

SB900_Favor_Written Testimony_B&T_030921.pdf

Uploaded by: Alston, Bryan

Position: FAV

March 9, 2021

Senator Guy Guzzone, Chair
Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB900-Income Tax - Subtraction Modification - Expenses of Medical Cannabis Grower, Processor, Dispensary, or Independent Testing Laboratory

FAVORABLE

Chairman Guzzone,

This letter is written on behalf of Mary and Main Dispensary (Mary & Main) regarding Senate Bill 217. Mary & Main is located in Prince George's county, is 100% African American, Women, Disabled Veteran owned. Mary & Main's mission is to provide safe and premium quality products with exemplary and compassionate services to all medical patients who are suffering from several chronic debilitating illness. Mary & Main supports SB900 and request a favorable report.

Financial Burden for legitimate cannabis business

The ability to deduct ordinary business expenses provides significant tax savings. However, the definition of Section 280E and the classification of cannabis as a Schedule I substance, severely hinder legal cannabis companies in Maryland from taking advantage of those tax savings. In fact, businesses within the cannabis industry are left with [tax liabilities of up to 70%](#) of their income. This amounts to a major financial burden for legitimate cannabis businesses operating in Maryland.

As a small business, the savings actualized with the passage of SB900, will allow us and other dispensaries, to grow, reinvest in our businesses and local communities, and put many Marylanders to work. Dispensaries are deemed essential under the Governor's Executive order. We had to make additional investments to protect our employees and our customers during this pandemic. Sadly, due to our type of business, we were not eligible to take advantage of various programs like the Paycheck Protection Program (PPP), or other Coronavirus (COVID-19) loans or resources afforded to other small businesses in Maryland.

In addition, current banking regulations presents an additional financial burden to dispensaries, as we must pay higher transactions fees, enlist armored car services, and pay higher interest fees rates associated with constructions loans, just to name a few. The ability to write off certain expenses like other business on our state income tax would be a tremendous help.

Section 280E

Section 280E of the Internal Revenue Code (IRC) states *“No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I or II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.”*

More plainly, Section 280E denies businesses affiliated with Schedule I or II controlled substances the right to deduct business expenses. U.S. Congress enacted the law in the 1980s following a court case which disallowed a convicted cocaine trafficker from claiming deductions from ordinary business expenses under federal tax law. While the law intends to target illegal drug dealers, it simultaneously generates considerable problems for cannabis companies legally operating in their respective states because cannabis is a Schedule I substance.

What is a Schedule I Controlled Substance?

The DEA defines Schedule I drugs, substances, or chemicals as those drugs with “no currently accepted medical use and a high potential for abuse.” Examples of Schedule I drugs includes Heroin, LSD, Marijuana, Ecstasy, Methaqualone, and Peyote.

The State of California’s Response to Section 280E

In October 2019, California Governor Gavin Newsom [signed several marijuana-related bills](#) into law. Among the [new legislation is AB 37](#), which permits the state to depart from the IRS policy regarding IRC Section 280E. Therefore, under the new bill, the state tax code now allows licensed state cannabis companies to claim deductions like any other business.

SB900

SB900 seeks to create a needed subtraction modification against the State individual and corporate income tax for the amount of ordinary and necessary expenses, including a reasonable allowance for salaries or compensation, paid or incurred during the taxable year in carrying on a trade or business as a State licensed Medical Cannabis Grower, Processor, Dispensary, or Independent Testing Laboratory if the deduction for ordinary and necessary expenses is disallowed under Section 280E of the Internal Revenue Code (IRC).

For these reasons Mary & Main request, a **favorable** report on Senate Bill 900.

Respectfully yours,


Bryan G. Alston, M.H.S.

