The Small Business Tax Equity Act of 2015

Congressman Earl Blumenauer ■ Third District of Oregon ■ www.blumenauer.house.gov

Senator Ron Wyden ■ Oregon ■ www.wyden.senate.gov

EMBARGOED UNTIL THURSDAY, APRIL 9 AT 11:00 AM (PT)

Background:
Currently, the federal tax code prohibits anyone who sells Schedule I or Schedule II substances from deducting their business expenses from their taxes. Congress added this prohibition in 1982 after a drug dealer claimed his yacht and weapon purchases as legitimate business expenses.

Marijuana is a Schedule I substance, and therefore, even businesses operating in compliance with state law are not allowed to deduct the common expenses of running a small business, like rent, most utilities and payroll. They cannot claim the Work Opportunity Tax Credit if they hire a veteran, and they are limited in lawful deductions relating to construction or operation costs if they want to remodel a building for their retail operations.

Legalization of Medical Marijuana
- Twenty-three states, the District of Columbia and Guam have passed laws allowing for the legal use of medical marijuana. An additional 12 states have passed laws allowing the use of low-THC forms of marijuana to treat certain medical conditions.
- There are over one million legal medical marijuana patients across the country, and in many states, medical marijuana is sold through dispensaries. These dispensaries provide safe, legal facilities for patients who have a recommendation from a physician.

Legalization of Adult Use of Marijuana
- In Colorado, Washington, Oregon, Alaska and the District of Columbia, voters passed measures allowing for the legal adult use of marijuana.
- Businesses in Colorado and Washington – from the production to retail side of the industry – are already up and running in compliance with state law.

Fairness to these Legal Businesses
- Because marijuana businesses are not allowed to deduct their expenses, this means that in certain circumstances, legal marijuana businesses can pay federal income tax rates at nearly 90 percent, while the U.S. Small Business Administration estimates that many small businesses pay an effective rate of around 20 percent.
- All businesses should pay their fair share of taxes, but not being able to deduct expenses creates a disproportionate burden that can put small marijuana dispensaries out of business and will keep many good actors from entering the industry in the first place, forcing the industry underground.
- **Barring the marijuana industry from operating like a normal industry just incentivizes criminal activity and tax evasion.**

What the Bill Does:
The *Small Business Tax Equity Act of 2015* creates an exception to Internal Revenue Code section 280E to allow businesses operating in compliance with state law to take deductions associated with the sale of marijuana like any other legal business.

This Legislation is Supported By:
Americans for Tax Reform, the National Cannabis Industry Association, Drug Policy Alliance, Marijuana Policy Project, Americans for Safe Access, NORML

For further information about the Small Business Tax Equity Act, please contact:
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