

Maryland
Tax Alert



Comptroller of Maryland
Legal Division
110 Carroll Street
Annapolis, Maryland 21401

Call 1-800-MD-TAXES (1-800-638-2937)
or from Central Maryland 410-260-7980
E-mail: cannabis@marylandtaxes.gov
www.marylandtaxes.gov

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Cannabis Questions and Answers for Individuals

On May 3, 2023, Governor Wes Moore signed cannabis reform legislation, House Bill 556 (Chapter 254, 2023) and Senate Bill 516 (Chapter 255, 2023), into law. Beginning July 1, 2023, the sale of adult-use cannabis in Maryland is subject to a sales and use tax rate of 9% of the purchase price of any product containing cannabis.

This Tax Alert contains answers to questions that individuals may have about sales of adult-use cannabis and medical cannabis beginning July 1, 2023, and the application of the sales and use tax to those sales. Patients and caregivers must also adhere to other requirements imposed by the [Maryland Cannabis Administration \(MCA\)](#), the Alcohol, Tobacco, and Cannabis Administration, and other state agencies.

Note on the use of the terms “cannabis” and “hemp” in this Tax Alert: The law distinguishes cannabis from hemp based on the plant’s delta-9-tetrahydrocannabinol concentration level. “Cannabis” means the plant *Cannabis sativa L.* and any part of the plant, including all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9-tetrahydrocannabinol concentration greater than 0.3% on a dry weight basis. “Hemp” has a delta-9-tetrahydrocannabinol concentration that does not exceed 0.3% on a dry weight basis.

Questions and Answers

Sales of Adult-Use Cannabis – General Information

Q-1. When will sales of adult-use cannabis be legal in Maryland?

A-1. Saturday, July 1, 2023.

Q-2. What does adult-use mean?

A-2. Consumers must be at least 21 years old to purchase cannabis. A person purchasing cannabis or cannabis products from a licensed dispensary must show their government-issued photo ID at the point-of-sale to demonstrate they are 21 years or older.

Q-3. Where can I buy adult-use cannabis?

A-3. At licensed dispensaries and on-site consumption establishments. You can find a current list on the MCA [website](#).

Q-4. Will there be any restrictions on where cannabis dispensaries are located?

A-4. It is up to each political subdivision to establish reasonable zoning requirements for cannabis businesses. Those zoning requirements cannot be unduly burdensome on cannabis businesses.

Q-5. What cannabis products can I purchase?

A-5. Each licensed dispensary has a variety of cannabis and cannabis products for sale. Cannabis products are any products containing cannabis, cannabis concentrate, cannabis extract, or other ingredients and are intended for use or consumption, including edible products, oils, and tinctures. All cannabis and cannabis products are sold in child-resistant, tamper-evident packaging.

Q-6. Are there limits on how much cannabis can be purchased?

A-6. Yes. Beginning on July 1, 2023, adults 21 or older may possess up to 1.5 ounces of cannabis flower, 12 grams of concentrated cannabis, or a total amount of cannabis products that does not exceed 750 mg THC. This amount is known as the "personal use amount." Individuals may only purchase up to the personal use amount authorized by law.

Q-7. Can I resell cannabis products purchased from a licensed dispensary or on-site consumption establishment?

A-7. No. Only licensed cannabis dispensaries or on-site consumption establishments may sell or distribute cannabis.

Q-8. Where can I find information about health and safety concerns related to ingesting cannabis?

A-8. All cannabis packaging will contain warning statements:

- that consumption of cannabis may impair your ability to drive a car or operate machinery, use extreme caution;
- of potential risks associated with cannabis use, especially during pregnancy and breastfeeding; and
- that this package contains cannabis, keep out of the reach of children and animals.

Additional information is available on the MCA [website](#) under the Adult-Use Cannabis Legalization tab.

Q-9. Where can I find information about licensed cannabis businesses?

A-9. Visit the MCA [website](#).

Sales and Use Tax on Sales of Cannabis and Cannabis Products

Q-10. What is the sales and use tax rate applicable to sales of adult-use cannabis?

A-10. 9%.

Q-11. I have a medical card authorizing purchases of medical cannabis. Will I have to pay sales and use tax on my purchases of cannabis beginning July 1, 2023?

