



## UNFAIR TREATMENT: THE BANKING CRISIS AND THE CRUSHING BURDEN OF 280E TAXATION

### THE BANKING CRISIS

Current laws create public safety hazards by discouraging financial institutions from working with legal cannabis businesses.

Almost every business involved in the industry has had at least one bank account closed and a vast majority has had multiple accounts closed. This creates safety issues to consider when businesses are unable to deposit tens of thousands of dollars in cash.

In recent years, Members of Congress and state officials have worked aggressively to address this critical issue. Notably, on February 14, 2014, the Department of Justice issued guidance regarding the conditions under which financial institutions may work with cannabis-related businesses.

Unfortunately, most financial institutions are still hesitant to serve cannabis businesses, although there are examples of credit unions and regional banks providing limited financial services to some cannabis industry clients.

***The Marijuana Business Access to Banking Act (S. 1726 & H.R. 2076)*** – This bipartisan Senate and House legislation introduced in the 114th Congress would provide a legal safe harbor for financial institutions working with cannabis businesses in compliance with state law and the guidelines enumerated in the Department of Justice and Department of Treasury 2014 memos.

### UNFAIR TAX BURDENS

Section 280E of the Internal Revenue Code prohibits businesses involved in “drug trafficking” from deducting normal business expenses when filing their federal taxes. Never intended to target legal businesses, 280E is now being applied to medical and retail cannabis businesses operating legally under state law, making their federal tax burdens double or even triple those imposed on any other businesses.

Many cannabis businesses have been forced to pay between 50 and 70 percent of their net income to the federal government. Others have been audited by the IRS and then forced to shut down. 280E threatens the viability of state-licensed cannabis providers, potentially leading to the loss of valuable jobs and tax revenue.

***The Small Business Tax Equity Act (S. 987 and H.R. 1855)*** – This Senate and House legislation introduced in the 114th Congress would allow state-sanctioned cannabis businesses to take the same business expense deductions that every other business can.

**ADVOCACY. EDUCATION. COMMUNITY.**

126 C St. NW, Suite 300, Washington, D.C. 20001 ● (888) 683-5650