit the calculated wholesale tax due on the transaction on its quarterly wholesale tax return.

3. When the Wholesale Tax is Imposed.

First Sale or Other Transfer of Marihuana to Retail Licensee

The CRFTA provides that the wholesale tax applies to, among other things, “the first sale or other transfer of marihuana from a marihuana establishment to a marihuana retail licensee.” MCL 205.905(a). As explained previously, the CRFTA defines a “marihuana establishment” as any entity licensed by the CRA under MRTMA, and a “marihuana retail licensee” as a CRA licensee authorized to make retail sales of adult-use marihuana. Therefore, the wholesale tax generally applies to sales and transfers of adult-use marihuana from traditional wholesalers to retailers. “First sale or transfer” means just that – the tax is imposed at the point that a wholesaler entity first makes a sale or transfer to a retailer. Sales or transfers of the same product that may have taken place previously in the production cycle – a sale from a grower to a processor, for example, are not subject to the tax. Accordingly, the imposition of the tax on the “first

sale or transfer” to a retailer ensures fairness by precluding the possibility that the same product will be taxed multiple times, at different points in the chain of production.

Example B. Green Co., a licensed grower of adult-use marihuana, sells 100 pounds of marihuana flower to Processing Co. The wholesale tax would not be imposed on this sale of marihuana product from a grower to a processor, because this transaction does not represent the “first sale or transfer” of marihuana product to an entity licensed by the CRA to make retail sales of adult-use marihuana.

“Seed-to-Sale” Microbusinesses

In addition to typical wholesale transactions, the CRFTA provides that retail licensees under MRTMA that operate what are often called “seed-to-sale” businesses will also be subject to the 24% wholesale tax. MCL 205.905(b). “Seed-to-sale” entities are typically licensed under the MRTMA as microbusinesses, and these entities cultivate, process, and package their own adult-use marihuana products for retail sale, then sell those products to customers at retail. For these businesses, the wholesale tax applies to “the aggregate amount or quantity of marihuana that is cultivated or processed for retail sale by that marihuana retail licensee.” MCL 205.905(b). Specifically, “seed-to-sale” retail licensees should apply the 24% wholesale tax at the point that marihuana product is packaged for retail sale.

Example C. Corner Cannabis, a licensed microbusiness under the MRTMA that cultivates and processes for retail sale its own adult-use marihuana product, packages 5 pounds of flower for retail sale during each month of the second quarter of the year. Corner Cannabis should calculate the wholesale tax owed on the aggregate amount of product packaged for retail sale during the quarter, i.e., 15 pounds of flower, and report and remit that amount of tax to Treasury on its quarterly wholesale tax return.

Transfers from Provisioning Centers to Retail Licensees

Finally, the CRFTA provides that the 24% wholesale tax also applies to sales or transfers of marihuana from medical marihuana provisioning centers licensed under the MMFA to adult-use retail licensees. MCL 205.905(c). This provision was primarily (but not exclusively) intended to apply to “dual licensees,” entities that themselves hold both a provisioning center license under the MMFA and a retailer license under the MRTMA. CRA rules permit provisioning centers (that make sales from segregated medical marihuana inventory), under certain circumstances, to transfer marihuana from their medical inventory to the adult-use inventory they hold as a MRTMA retail licensee; following the transfer, the marihuana can be sold by the entity only under its MRTMA retail license as adult-use marihuana. CRA rules require such inventory transfers by dual licensees to be reported through their electronic system at the time that they take place. Accordingly, the wholesale tax will apply at the time each transfer of inventory from the provisioning center to the retail licensee takes place, and the transferred marihuana becomes adult-use marihuana.

Applicability of Other Taxes.

The CRFTA states that the 24% wholesale tax is imposed on taxable transactions “in addition to all other taxes.” MCL 205.905. Accordingly, the 24% wholesale marihuana tax applies in addition to the existing 10% excise tax on retail sales of adult-use marihuana imposed under the MRTMA, as well as the 6% state sales tax that is imposed on all non-exempt sales of tangible personal property. The current 10% excise tax and the 6% sales tax are applied at the time of retail purchase, while the CRFTA wholesale tax is applied on the earlier transaction between the wholesaler and the retailer.

Transactions Between Affiliated Persons and Between Non-affiliated Persons.