Cc: Budget and Taxation Committee Members

2021 MDMDA SB 900 280E Support.pdf

Uploaded by: Bagwell, Ashlie

Position: FAV



Senate Bill 900: Income Tax—Subtraction Modification-Expenses of Medical Cannabis Grower, Processor, Dispensary or Independent Testing Laboratory

On behalf of the Maryland Medical Dispensary Association
House Ways and Means Committee

Support

March 9, 2021

The Maryland Medical Dispensary Association (MDMDA) was established in May, 2017 in order to promote the common interests and goals of the Medical Cannabis Dispensaries in Maryland. MDMDA advocates for laws, regulations and public policies that foster a healthy, professional and secure medical cannabis industry in the State. MDMDA works on the State and local level to advance the interest of licensed dispensaries as well as to provide a forum for the exchange of information in the Medical Cannabis Industry.

Senate Bill 900 provides a workable solution for an important issue impacting the medical cannabis industry in Maryland. Currently, medical cannabis business owners are required to pay federal taxes despite the fact that such businesses are illegal under federal law. However, they are unable to deduct business expenses as ordinary and necessary business expenses on federal tax returns as a result of IRC Section 280E, which states that no expenses incurred in connection with the trafficking of controlled substances/illegal drugs may be deducted for federal income tax purposes.

Senate Bill 900 seeks to allow a subtraction modification against the state individual and corporate tax for the amount of ordinary and necessary expenses for State licensed medical cannabis growers, processors and dispensaries. This is especially important to dispensary owners in Maryland for three reasons:

- The State of Maryland does not directly tax medicine and, therefore should not tax medical cannabis. These costs most certainly will be borne by the patients.
- This bill does not create a tax incentive for medical cannabis licensees. Rather, it levels the playing field between medical cannabis dispensary owners and all other business owners in the State. Every business except those in the medical cannabis industry currently have the ability to claim ordinary and necessary business expense deductions, such as wage and salaries, repair and maintenance and equipment costs. We are simply asking to be treated the same.
- Though this issue won't be wholly addressed until the federal government takes action, this proposed legislation is a step in the right direction as these small businesses, like others in the state, seek to succeed and grow.

For these reasons, we respectfully request a favorable report on Senate Bill 900.

Senate Bill No. 900.pdf

Uploaded by: Bailey , Brittani

Position: FAV

Friday, March 5th, 2021

Support for Senate Bill No. 900

Dear Honorable Members of the Senate Committee,

My name is Brittani Bailey and I live in Leonardtown, Maryland. For the past three years, I have worked for Southern Maryland Relief, a licensed medical cannabis dispensary in Mechanicsville, Maryland. I am submitting this written testimony in support of Senate Bill 900.

Since opening in December 2017, Southern Maryland Relief has served over 3,000 Maryland medical cannabis patients and earned a reputation for building a healthier community. Over the past three years, thousands of patients have found relief from physical and mental ailments through cannabis, allowing them to discontinue their use of addictive pharmaceuticals, alcohol, and other drugs. Southern Maryland Relief provides natural medicine for people such as cancer patients, veterans suffering from PTSD, children with seizure disorders, people with mental illness, and people struggling with addiction. It is clear why the State of Maryland deemed cannabis companies essential businesses during the COVID-19 pandemic; Maryland residents need access to their safe and legal medicine. Maryland cannabis companies improve the quality of life for veterans and community members, yet these companies face a plethora of obstacles that ignore the legitimacy of their business. The tax code 280E in particular prevents the profitability of our store and denies us the ability to operate like other businesses. Southern Maryland Relief is a locally-owned and operated small business, and we support our community through charity drives, fundraisers, and donations. Unfortunately, as our business grows and revenue increases, so do our tax liabilities. Maryland cannabis businesses deserve the opportunity for growth and the ability to write off expenses just like any other small business. The current tax code prevents us from making a profit because we are denied the ability to write off labor, rent, insurance, and other expenses.

Ultimately, this tax code inflicts the most harm on the patients for which the program was created. Since medical cannabis is not covered by insurance, many patients struggle to pay for their medicine. Because cannabis stores cannot write off normal business expenses, dispensaries must raise prices to stay afloat. These high tax rates also prevent companies from providing employees with increased wages.

