

Cannabis Medical Endorsement Information Sharing

- Act 166 of 2024 created a new medical-use endorsement for cannabis retailers to sell cannabis tax free to medical patients and their caregivers. To better administer the Sales and Use Tax and Cannabis Excise Tax exemptions, the Department needs information about exempt sales, preferably transaction-level taxpayer details. The Cannabis Control Board (CCB) would also find information about sales valuable for enforcement purposes. More freely sharing these details would improve both administrators' compliance outcomes, but under current statute, the Department cannot share information with the CBB, even for their enforcement duties.
- Remedy: Enact a new disclosure exemption from the tax confidentiality statute to allow the Department to share tax information relating to the cannabis retailer medical-use endorsement with the CCB for enforcement purposes.

1. Clarify “Outdoor” Cannabis Growers Who Qualify for Current Use and Sales Tax Exemptions

- The retail cannabis law has been amended several times regarding cannabis cultivators' eligibility for agricultural tax benefits, including Current Use and Sales Tax exemptions. The amendments have created a confusing and ambiguous statute. For a cannabis grower to qualify for agricultural tax benefits, they must “initiate” growing outdoors. It is unclear what “initiates” means and there hasn't been a clear definition of “outdoors” until this year, when the CCB adopted rules distinguishing between “indoor” growing as using artificial lighting, and “outdoor” growing as not using artificial lighting.
- Remedy: Clarify statute so that a cannabis cultivator must grow (not initiate growing) outdoors as defined by the CCB. Amend references to cannabis businesses' Current Use and Sales Tax exemption eligibility.

2. Reduce Household Income for Cannabis Business Owners Who Claim a Property Tax Credit

- Cannabis businesses cannot take the federal income tax deduction for cost of goods sold (COGS), unlike other businesses that don't sell a controlled substance. For Vermont personal and corporate income tax purposes, cannabis businesses can take the COGS deduction. However, when individual cannabis business owners claim a property tax credit, the COGS deduction is not allowed when determining their household income.
- Equity concern: Cannabis business owners are treated differently than other business owners when calculating household income to determine property tax credit size and eligibility, resulting in smaller property tax credits for these individuals.
- Remedy: The Department proposes reducing household income by the COGS deduction for individuals who own a cannabis business and claim a property tax credit. This would be a retroactive change impacting the household income filing process in 2026.
- Fiscal impact: *De minimis* revenue loss to the Education Fund (\$30K) and to the General Fund (\$5K).

