



Testimony of Ali Kirkpatrick

3/5/2020

Government Relations Specialist

Harvest Health & Recreation, Inc.

House Bill 1210: Income Tax – Subtraction Modification – Expenses of Medical Cannabis Grower, 3 Processor, Dispensary, or Independent Testing Laboratory

Thank you, Chairman and Committee, for giving myself and my organization, Harvest the opportunity to testify in **SUPPORT** of House Bill 1210 allowing a subtraction modification under the Maryland income tax for certain ordinary and necessary business expenses. In Maryland, we currently have dispensaries in Halethorpe, Rockville & Towson and a cultivation facility in Hancock.

Legal businesses in Maryland can subtract business expenses to calculate taxable income, and then pay taxes on this amount; however legal and state regulated cannabis businesses are not able to deduct business expenses under Section 280E of the Internal Revenue Code which could lead to higher effective tax rates than other legal businesses in Maryland. No other legal or regulated industry has to operate with such a very high effective tax rate. This does not only have a negative impact on legal cannabis business operations; it has a negative consequence for the patients throughout Maryland. In order for cannabis businesses to pay off its high tax bills while trying to remain solvent, many cannabis businesses must sell products to patients at an artificially high price. Unfortunately, these high prices, due to the high tax bill, could make it difficult for patients to afford or have easier access to medication that helps them with their daily livelihood. It also could lead some patients relying on lower prices from the illegal and unregulated black market.

Additionally, the inability to deduct business expenses could hinder legal start-up cannabis business. Newer and small businesses could potentially be taxed more than the business actually makes since expenses could be a higher percentage of revenues during the first few years.

Harvest wants to pay taxes that are fair while being able to better serve our patients and communities in Maryland. Passing House Bill 1210 will allow Harvest to invest more money in the community (e.g. more jobs and education programs) and will give Harvest the ability to make medical cannabis more accessible and more affordable to patients that are in need. Please support House Bill 1210 as Harvest and legal/state regulated cannabis businesses are law abiding job creators that serve and help patients across Maryland.