Since the State of Maryland deemed medical cannabis legal for qualifying patients, it is crucial that the State provides these businesses with the opportunity to operate as any other industry. I have seen firsthand how cannabis has positively impacted the lives of individuals, families, and entire communities. Since the first Maryland Medical cannabis dispensaries opened in December 2017, Maryland has seen a decline in prescribed opioid deaths. According to National Institute on Drug Abuse, "In Maryland, Nearly 90% of drug overdose deaths involved opioids in 2018; a total of 2,087 deaths. Deaths involving prescription opioids and heroin continued to decline in 2018 with a respective 576 to 356 deaths." Maryland cannabis companies are denied the ability to write off normal

business expenses, but companies selling much more dangerous substances – such as alcohol – enjoy that privilege.

This industry has grown substantially in the past four years and shows no signs of slowing down; now is the time to support our local cannabis companies and treat them as the legitimate businesses that they are. Once the state tax code is decoupled from the federal tax code – specifically in regard to 280E – medical cannabis will become more affordable, cannabis workers will receive increased wages, and cannabis businesses will finally begin to see real profits, thus greatly benefiting Maryland residents and the overall economy. I urge the committee to pass Senate Bill 900. Thank you for this opportunity to testify.

SB 900.pdf

Uploaded by: Berman, Gina

Position: FAV

March 4, 2021

I am writing today in support of SB 900.

I am an owner of Ritual Dispensary, a Medical Cannabis Dispensary in Anne Arundel County. We employ 15 people, ages 24 to 52. We believe that a living wage should be the starting point of a salary, therefore employee salaries start at \$15/hour. We made it a priority to offer medical, dental and vision benefits to all employees – which we did three months after opening. We prioritized this expense because health coverage is a top-line concern of our employees. We offer paid time off, sick leave and holiday pay because we believe that time away from work is regenerative and you should not suffer financially for being sick. We believe these are basic benefits that should be afforded to all employees.

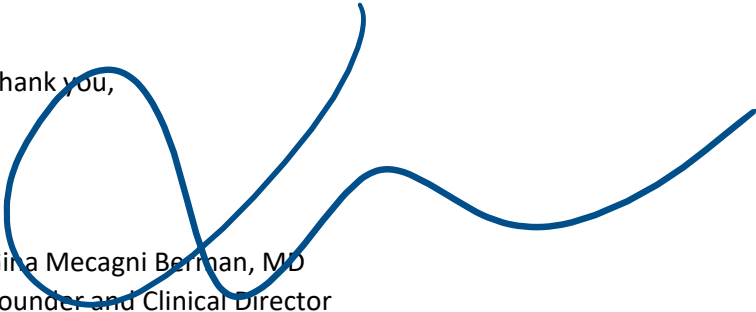
I tell you these things to highlight that, despite our industry, we are no different than any other “mom and pop” small business. We operate on tight margins, a skeleton crew and do what we can to provide the best working environment for our greatest asset: our employees.

Many headlines in the news boast about the millions in cannabis sales. What the headlines overlook are the more important number to the business owner: net income. Normally, companies pay taxes on *net income*, which are profits remaining after expenses (such as rent, payroll, etc.). Cannabis companies are required to pay taxes on their *gross profit*, which are profits before expenses. The result is that our tax burden is over double the amount it would be in any other industry – oftentimes, the tax burden is greater than the profits themselves, which means we go into debt solely to pay taxes.

The consequence of this is that many cannabis companies are struggling to survive. Many, like us, try to do the best we can for our employees. However, this comes at the expense of us wearing many hats, working 60+ hour weeks and not taking any income ourselves. I argue that this is fundamentally unfair and unsustainable.

I hope the committee will take our financial reality into consideration and vote to support HB 217. We are asking for nothing more than to be treated like any other legally operating business in the state of Maryland.

