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Montgomery County

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PARLIAMENTARIAN
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Ways and Means Committee



The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

January 21, 2021

House Bill 217 Income Tax - Subtraction Modification - Expenses of Medical Cannabis Grower, Processor, Dispensary, or Independent Testing Laboratory

Dear Colleagues,

I am pleased to present **House Bill 217 Income Tax - Subtraction Modification - Expenses of Medical Cannabis Grower, Processor, Dispensary, or Independent Testing Laboratory**, which would allow medical cannabis growers, processors, and dispensaries to receive a subtraction modification against the state and individual and corporate income tax for the amount of ordinary and necessary business expenses.

Most businesses can deduct ordinary and necessary business expenses on their federal income tax return to help offset costs associated with distribution, sales, administration, promotion, advertisement, overhead, and support. However, legal cannabis businesses are currently prohibited from receiving these deductions, because the Internal Revenue Code Section 280E states that no expenses incurred in connection with the trafficking of controlled substances, or illegal drugs, may be deducted for federal income tax purposes.

Out of the 33 states that have legalized medical cannabis, a number of states have passed a statewide solution to allow legal cannabis businesses to deduct these ordinary and necessary business expenses on their state taxes, since they are prohibited from doing so on their federal taxes. HB 217 would help even the playing field between legal medical cannabis businesses and other businesses in Maryland that already receive these deductions by allowing medical cannabis growers, processors, and dispensaries to receive a subtraction modification on their state income taxes for the amount of ordinary and necessary business expenses.

Cannabis businesses incur many of the same business costs as every other business in the state, such as salaries and other personal services rendered, but they have been operating at a disadvantage due to the antiquated 280E provision. To support these small businesses, which have helped produce more than \$10 million annually in tax revenue for the state, it's critical that we allow them to receive the same deductions as every other business in the state. For these reasons, I urge the committee to give a **favorable** report for HB 217.

Sincerely,

A handwritten signature in black ink, appearing to read "Jheanelle Wilkins".

Delegate Jheanelle Wilkins