



Taxation of Hemp-Based Cannabinoids

Tax Webinar: February 2024

Information is current as of the date presented and may not reflect legislative and other subsequent changes. For the most up-to-date information, please refer to our [published tax manuals](#) and [Revenue Help articles](#). Additionally, you can find legislative summaries by year/tax type [here](#).

Thanks for joining us!

We will begin at 9:00 am (CST)

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- Contact WebEx Support <https://help.webex.com/contact/>
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View a recording of today's presentation!

tn.gov/revenue > Taxpayer Education > Tax Webinars

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The webinar recording will be posted in the "Webinar Video Library" the day after the event.

➤ **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**

- www.tn.gov/Revenue
- Revenue.support@tn.gov
- 615.253.0600 (M-F 8-4:30 CST)



Overview

Regulation of the sale and distribution of products containing a hemp-derived cannabinoid. Tenn. Code Ann. §43-27-201

- **TIMELINE/ LAWS & DEFINITIONS**
- **HEMP TAX/ COLLECTION & REPORTING**
- **COMPLIANCE/ INSPECTIONS & TESTING**
- **RESOURCES**

Hemp-Derived Cannabinoids in TN



Law

Public Chapter 423



Definition – Hemp-Derived Cannabinoid

- 1. 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%); or**
- 2. A hemp-derived product containing delta-9 tetrahydrocannabinol in a concentration of three-tenths of one percent (0.3%) or less on a dry weight basis.**



Definition – Hemp-Derived Cannabinoid

For purposes of this law.....

INCLUDES	DOES NOT INCLUDE
Delta-8 tetrahydrocannabinol	Cannabichromene (CBC/CBCa/CBCv)
Delta-10 tetrahydrocannabinol	Cannabicitran (CBT/CBTa)
Hexahydrocannabinol	Cannabicyclol (CBL/CBLa)
Tetrahydrocannabiphorol (THCp)	Cannabidiol (CBD/CBDa/CBDv/CBDp)
Tetrahydrocannabivarin (THCv)	Cannabielsoin (CBE/CBEa)
Tetrahydrocannabinolic acid (THCa)	Cannabigerol (CBG/CBGa/CBGv/CBGm)
	Cannabinol (CBN/CBNa)
	Cannabivarin (CBV/CBVa)
	Hemp-derived feed products
	Hemp-derived fiber, grain, or topical products

In Effect Upon Becoming Law

Effective upon signing (5/11/2023):

- Sale and distribution of hemp-derived cannabinoids is authorized, products sold/offered in violation of the law are subject to seizure
- Must be 21+ to purchase
- Products must be maintained behind counter/inaccessible to customer

Tax Requirement

Effective 7/1/2023:

- 6% sales tax IN ADDITION TO state/local regular sales tax
- Tax applies to the sales price of products containing hemp-derived cannabinoids when sold at retail in TN
- Taxpayers must file a monthly return with the TDOR and remit payment on or before the 20th day of each month.

Filing: SLC450, Schedule H

Schedule H - Tax on Hemp-Derived Cannabinoids

Do you have any hemp-derived cannabinoid sales to report?

Yes

No

Report your Tax on Hemp-Derived Cannabinoid sales

Click Here

Schedule H Total Tax

Schedule H - Tax on Hemp-Derived Cannabinoids

Schedule H

Product Type	Other (Please Specify)	Gross Sales	Total Tax
1. Delta-8 Tetrahydrocannabinol			
2. Delta-10 Tetrahydrocannabinol			0.00
Hexahydrocannabinol			
3. Tetrahydrocannabinolic Acid (THCa)			248.00
4. Tetrahydrocannabiphorol (THCp)			0.00
Tetrahydrocannabivarin (THCv)			
5. Other			147.00

Rules Effective July 2024

Along with the rules already in effect, starting in July 2024, retailers must:

- Submit application and pay fee for license, renewable annually (Dept. of Ag.)
- Submit criminal history background check
- Consent to inspection/testing (Dept. of Ag. & Dept. of Revenue)
- Comply with all other parts of the act regarding retail location, transporting, product packaging/labeling, marketing, etc.

The TN Dept. of Agriculture and TN Dept. of Revenue are jointly tasked with administering/enforcing rules.



Rules: Retail Location

A retail location that is within 1,000' of a K-12 school shall not sell products containing a hemp-derived cannabinoid.

EXCEPTION: applicant may provide documentation that establishes that products containing a hemp-derived cannabinoid were being offered for sale at retail at such location on December 31, 2023.



Rules: Transporting

A person transporting products containing a hemp-derived cannabinoid into, within, or through this state shall carry:

- **Documentation sufficient to prove that the products being shipped or transported....**
 - Were produced from hemp that was lawfully produced under a state or tribal hemp plan approved by the US Department of Agriculture, under a hemp license issued by the United States department of agriculture, or otherwise in accordance with federal regulations through the state or territory of the Indian tribe, as applicable; and
 - Do not exceed the cannabinoid limits for hemp-derived cannabinoids
- **A bill of lading that includes the following:**
 - Name and address of the owner of the products
 - Point of origin
 - Point of delivery, including name and address
 - Kind and quantity of packages or, if in bulk, the total quantity of products in the shipment
 - Date of shipment

Rules: Packaging/Labeling

To be in compliance, products must....