Thank you,



Gina Mecagni Berman, MD
Founder and Clinical Director
Ritual Dispensary

2021 SB 900 280E.pdf

Uploaded by: Bryce, Joe

Position: FAV



March 9, 2021

The Honorable Guy Guzzone
Chair, Budget & Taxation Committee
3 West
Miller Senate Office Building
Annapolis, MD 21401

RE: Support for Senate Bill 900

Dear Chair Kaiser:

The Maryland Wholesale Medical Cannabis Trade Association (CANMD) supports Senate Bill 900 - *Income Tax - Subtraction Modification - Expenses of Medical Cannabis Grower, Processor, Dispensary or Independent Testing Laboratory*. CANMD thanks Senator Peters for putting this important issue in front of the General Assembly.

CANMD represents the majority of the companies licensed to grow and/or process medical cannabis in Maryland. Many of our members also operate a dispensary. Senate Bill 909 highlights an important issue that treats these law abiding Maryland companies different than other lawful businesses and - more importantly - artificially increases the price of medical cannabis for patients.

It is important to note what Senate Bill 909 does not do. Senate Bill 909 does not provide medical cannabis companies with a tax break that other Maryland businesses do not have. To the contrary, it rights a wrong in the federal tax code that prevents these lawful businesses from claiming the legitimate ordinary and necessary business expense deductions that every other Maryland business can claim. A federal law aimed at drug kingpins has the effect of increasing the cost of doing business - and in turn the cost to patients - for this lawful activity.

The net effect is that these medical cannabis businesses end up paying taxes on money that other businesses do not pay taxes on. This expense gets built into the cost of producing medicine and inevitably will increase the ultimate cost to consumers. Maryland appropriately considers the end product produced by these companies as medicine, and consistent with State policy does not tax this medicine. If Senate Bill 909 is not passed, the end result is a backdoor tax on medicine for patients in our State. Please help keep the cost of medical cannabis reasonable for Maryland patients by correcting this anomaly in federal law by passing Senate Bill 909.

Sincerely,

Mackie Barch
President, CANMD

cc: The Honorable Douglas J.J. Peters

SP 900 280E.pdf

Uploaded by: Davis, Robert

Position: FAV

Date: 3-5-2021

Regarding: Senate SB 900– Testimony of Robert Davis R.Ph

Owner hi Tide dispensary/OC botanicals LLC (SD 38) Ocean City Maryland.

Good afternoon,

I would like to voice my support to have the state tax code changed to make medical cannabis businesses able to operate on the same platform as all other businesses in the state of Maryland. The negative effects of 280E at a state and federal level are extremely detrimental and are damaging to the growth of our new business in an already challenging new industry. Our inability to operate as a normal business within the state negatively impacts many aspects of our business. Some impacts are our ability to spend money on advertising and marketing and being able to grow our business and expand pay scales for our current employees and growth in hiring potential new employees expanding our business. These wage and payroll constraints have a negative impact on trying to budget our business and implement expansion. We would like to create more high-paying jobs within this business and take on new employees. The removal of this business handicap will only lead to expansion and growth helping not only our employees but also directly impacting the patients in the community service. The working capital lost due to 280E directly impacts every aspect of how we stay profitable and how we service our patients along with our ability to grow and hire within our Maryland community. With changes that would allow us to operate as a normal business I am sure expansion will follow as we would be able to operate on a fair platform as does every other business in Maryland.

Thanks for your time and the opportunity to present this statement.

Sincerely,

Robert H Davis R.Ph

owner/Clinical Dir.

hi Tide dispensary

Senate Bill 900_ Income tax.pdf

Uploaded by: Lemley, Warren

Position: FAV



CORPORATE OFFICES

8270 Greensboro Drive, Suite 810
McLean, Virginia 22102
703.883.0102

WELLNESS CENTER

2001 Chapman Ave.
Rockville, MD 20852

Senate Bill 900: Income Tax—Subtraction Modification-Expenses of Medical Cannabis
Grower, Processor, Dispensary or Independent Testing Laboratory

Chairman Guzzone, Vice Chairman Rosapepe and esteemed members of the Budget and Taxation Committee. My name is Warren Lemley, I'm President of Peake ReLeaf, an independently owned and operated medical cannabis dispensary and I speak in support of Senate Bill 900 today.

I support this bill because as a licensed business in the State of Maryland I think that it is only appropriate to have the same ability to deduct standard business expenses as any other business in Maryland.

