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**Senate Bill 900: Income Tax—Subtraction Modification-Expenses of Medical Cannabis  
Grower, Processor, Dispensary or Independent Testing Laboratory**

Chairman Guzzone, Vice Chairman Rosapepe and esteemed members of the Budget and Taxation Committee. My name is Warren Lemley, I'm President of Peake ReLeaf, an independently owned and operated medical cannabis dispensary and I speak in support of Senate Bill 900 today.

I support this bill because as a licensed business in the State of Maryland I think that it is only appropriate to have the same ability to deduct standard business expenses as any other business in Maryland.

I was relieved that the State of Maryland deemed the medical cannabis industry essential in the face of this historic pandemic. It allowed us to continue serving our patients in need of their medicine and provide meaningful employment to many people in our State but doing so came with huge changes to workflow, upfront and ongoing expenses although our businesses are prevented from accepting any aid from Federal and State governments because our industry sells, grows and manufactures a schedule 1 substance.

Smaller independent dispensaries have different circumstances than large growers, processors and multi state operators. Larger licensees have larger support systems and deeper pools of investment to traverse difficult times and are able to write off more of their expenses because their businesses and employees manufacture or grow cannabis products as opposed to selling it to patients. The archaic tax code 280E prevents deductions concerning the sale of any schedule 1 substance aside from costs of goods sold even though 35 States and DC have legalized cannabis use in some form but it doesn't prevent all the deductions in manufacturing or growing the substance.

Some may point to an increase in revenue to show this industry doesn't need support but that doesn't reflect our reality. Revenue is unevenly shared by wholesalers and dispensaries who must manage high operational and labor costs, and rising costs of inventory while dispensaries attempt to keep prices low for patients with aggressively low margins. Higher revenue comes with larger tax expenditures and without enough profit and good planning this can be detrimental to their success at the end of the fiscal year.

There is a larger tax burden on smaller independently owned and operated dispensaries in Maryland and that is why it's so important to pass this legislation to support these small businesses. That is why I respectfully encourage a favorable report on Senate Bill 900.