The 24% tax on wholesale sales and transfers of adult-use marihuana is levied and imposed on the “wholesale price” of the marihuana product that is sold or transferred in each taxable transaction. MCL 205.903(m). However, the CRFTA defines the term “wholesale price” in two separate ways, depending upon whether the parties to the transaction are “affiliated persons,” or are not “affiliated persons.” This distinction is important because, in transactions where one of the parties maintains a certain level of control over the other party, the transactional price may not represent a true market-based, arms-length price.

For purposes of the wholesale tax, an “affiliated person” is defined in the Act as “a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another person.” MCL 205.903(a). Generally, direct control means ownership of more than 50% of an entity, while indirect control means control exercised through a chain of other companies, such as a parent company that controls a subsidiary, which in turn controls another subsidiary; in such a scenario, the parent has indirect control over the second-level subsidiary. Conversely, a non-affiliated person is simply a person that does not meet the definition of an “affiliated person.”

Example D. Cannabis Inc., a large marihuana grower licensed under the MRTMA owns 100% of its subsidiary, Processing Co., a licensed processor of adult-use marihuana. Processing Co. owns 80% of its subsidiary Cannabis Store, a retailer licensed under the MRTMA; the other 20% of Cannabis Store is held by an unrelated investor. Cannabis Inc. and Processing Co. are affiliated persons, as are Processing Co. and Cannabis Store, and Cannabis Co. and Cannabis Store.

Wholesale Price Applicable to Transactions Between Non-Affiliated Persons.

For transactions between non-affiliated persons, the “wholesale price” upon which the 24% wholesale tax is imposed is defined under the CRFTA as the “actual price paid to a marihuana establishment by a marihuana retail licensee to acquire marihuana from the marihuana establishment,” and includes “any tax, fee, or other charge reflected on the invoice, bill of sale, purchase order, or other document evidencing the sale or transfer of

the marihuana.” MCL 205.903(m)(i). The definition also prohibits reduction of the wholesale price due to any rebate, trade allowance, exclusivity agreement, or other discount or reduction given by the marihuana establishment.

Example E. Processing Co., a licensed processor of adult-use marihuana, sells 15 pounds of mixed marihuana shake and trim to Leaf Store, a small retailer licensed under the MRTMA. The two entities are not affiliated with each other. Processing Co. sells the product to Leaf Store for \$200 per pound, and the invoice includes as a separate line item a \$50 handling fee due to a special request made by Leaf Store regarding the product packaging. The wholesale tax owed by Processing Co. will be 24% of \$3,050, the “actual price paid” by Leaf Store to acquire the marihuana product, including the special fee charged by Processing Co.

Whether “Any Tax” Includes the Wholesale Tax Itself.

The definition in the CRFTA of “wholesale price” that is applicable to transactions between non-affiliated persons states that the defined price “includes any tax, fee, or other charge reflected on the invoice, bill of sale, purchase order, or other document evidencing the sale or transfer of the marihuana.” MCL 205.903(m)(i). The phrase “any tax” in the definition of “wholesale price” does not include the wholesale tax itself. The term instead captures other taxes and fees that are or may be imposed by other laws, including federal law.

Example F. Processing Co., a licensed processor of adult-use marihuana, sells 20 pounds of mixed marihuana shake and trim to Leaf Store, a small retailer licensed under the MRTMA. The two entities are not affiliated with each other. Processing Co. sells the marihuana product to Leaf Store for \$200 per pound. Processing Co. passes the cost of the wholesale tax on to Leaf Store, and the product invoice includes a separate line item in the amount of \$960 for “wholesale tax.” When Processing Co. calculates its wholesale tax liability at the end of the quarter, the amount of the sale to Leaf Store on which it must report and pay the 24% tax is \$4,000, the price of the marihuana product sold, not \$4,960, the price of the product combined with the wholesale tax passed through to Leaf Store.

“Average Wholesale Price” Applicable to Transactions Between Affiliated Persons.

For transactions between persons that meet the definition of affiliated persons, including transactions between provisioning centers and marihuana retail licensees (primarily dual licensees), and for marihuana that is cultivated and processed for retail sale by the marihuana retail licensee itself (“seed-to-sale” businesses), the “wholesale price” upon which the 24% wholesale tax is imposed is defined under the CRFTA is the “average wholesale price” of the marihuana. MCL 205.903(m)(ii). “Average wholesale price” means “the price of marihuana that is calculated and published by the department each quarter based on the best available information.” MCL 205.903(b). The actual price charged in a transaction involving affiliated parties may not reflect or be based on true

market considerations; therefore, affiliated parties are required to calculate the wholesale tax using an “average” price set by Treasury on a quarterly basis.

