

Marijuana Shops Will Pay Up to 70 Percent Tax



Summary: *An old law from the 1980's aimed at stopping drug dealers from getting tax breaks is now hurting legal marijuana shop owners.*

Marijuana business owners will be seeing little profit this year after a federal law takes most of their revenues. Minneapolis drug dealer Jeffrey Edmondson caused the problem back in 1982 when he wanted to be able to write off expenses related to his business, his drug business. He tried to argue in court that he should be allowed to but all that came of it was Section 280E of the tax code.

DC Still Figuring Out Proper Restrictions for Legal Marijuana

Section 280E prohibited businesses that traffic in controlled substances from benefiting from federal law tax deductions and credits that other businesses can take advantage of, such as deducting rent and employee-related expenses. A typical tax rate is around 30 percent but marijuana businesses may be forced to pay closer to 70 percent.

The sale of marijuana in places like Washington and Colorado has grossed billions already. Colorado reports that last year with \$1 billion in sales, they will be collecting \$135 million in taxes on it. Washington will be gaining around \$1 billion between 2015 and 2019. Marijuana is still illegal on the federal level so when businesses file their federal taxes with the Internal Revenue Service, they still fall under the law.

Why Legal Marijuana Growers Lack Legal Representation

Even though marijuana is listed as a Schedule I controlled substance, the IRS does not have the ability to check if every marijuana business is legal on the federal level. North Carolina lawyer Pat Oglesby, a lawyer that has worked on tax policy for Congress, mentioned how any marijuana businesses that don't pay proper federal taxes will be at risk of tax-evasion charges.

With marijuana businesses paying high federal and state taxes, those that dream of operating a fancy store will have to face reality and down play their dream. Since marijuana is still seen as illegal on the national level, federally insured banks are not able to do business with them so all marijuana shops must deal in cash.

Source: <http://www.thedailybeast.com/articles/2016/02/18/feds-slap-70-tax-on-legal-marijuana-businesses.html>

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