Hemp Tax Manual

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Contents

Hemp Taxes

Overview

Beginning July 1, 2023, Public Chapter 423 (2023) created a 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.

Public Chapter 526 (2025), effective January 1, 2026, repealed the above additional sales tax and updates the regulation and taxation of the sale and distribution of “hemp-derived cannabinoid products” (“HDCPs”). Public Chapter 526 (2025) also established a new tax on HDCPs sold at wholesale and created a new regulatory scheme whereby the Tennessee Alcoholic Beverage Commission (the “ABC”) will be heavily involved in regulating HDCPs.

Please contact the ABC for information on the regulatory and licensing provisions related to HCDPs.

Commonly Used Terms

It is helpful to know the defined terms in hemp law to understand how taxes are applied to sales of products containing hemp-derived cannabinoids in Tennessee. This section addresses some fundamental terms and definitions found in Tenn. Code Ann. § 57-7-102. The phrase “this chapter” used throughout these definitions refers to Title 57, Chapter 7.

1. Batch

"Batch" means “a single stock-keeping unit with common cannabinoid input or a hemp flower of the same varietal and harvested on the same date and manufactured during a defined cycle in such a way that it could be expected to be of a uniform character and should be designated as such.”[1]

2. Dry Weight

"Dry weight" means the weight of plant material with a moisture content that does not exceed 13%.[2]

3. Hemp-Derived Cannabinoid

"Hemp-derived cannabinoid" is defined as:

- A cannabinoid other than delta-9 tetrahydrocannabinol, 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%);[3]

- A hemp-derived product containing delta-9 tetrahydrocannabinol in a concentration of not more than three-tenths of one percent (0.3%) on a dry weight basis;[4] or

- A hemp-derived product containing a total THC content or a total theoretical THC content of not more than three-tenths of one percent (0.3%) on a dry weight basis.[5]

"Hemp-derived cannabinoid" includes, but is not limited to:

- Delta-8 tetrahydrocannabinol;[6]
- Delta-10 tetrahydrocannabinol;[7]
- Hexahydrocannabinol;[8] and
- Tetrahydrocannabivarin (THCv);[9] and

Does not include:

- Cannabichromene (CBC/CBCa/CBCv);[10]
- Cannabicitran (CBT/CBTa);[11]
- Cannabicyclol (CBL/CBLa);[12]
- Cannabidiol (CBD/CBDa/CBDv/CBDp);[13]
- Cannabielsoin (CBE/CBEa);[14]
- Cannabigerol (CBG/CBGa/CBGv/CBGm);[15]
- Cannabinol (CBN/CBNa);[16]
- Cannabivarin (CBV/CBVa);[17]
- Hemp-derived feed products allowed under title 44, chapter 6;[18]
- Hemp-derived fiber, grain, or stalk; provided, that the product does not contain a hemp-derived cannabinoid in a concentration of more than three-tenths of one percent (0.3%) on a dry weight basis;[19]
- Tetrahydrocannabinolic acid (THCa) in a concentration greater than three-tenths of one percent (0.3%) on a dry weight basis;[20]

- Tetrahydrocannabiphorol (THCp);[21]
- A synthetic cannabinoid;[22] or
- A substance that is categorized as a Schedule I controlled substance on or after July 1, 2023, including a substance that may be identified in subdivision (3)(B).[23]

4. Hemp-Derived Cannabinoid Product

"Hemp-derived cannabinoid product" or "HDCP" is defined as:

- A product that contains or that is labeled as containing a hemp-derived cannabinoid and that is produced, marketed, or otherwise intended to be ingested orally, inhaled, or absorbed through the skin, including hemp and hemp plant parts, and any product that may contain a hemp-derived cannabinoid that is extracted from hemp plants or hemp plant parts.[24]

The definition of HDCP includes:

- Intermediate products intended for subsequent use as a component in a later finished HDCP; and

- Except as excluded under subdivision (3)(C)(x), harvested hemp and hemp plant parts, otherwise known as hemp flower.[25]

5. Manufacture

"Manufacture" means to “compound, blend, extract, infuse, cook, or otherwise make or prepare HDCPs, including the processes of extraction, infusion, packaging, repackaging, labeling, and relabeling of HDCPs.”[26]

6. Retailer

A "retailer" is “a person that sells, markets, or advertises as a seller, provides samples with or without a fee or charge, or otherwise distributes to the public, with or without compensation, HDCPs for consumption and not for resale.”[27]

7. Supplier

A "supplier" is a person that:

- Is located either inside or outside of this state and that sells HDCPs to wholesalers or to suppliers licensed under this chapter for repackaging or for resale, but not for consumption;

- Manufactures hemp-derived cannabinoids or HDCPs in this state; or

- Contracts for the manufacture of hemp-derived cannabinoids or HDCPs, whether located inside or outside of this state, and that sells finished, packaged HDCPs to wholesalers or to suppliers licensed under this chapter for resale and not for consumption.[28]

8. Wholesaler

A "wholesaler" is a person that purchases finished and packaged for consumption HDCPs, not considered intermediate products still in the pre-packaging stage, from suppliers licensed under this chapter, or from other wholesalers licensed under this chapter, and that sells HDCPs for resale and not for consumption.[29]

Wholesale Hemp Tax

1. Overview

The tax on HDCPs sold at wholesale is established in Tenn. Code Ann. § 57-7-108 and is imposed in the following amounts for HDCPs sold in Tennessee:

- Two cents per milligram of hemp-derived cannabinoid in each HDCP[30];
- $50.00 per ounce of weight on HDCPs sold in the form of hemp plant parts or hemp flower[31]; and
- $4.40 per gallon of liquid HDCP or at a proportional rate if the liquid HDCP is sold or distributed in a container that is not measured by gallonage.[32]
  - If the product is inhalable in cartridge form, a tax of 10% on the product's wholesale cost is also imposed. This tax applies to inhalable liquid HDCPs in addition to the gallonage tax on liquid HDCPs.[33]

- Inhalable liquid HDCPs include tetrahydrocannabinol (THC) vape pens and cartridges containing liquid HDCP.