Treasury calculates and publishes on its website the “average wholesale price” for a defined group of agricultural and processed marihuana products for each quarter. Treasury generally uses the same marihuana product categories used by the CRA’s electronic tracking system, with which many wholesale tax taxpayers are already familiar. The prices are published at the beginning of each quarter and “marihuana establishments” acting as wholesalers in affiliated transactions and seed-to-sale businesses (such as microbusinesses) must use these prices to calculate their wholesale tax liability for that quarter.

Treasury calculates the “average wholesale price” for each product category using retail prices and sales quantities published monthly by the CRA. The data published by the CRA is available timely and is calculated from entries made in the CRA’s electronic tracking system used by marihuana licensees. The CRA oversees the tracking system and recorded transactions, and the system itself has been in place for a substantial period of time. Accordingly, the data drawn from that system and published by the CRA is both consistent and reliable, making it appropriate for use here. Treasury has determined that this data represents the best available information for calculating the “average wholesale price” for each marihuana product category.

The list of “average wholesale prices” is determined using data from a three-month period. This longer period (as opposed to a single month) serves to insulate the retail prices from instability caused by unusual circumstances in any one month. If there is a change in the industry that impacts prices and that lasts longer than one month, the impact of that change on the “average wholesale prices” for that quarter will be greater. Because Treasury publishes the prices at the beginning of each quarter, the data used to calculate the prices will always be from the three-month period ending one month before the start of the quarter. Due to the timing of the CRA’s data publication, this represents the most recent available data. For example, the “average wholesale prices” published at the beginning of the quarter starting on January 1, 2026 were determined using data from September, October, and November 2025.

For all product categories, including trade samples, it is the wholesale entity’s responsibility to maintain adequate books and records demonstrating that all transactions have been recorded in the proper product category.

For current and past average wholesale price information please visit:
<https://www.michigan.gov/taxes/business-taxes/wholesale-marihuana-tax/average-wholesale-prices>

Example G. Processing Co., a licensed processor of adult-use marihuana, is affiliated with Cannabis Store, a retailer licensed under the MRTMA. In the fourth quarter of a given year, Processing Co. sells 100 pounds of marihuana flower to Cannabis Store for \$500 per pound, a price that largely reflects its own cost plus a small markup. The

“average wholesale price” published on Treasury’s website for the current quarter is \$620 per pound for flower. Because the parties are affiliated persons, the wholesale tax owed by Processing Co. on the sale must be calculated using the “average wholesale price” of \$620 per pound. The tax owed by Processing Co. will be 24% of \$62,000.

Example H. Assuming the same parties as in Example F, Processing Co. sells one-half pound of concentrate to Cannabis Store in the third quarter of a given year for \$500. The “average wholesale price” published on Treasury’s website for the current quarter is \$2,000 per pound for concentrate. Because the parties are affiliated persons, the wholesale tax owed by Processing Co. on the sale must be calculated using the “average wholesale price” of \$2,000 per pound. However, the amount sold to Cannabis Store is less than one pound; therefore, Processing Co. must prorate the price. The tax owed by Processing Co. will be 24% of \$1,000 (\$2,000 divided by 2 = the average price for one-half pound of concentrate).

4. Return and Remittance Requirements and Procedures.

The CRFTA does not set forth specific requirements or restrictions regarding tax return procedures or remittance to Treasury of the 24% wholesale tax. Instead, Treasury is afforded broad authority under the CRFTA to create necessary forms, and to “implement this act and prescribe a method and manner for payment and collection of the taxes imposed under this act.” MCL 205.907(2). Further, taxpayers are required to “file periodic returns at the times and in the manner prescribed by the department and remit the total amount of tax due with each return.” MCL 205.909(1).

To ensure timely payment of the 24% wholesale tax and to provide for efficient administration, on a going-forward basis, Treasury will require CRFTA taxpayers to file quarterly wholesale tax returns and remit all tax due with each return. However, during the transitional period leading to full implementation of the tax, expected to be approximately two to three calendar quarters, the filing and remittance procedures may be different, and may be modified during that period. Specific and up-to-date guidance regarding remittance of the 24% wholesale tax is available on Treasury’s website at www.michigan.gov/treasury, under Business Taxes.