

STATEMENT OF KYLE KINGSLEY, M.D.
CHIEF EXECUTIVE OFFICER, MARYMED LLC
IN SUPPORT OF
HOUSE BILL 1210 – INCOME TAX – SUBTRACTION MODIFICATION – EXPENSES
OF MEDICAL CANNABIS GROWER, PROCESSOR, DISPENSARY, OR
INDEPENDENT TESTING LABORATORY

Madame Chairwoman and Members of the House Ways and Means Committee:

My name is Dr. Kyle Kingsley and I serve as the Chief Executive Officer of MaryMed LLC, a licensed medical cannabis grower and processor located in Dorchester County, Maryland, in strong support of House Bill 1210. MaryMed is proud to see the Maryland medical cannabis program continue to grow, and we are very encouraged by the number of patients who can reduce or discontinue use of dangerous and addictive opioid medications by switching to cannabis-based medicines.

But cost remains a top concern relayed by patients across the state. For many Marylanders, our medications simply are too expensive, despite our best efforts to make them more affordable through competitive compassionate discounts and other loyalty programs.

The reasons for the high costs are many, including the fact that health insurance does not cover the costs of medical cannabis. Therefore, all patients must cover the full cost of these products out-of-pocket. Moreover, while Maryland's medical cannabis program is rapidly growing, the relatively low number of enrolled patients makes it difficult for operators to achieve economies of scale in production.

But there is another layer to the cost equation: the very unusual tax treatment of licensed medical cannabis growers, processors and dispensaries and registered independent testing laboratories. IRC Section 280E, a Federal tax provision, prevents cannabis companies from deducting expenses from their income, except for those considered costs of goods sold. Thus, we are not able to deduct many of the standard business expenses that those in every other industry can, like rent, marketing and certain payroll expenses. The Maryland Tax code mandates the same exclusion; this dramatically drives up our combined state and federal taxation rates.

In fact, our effective tax rate is over 100%. Let me repeat that: our effective tax rate is over 100%. This is by far the highest tax rate that any Maryland corporation pays – and enough to cause just about any business to shut its doors. As can be expected, we unfortunately are forced to pass the exorbitant costs of these taxes on to patients, making Maryland's medical cannabis prices among the highest in the nation.

While the Maryland Legislature cannot change federal tax law, it does have the authority to amend state tax law. We are therefore hopeful that a relatively straightforward change in Maryland law will allow us to deduct standard business expenses from our Maryland state corporate taxes,

resulting in substantial savings for the company. Simply put, savings on the tax bill would translate to savings for patients.

To be clear, we are not asking for special treatment — just standard treatment as a state-licensed legal business operating in the state of Maryland. We are not asking you to set a precedent here of being the first state to enact tax fairness for their state medicinal cannabis businesses. Other states that allow for the medicinal use of cannabis have taken this step and we are hopeful that as more states tackle this issue there will eventually be change to the federal tax code.

More importantly, passage of this legislation, which would help us reduce costs for Maryland patients, would be just one major step forward, but a critical one, in addressing the scourge of opioid addiction.

For all of the above reasons, I respectfully urge the Committee to issue a FAVORABLE report for House Bill 1210.