2. Who is Subject to Tax?

Only taxpayers subject to licensure by the ABC, under Title 57, Chapter 7, are subject to this tax. Taxpayers with valid licenses issued by the Department of Agriculture are not subject to the new wholesale tax. However, when the license issued by the Department of Agriculture expires, such taxpayers must obtain a license from the ABC and will be subject to the wholesale tax.

3. Report of Sales and Payment of Tax

The wholesale tax on hemp is due monthly on the 20th of each month on the amounts sold by the wholesaler during the preceding month.

Each wholesaler must provide the Department with information on its sales or disposition of all HDCPs in the preceding calendar month on forms provided by the Department.[34]

Hemp-Derived Cannabinoid Product Brand Registration

1. Overview

Pursuant to Public Chapter 526 (2025), effective January 1, 2026, each brand of HDCP must be registered with the Department prior to distribution in Tennessee.

"Brand" includes each category or type of HDCP, distinguishable to a consumer by supplier, name or trademark, brand or product line name or trademark, delivery system, or another distinction between HDCPs provided in the rules of the ABC or the Department.[35]

Suppliers subject to licensure by the ABC, under Title 57, Chapter 7, must register with the Department before delivering any HDCPs to a wholesaler for distribution in Tennessee.[36] Wholesalers and retailers are prohibited from placing orders, receiving, accepting, or offering for sale any HDCPs that are not registered with the Department.[37]

2. Registering Brands

Each brand of HDCP, distinguishable by category, type, and delivery system, must be separately registered with the Department.[38] The annual brand registration fee is $300 per HDCP brand registered.

Wholesaler and Supplier Database

Information about wholesalers and suppliers operating in Tennessee is available to the public on the Department's website.[39] This information includes, but is not limited to, their addresses, approved brands, and designated territories where a contract has been registered with the Department.[40]

[1] Tenn. Code Ann. § 57-7-102(1).
[2] Tenn. Code Ann. § 57-7-102(2).
[3] Tenn. Code Ann. § 57-7-102(3)(A)(i).
[4] Tenn. Code Ann. § 57-7-102(3)(A)(ii).
[5] Tenn. Code Ann. § 57-7-102(3)(A)(iii).
[6] Tenn. Code Ann. § 57-7-102(3)(B)(i).
[7] Tenn. Code Ann. § 57-7-102(3)(B)(ii).
[8] Tenn. Code Ann. § 57-7-102(3)(B)(iii).
[9] Tenn. Code Ann. § 57-7-102(3)(B)(iv).
[10] Tenn. Code Ann. § 57-7-102(3)(C)(i).
[11] Tenn. Code Ann. § 57-7-102(3)(C)(ii).
[12] Tenn. Code Ann. § 57-7-102(3)(C)(iii).
[13] Tenn. Code Ann. § 57-7-102(3)(C)(iv).
[14] Tenn. Code Ann. § 57-7-102(3)(C)(v).
[15] Tenn. Code Ann. § 57-7-102(3)(C)(vi).
[16] Tenn. Code Ann. § 57-7-102(3)(C)(vii).
[17] Tenn. Code Ann. § 57-7-102(3)(C)(viii).
[18] Tenn. Code Ann. § 57-7-102(3)(C)(ix).
[19] Tenn. Code Ann. § 57-7-102(3)(C)(x).
[20] Tenn. Code Ann. § 57-7-102(3)(C)(xi).
[21] Tenn. Code Ann. § 57-7-102(3)(C)(xii).
[22] Tenn. Code Ann. § 57-7-102(3)(C)(xiii).
[23] Tenn. Code Ann. § 57-7-102(3)(C)(xiv).
[24] Tenn. Code Ann. § 57-7-102(4)(A).
[25] Tenn. Code Ann. § 57-7-102(4)(B).
[26] Tenn. Code Ann. § 57-7-102(5).
[27] Tenn. Code Ann. § 57-7-102(7).
[28] Tenn. Code Ann. § 57-7-102(9).
[29] Tenn. Code Ann. § 57-7-102(16).
[30] Tenn. Code Ann. § 57-7-108(a)(1).
[31] Tenn. Code Ann. § 57-7-108(a)(2)(A).
[32] Tenn. Code Ann. § 57-7-108(a)(2)(B).
[33] *Id.*
[34] Tenn. Code Ann. § 57-7-108(c).
[35] Tenn. Code Ann. § 57-7-112(a).
[36] Tenn. Code Ann. § 57-7-112(c)(1).
[37] Tenn. Code Ann. § 57-7-112(c)(2).
[38] Tenn. Code Ann. § 57-7-112(b).
[39] Tenn. Code Ann. § 57-7-115.
[40] *Id*.