

## Taxability of Hemp-Derived Cannabinoids

### Hemp-Derived Cannabinoids Subject to Tax

Effective July 1, 2023, Public Chapter 423 (2023) creates a new 6% sales tax for the privilege of engaging in the business of selling products containing a hemp-derived cannabinoid. This tax applies in addition to the standard 7% state sales tax rate and the applicable local option sales tax rate. This tax does not apply to hemp-derived fiber, grain, or topical products.

### Definition of Hemp-Derived Cannabinoid

Hemp-derived cannabinoid means (i) a cannabinoid other than delta-9 tetrahydrocannabinol ("THC"), or an isomer derived from such cannabinoid, that is derived from hemp in a concentration of more than one-tenth of one percent (0.1%); or (ii) a hemp-derived product containing delta-9 THC in a concentration of three-tenths of one percent (0.3%) or less on a dry weight basis. This includes, but is not limited to, delta-8 THC and delta-10 THC.

### Reporting the Tax

The additional 6% sales tax applies to the sales price of products containing hemp-derived cannabinoids when sold at retail in Tennessee. The tax is reported in the same manner as sales tax. Therefore, the tax is due monthly. Taxpayers must file a return with the Department and remit payment on or before the 20<sup>th</sup> day of each month.

The Department will revise its Sales and Use Tax Return to add a new schedule that retailers will use to comply with this additional tax.

### For More Information

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents. Additional information is also available in the Department's [Sales and Use Tax Manual](#).

### References

Tenn. Code Ann. § 67-6-232, Pub. Ch. 423 (2023)