A-11. No. Sales of cannabis and cannabis products to patients and caregivers possessing a medical cannabis card, up to the amount certified by their provider, remain exempt from the sales and use tax.

Note: the medical exemption does not apply to the sale of cannabis vaping liquid that is prepackaged with a **reusable** electronic smoking device and sold as a single item (aka “bundled”). However, the medical exemption does apply to the sale of cannabis vaping liquid that is bundled with a **disposable** electronic smoking device. See Q-12 below for additional information about bundled sales. Vaping liquid that contains cannabis and is sold separately (i.e., is not prepackaged with an electronic smoking device) is a cannabis product, and is therefore eligible for the medical exemption when sold to patients or caregivers possessing a medical cannabis card, up to the amount certified by their provider.

Q-12. Will everything sold at a dispensary be subject to a 9% sales and use tax?

A-12. No. Most non-cannabis items sold at a dispensary are subject to 6% sales and use tax.

Other sales and use tax rates to note:

- Electronic smoking devices and tobacco pipes – 12%.
- Vaping liquid that does not contain cannabis or cannabis products:
 - containers of 5mL or less – 60%.
 - containers of more than 5mL – 12%.
- Vaping liquid containing cannabis – 9% regardless of the size of the container.
- Vaping liquid containing cannabis prepackaged with an electronic smoking device, where each item in the package is separately stated on the receipt or record of sale – 9% applies to the vaping liquid containing cannabis and 12% applies to the electronic smoking device.
- Vaping liquid containing cannabis prepackaged with a **reusable** electronic smoking device, sold as a single item – 12% applied to the total taxable price of the item.
- Vaping liquid containing cannabis prepackaged with a **disposable** electronic smoking device, sold as a single item – 9% applied to the total taxable price of the item.

Q-13. Does the 9% sales and use tax rate for cannabis apply to sales of edible products, such as food and beverages, infused with or otherwise containing cannabis?

A-13. Yes. Edible products infused with or otherwise containing cannabis are considered cannabis products.

Q-14. I work for a nonprofit organization. Can a nonprofit charitable, educational, or religious organization use its sales and use tax exemption certificate to make purchases of cannabis or cannabis products tax-free?

A-14. If a purchase of cannabis or a cannabis product is made to carry on the work of the organization, then it is exempt from the State’s sales and use tax. However, a purchase to be used primarily for carrying on an unrelated trade or business or for personal use is not exempt. (See [Code of Maryland Regulations 03.06.01.22B\(3\)](#).)

Q-15. Can a nonprofit charitable, educational, or religious organization make exempt purchases of cannabis or cannabis products to be used for raising funds?

A-15. No. Organizations must be licensed by the Maryland Cannabis Administration to sell or distribute cannabis or cannabis products. Nonprofit organizations cannot purchase and resell cannabis to raise funds, or otherwise distribute cannabis for fundraising purposes.

Q-16. Are hemp and hemp products exempt from the sales and use tax?

A-16. It depends. Sales of certain medicinal products are exempt from the sales and use tax. Just like aspirin or ibuprofen, medicinal products containing cannabidiol (CBD) oil that is derived from hemp and used for

pain relief or other medicinal purposes are exempt from the sales and use tax. Sales of hemp and hemp products for non-medicinal purposes, such as hemp that has been made into textiles, are not exempt, and the 6% sales and use tax rate applies.

Medical Cannabis

Q-17. What is the difference between medical cannabis and adult-use cannabis?

A-17. Medical cannabis and adult-use cannabis generally refer to the same products. Medical cannabis is purchased by a patient who has a medical card. Sales and use tax does not apply to cannabis purchased by an individual with a medical card. Certain high potency cannabis products may only be sold to individuals with a medical card.

Q-18. Is a medical card needed to purchase cannabis?

A-18. Effective July 1, a medical card is not needed to purchase adult-use cannabis. A medical card is still needed to purchase cannabis sold as part of the medical cannabis program. Cannabis purchased with a medical card is not subject to sales and use tax. Learn more at [Medical Cannabis Program](#).

Q-19. Can individuals under 21 purchase medical cannabis?

A-19. Yes. An individual 18 years or older may register to participate in the Medical Cannabis Program as a qualifying patient. Individuals who are qualifying patients under the age of 18 may obtain medical cannabis only through their caregiver or designated school personnel authorized to administer medical cannabis.