1. Satisfy the standards under federal Poison Prevention Packaging, and

2. Be labeled with:

- ✓ A warning statement concerning the risk of impairment from consumption of the product, keeping the product out of the reach of children
- ✓ If the product is ingestible, the amount of cannabinoid in each serving of the product, measured in milligrams
- ✓ The total amount of hemp-derived cannabinoid in the entire package, measured in milligrams
- ✓ The net weight of the product
- ✓ A quick response (QR) code that can be scanned to access a website providing the product's batch number, date received, date of completion, method of analysis for the testing report required under § 43-27-207, including information regarding results of the product's full-panel and potency tests conducted pursuant to § 43-27-207(a)
- ✓ An expiration date

Rules: Marketing, Testing, etc.

- **Retailers may not advertise, market, or offer for sale a product by using imagery or scenery that appeals primarily to persons under 21, including, but not limited to:**
 - superheroes
 - comic book characters
 - video game characters
 - television show characters
 - movie characters
 - unicorns or other mythical creatures
- **Products may not be formed into the shape of an animal or cartoon character.**
- **An ingestible product shall not be sold in a serving that contains **more than 25 milligrams**, in the aggregate, of one or more hemp-derived cannabinoids**
- **See Tenn. Code Ann. §43-27-207 for details regarding testing**

Violations

The TN Dept. of Agriculture is authorized to deny/revoke licenses and issue civil penalties in the following manner for each violation of the law:

1st	\$1,000
2nd	\$2,500 for 2 nd violation that occurs within 2 years of the 1 st violation
3rd	\$5,500 for 3 rd violation that occurs within 2 years of the 1 st violation
4th	License revocation for a 4 th violation that occurs within 2 years of the 1 st violation

RECAP

IN EFFECT NOW

- Selling of authorized products
- Age requirements (21+)
- Products must be behind counter
- Collect and remit additional 6% tax

IN PROCESS

- Rule making for parts effective July 2024

COMING SOON!

- Licensing requirement
- Enforcement of all part standards (labeling, transporting, marketing, etc.)
- Inspections

Resource Links

- [Sales & Use Tax Manual](#)
- [IMPORTANT NOTICE 23-12](#)
- [Public Chapter 423](#)
- [TN Dept. of Agriculture Cannabis Webpage](#)
- Questions about inspections:
tommy.sneed@tn.gov

The screenshot shows a document header with the Tennessee Department of Revenue logo on the left and the title 'Sales and Use Tax Notice' on the right. Below the header, it identifies the notice as 'Notice #23-12' dated 'May 2023'. The main title of the notice is 'Taxability of Hemp-Derived Cannabinoids'. The document is divided into two columns. The left column contains sections for 'Hemp-Derived Cannabinoids Subject to Tax', 'Definition of Hemp-Derived Cannabinoid', and 'References'. The right column contains sections for 'Reporting the Tax' and 'For More Information'. A mouse cursor is visible in the bottom right corner of the document image.

TN Department of Revenue

Sales and Use Tax Notice

Notice #23-12 May 2023

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 20th 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. 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)

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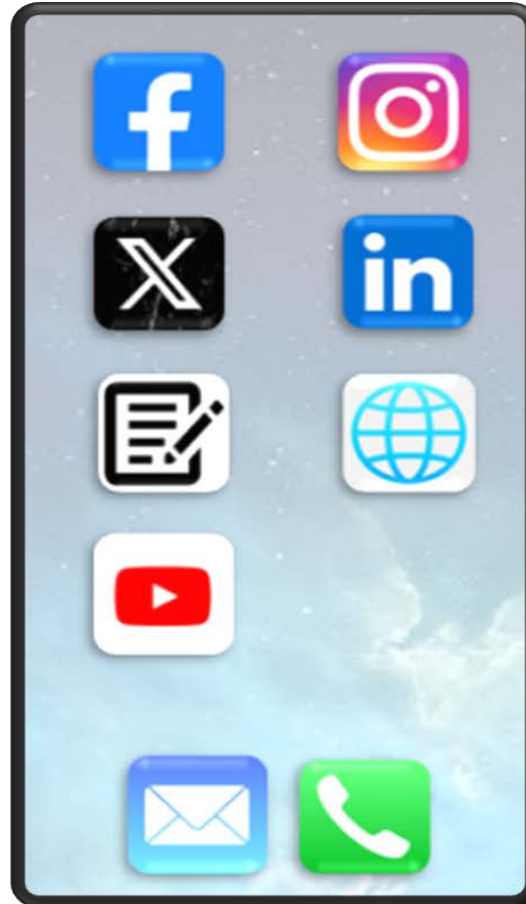
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615.253.0600

SUPPORT STAFF AVAILABLE TO ASSIST YOU M-F 8am - 4:30pm

[All Dept. of Revenue Contact Numbers and Office Locations](#)



UPCOMING!

- **Next Webinar: 3/26 – Recent F&E Law Changes**
- **New Business Workshop: 4/3/24**



Taxpayer Education & Outreach



**PLEASE TAKE A MOMENT
TO COMPLETE A BRIEF
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IMPORTANT: In order to receive CPE credit for attending, you must answer yes to question 4 of the post-event survey.