

**STATEMENT BY  
THE GREATER BETHESDA CHAMBER OF COMMERCE  
REGARDING  
HB217-INCOME TAX – SUBTRACTION MODIFICATION – EXPENSES OF MEDICAL  
CANNABIS GROWER, PROCESSOR, DISPENSARY, OR INDEPENDENT TESTING LABOR  
BEFORE  
HOUSE WAYS AND MEANS COMMITTEE  
JANUARY 21, 2021  
POSITION: FAVORABLE REPORT**

On behalf of our 500-member businesses (several of which are cannabis dispensaries and growers) and more than 45,000 employees in Montgomery County, this statement is in **Support of HB217- Income Tax - Subtraction Modification - Expenses of Medical Cannabis Grower, Processor, Dispensary, or Independent Testing Laboratory**. This bill which provides equal treatment to cannabis business owners, allows them to write off the same business expenses as their peers. This legislation is essential for the survival of the industry, and will attract more of these businesses to Maryland as opposed to neighboring states (and, in turn, more tax revenue for the state).

It is disproportionately more difficult operating and maintaining a state-legal cannabis business anywhere in the United States compared to their non-cannabis industry peers of the same business category (example: growers = farmers, processors = manufacturers, dispensaries = any retail store) due to IRS code section 280E. This code mandates that businesses can't write off any ordinary business expenses if the business is derived from illegal activity (only costs of goods sold can be deducted). Since cannabis is still illegal at the federal level, all cannabis businesses are subject to this unfair rule, which means not only are they unable to run their businesses as efficiently as possible and have a difficult time even keeping them afloat, but that they are not afforded the same freedoms that their non-cannabis neighbors are.

To illustrate: A t-shirt store and a dispensary are next-door neighbors and each make \$1 million in revenue in the year. After costs of goods sold, both stores gross \$750,000. Now, both stores have to pay rent, utilities, payroll, marketing & advertising, software/IT, professional fees, etc., so after expenses, both stores net \$150,000. The t-shirt store's taxable income is then \$150,000, and at 8.25% tax rate they pay \$12,375. The dispensary's taxable income, however, is \$750,000 even though they had the same expenses as the t-shirt store, so at 8.25% tax rate they have to pay \$61,875. At the end of the year the t-shirt shop takes home \$137,625 and the dispensary takes home only \$88,125, and from an industry perspective they're running the same exact business - a retail store.

Passing HB217 would put the medical cannabis industry on the same level playing field as all other businesses in the State of Maryland. We thank Delegate Wilkins for sponsoring this bill and urge the committee to render a **favorable report**. Thank you for your consideration of our remarks.