Internal Revenue Code 280e is unfair and puts a huge burden on legal state-regulated cannabis businesses. Given that cannabis is considered a Schedule 1 substance, it applies to all cannabis businesses. It is the only tax code that puts one business sector on an overwhelmingly uneven playing field.

Established in 1982, and crafted to prevent illegal drug traffickers from deducting ordinary business expenses from their illegal activities against their illegal income, the code now has major unintended consequences.

Unable to deduct ordinary deductions when computing taxable income forces cannabis businesses to often pay effective tax rates of up to 70% or higher. The effects are greatest on cannabis dispensaries, as they have more non cost-of-goods-sold expenses as a majority of their activities involve patient sales and many dispensaries are locally owned small businesses.

Many cannabis operators will lose money in the first several years of their operation and still have to write massive checks to the IRS. No other business in the country could ever be in the same situation. Cannabis businesses are currently paying taxes on nearly double their actual income. Many operators will ultimately be put out of business if this burdensome and unfair code stays in place.

Imagine tomorrow that a tax code was passed that all restaurants could not deduct ordinary businesses expenses. The result...probably 75% of restaurants would be forced to close. It is time the State of Maryland helps put cannabis businesses on an even playing field and support House Bill 217.

Jeffrey Jacobson
Storehouse Dispensary
5730 Falls Road
Baltimore, MD 21209

jjacobson@storehousemd.com