



HOUSE BILL 1210: INCOME TAX-SUBTRACTION MODIFICATION-EXPENSES OF MEDICAL CANNABIS GROWER, PROCESSOR, OR DISPENSARY

On behalf of the Maryland Medical Dispensary Association
House Ways and Means Committee
Support
March 5, 2020

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 health, 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.

House Bill 1210 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 § 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.

House Bill 1210 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 important to dispensary owners in Maryland for two 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 business 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 wages and salaries, repair and maintenance and equipment costs. We are simply asking to be treated the same.

For these reasons, we respectfully request a favorable report on House Bill 1210.