I was relieved that the State of Maryland deemed the medical cannabis industry essential in the face of this historic pandemic. It allowed us to continue serving our patients in need of their medicine and provide meaningful employment to many people in our State but doing so came with huge changes to workflow, upfront and ongoing expenses although our businesses are prevented from accepting any aid from Federal and State governments because our industry sells, grows and manufactures a schedule 1 substance.

Smaller independent dispensaries have different circumstances than large growers, processors and multi state operators. Larger licensees have larger support systems and deeper pools of investment to traverse difficult times and are able to write off more of their expenses because their businesses and employees manufacture or grow cannabis products as opposed to selling it to patients. The archaic tax code 280E prevents deductions concerning the sale of any schedule 1 substance aside from costs of goods sold even though 35 States and DC have legalized cannabis use in some form but it doesn't prevent all the deductions in manufacturing or growing the substance.

Some may point to an increase in revenue to show this industry doesn't need support but that doesn't reflect our reality. Revenue is unevenly shared by wholesalers and dispensaries who must manage high operational and labor costs, and rising costs of inventory while dispensaries attempt to keep prices low for patients with aggressively low margins. Higher revenue comes with larger tax expenditures and without enough profit and good planning this can be detrimental to their success at the end of the fiscal year.

There is a larger tax burden on smaller independently owned and operated dispensaries in Maryland and that is why it's so important to pass this legislation to support these small businesses. That is why I respectfully encourage a favorable report on Senate Bill 900.

Written Testimony for Senate Bill 900.pdf

Uploaded by: Odachowski, Denise

Position: FAV

Positive Energy

Dispensary License D-17-00022
9939 Jerry Mack Road Suite 500
Ocean City MD 21842
410-877-2017

March 5, 2021

RE: Senate Bill 900

To Whom it May Concern:

We appreciate your time and consideration on a matter as important as the passing of Senate Bill 900 to reform the 280E tax code at the state level. The passing of this bill would not only positively impact our small business and local community but also firmly reinforces the state of Maryland's decision of listing medical cannabis licensees as essential businesses.

Locally women-owned and operated, Positive Energy opened its doors to patients on January 25, 2018 after being licensed as the 22nd dispensary in the State of Maryland. Starting any new business is challenging and being subject to the 280E tax code at both the state and federal level created obstacles that I have never experienced in my 30 years of business at my previous occupation. This additional tax burden certainly restricts business operations as well as plans to better serve Maryland patients.

As you are aware, the passing of this bill allows our small business to be treated like any other legal business in Maryland. This is extremely important to us, especially this year, as we are expanding our facility to accommodate the many patients we see. Expanding our dispensary means that we can better serve a growing Maryland patient population as well as helps ensure we can adhere strictly to all CDC guidelines in the wake of a global pandemic and the possibility of more to arise. As we expand, we anticipate our revenue increasing and, in turn, our expenses will increase as we have a larger footprint and hire more agents. Hiring more agents will positively impact our local community by offering more year-round jobs in Ocean City, an area that mainly offers seasonal (summer) employment. More focus would also be put on our local population through community outreach such as educational seminars on the therapeutic benefits of medical cannabis as well as the Maryland Medical Cannabis Program.

The passing of Senate Bill 900 will finally treat us as the legal business we are as well as allow us the benefits of tax deductions afforded to such. The State of Maryland legalized cannabis for medicinal use, established the Maryland Medical Cannabis Commission to oversee the program, and even listed medical cannabis dispensaries as essential businesses amidst a pandemic. We humbly ask that Maryland continues their support of the medical cannabis industry and the patients we serve by supporting the passing of Senate Bill 900.

Thank you very much for your attention in this matter and we look forward to you passing this very important piece of legislature.

Sincerely,



Denise Odachowski
Chief Financial Officer

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Uploaded by: Wiseman, Hope

Position: FAV

March 9, 2021

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Respectfully yours,


Bryan G. Alston, M.H.S.

Cc: Budget and Taxation Committee Members

