

Cannabis purchaser excise tax is not part of the seller's gross receipts subject to tax. (This is a GIL).

April 28, 2026

NAME
COMPANY
COMPANY1
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated March 11, 2026, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL.

INQUIRY:

I just received the updated certificate and tax information for COMPANY from NAME1. Both are attached.

I wanted to get clarification on how these taxes should be applied at the point of sale. Specifically, for cannabis sales in CITY, should the local XX.XX% recreational cannabis tax be added on top of the retail sale amount to arrive at the customer's total, or is that tax treated differently?

For example, if a customer purchases only cannabis products totaling \$10.00, what would the total tax amount be in CITY, and what would the customer's final out-the-door total be?

I just want to make sure we are pricing and collecting correctly from the start.

Thank you for your help.

DEPARTMENT'S RESPONSE:

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. See 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. In Illinois, Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois.

Local Tax

The corporate authorities of a home rule municipality may impose a tax upon all persons engaged in the business of selling tangible personal property, other than items of tangible personal property titled or registered with an agency of this State's government, at retail in the municipality on the gross receipts from these sales made in the course of such business. 86 Ill. Adm Code 270.101(a). This additional tax may not be imposed on tangible personal property taxed at the 1% rate under the Retailers' Occupation Tax Act, i.e. medical cannabis. 86 Ill. Adm. Code 270.101(b).

The various locally imposed retailers' occupation tax acts (e.g. the Home Rule Municipal Retailers' Occupation Tax (HRMROT)) authorize retailers subject to these taxes to reimburse themselves for their liability by separately stating these taxes to their customers. See, for example, 86 Ill. Adm. Code 270.101. The statutory language authorizing the HRMROT states, in part, as follows:

Persons subject to any tax imposed under the authority granted in this Section may reimburse themselves for their seller's tax liability hereunder by separately stating such tax as an additional charge, which charge may be stated in combination, in a single amount, with State tax which sellers are required to collect under the Use Tax Act...

65 ILCS 5/8-11-1. Sellers responsible for State and local retailers' occupation taxes must collect from purchasers the 6.25% Use Tax liability and may collect reimbursement for all local tax liabilities.

Any amount added to the selling price of tangible personal property by the seller because of a Home Rule Municipal Retailers' Occupation Tax, the Retailers' Occupation Tax, the Use Tax, or any other local occupation tax administered by the Department, and collected from the purchaser, are excluded as part of the seller's gross receipts that are subject to such Home Rule Municipal Retailers' Occupation Tax. 86 Ill. Adm. Code 270.101(c).

If tax is not collected by the retailer, purchasers should self-assess and remit Use Tax to the Department at the rate of 6.25%. In this situation, the purchaser would not be obligated to pay State and local retailers' occupation taxes as the incidence of those taxes is on the retailer, not the user. 65 ILCS 5/8-11-1.

Cannabis Purchaser Excise Tax

The Cannabis Purchaser Excise Tax Law (Law) imposes a tax on the privilege of using cannabis, excluding cannabis subject to tax under the Compassionate Use of Medical Cannabis Program. 410 ILCS 705/65-10. The tax imposed by the Law is collected from the purchaser by the cannabis retailer. The tax imposed by the Law shall be stated on the invoice as a distinct item separate and apart from the purchase price of the cannabis. 86 Ill. Adm. Code 423.100. The cannabis purchaser excise tax varies based on the type and potency of the cannabis. Cannabis with an adjusted delta-9-tetrahydrocannabinol (THC) level at or below 35% is taxed at 10% of the purchase price, and cannabis with an adjusted THC above 35% is taxed at 25% of the purchase price. Tax on all cannabis infused products is imposed at 20% of the purchase price.

"Purchase price" means the consideration paid for a purchase of cannabis, valued in money, whether received in money or otherwise, including cash, gift cards, credits, and property and shall be determined without any deduction on account of the cost of materials used, labor or service costs, or any other expense whatsoever. However, "purchase price" does not include consideration paid for: . . . any amounts added to a purchaser's bill because of charges made under the tax imposed by the Cannabis Purchase Excise Tax Law, the Municipal Cannabis Retailers' Occupation Tax Law, the County Cannabis Retailers' Occupation Tax Law, the Retailers' Occupation Tax Act . . . or any locally imposed occupation or use tax.

86 Ill. Adm. Code 423.105 (internal citations omitted).

Local Cannabis Tax

The Municipal Cannabis Retailers' Occupation Tax Law permits a municipality to impose a tax upon all persons engaged in the business of selling cannabis, other than cannabis purchased under the Compassionate Use of Medical Cannabis Program Act, at retail in the municipality on the gross receipts from these sales made in the course of that business. 65 ILCS 5/8-11-23. Similarly, the County Cannabis Retailers' Occupation Tax Law authorizes a county to impose an additional tax on persons engaged in the business of selling cannabis other than medical cannabis on the gross receipts. 55 ILCS 5/5-1006.8.

For the purpose of the Municipal and County Cannabis Retailers' Occupation Tax Laws, "gross receipts" from the sales of cannabis by a cannabis retailer means the total selling price or the amount of such sales. 86 Ill. Adm. Code 424.105 and 425.105. For purposes of these Laws, "selling price" means:

the consideration for a sale valued in money, whether received in money or otherwise, including cash, credits, property, and services, and shall be determined without any deduction on account of the cost of the property sold, the cost of materials used, labor or service cost, or any other expense whatsoever, but does not include separately stated charges identified on the invoice by cannabis retailers to reimburse themselves for their Tax liability under the Law. However, "selling price" does not include consideration paid for: . . .

any amounts added to a purchaser's bill because of charges made under the County Cannabis Retailers' Occupation Tax Law, the Cannabis Purchaser Excise Tax Law [410 ILCS 705/Art. 65], the Municipal Cannabis Retailers' Occupation Tax Law [65 ILCS 5/8-11-23], the Use Tax Act [35 ILCS 105], the Service Use Tax Act [35 ILCS 110], or any locally imposed occupation tax.

86 Ill. Adm. Code 424.105 and 425.106

As with the HRMROT, any amount added to the selling price of tangible personal property by the seller because of the Retailers' Occupation Tax or any other local occupation tax administered by the Department, and collected from the purchaser, are excluded as part of the seller's gross receipts for purposes of the Municipal and County Cannabis Retailers' Occupation Taxes.

NAME/COMPANY1

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I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at 800-732-8866.

Very truly yours,

Kimberly Rossini
Associate Counsel

KAR:slc