



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

July 9, 2019

The Honorable Karen Bass
U.S. House of Representatives
2059 Rayburn House Office Building
Washington, DC 20515

The Honorable John Ratcliffe
U.S. House of Representatives
223 Cannon House Office Building
Washington, DC 20515

Dear Chairwoman Bass and Ranking Member Ratcliffe,

I am writing in support of the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, a bill sponsored by Representative David Joyce (R-OH) and Representative Earl Blumenauer (D-OR), and by Senator Cory Gardner (R-CO) and Senator Elizabeth Warren (D-MA) in the Senate. This legislation would allow states to regulate cannabis and also addresses financial issues caused by federal prohibition.

At least 46 states have laws on the books permitting or decriminalizing cannabis and/or cannabidiol (CBD). As of 2018, the cannabis industry had created 211,000 jobs nationwide, and in just one Colorado county, researchers found that cannabis contributed more than \$58 million to the local economy in 2016.

In 2013, Deputy Attorney General James Cole issued guidance to federal prosecutors on cannabis that directed them to focus resources on other issues such as drug violence prevention and stopping cannabis distribution to minors, so long as cases adhered to state law. But, under Attorney General Jeff Sessions, the DOJ reversed course by revoking the Cole Memo, causing legal uncertainty in states that legalized or decriminalized cannabis. Current Attorney General, William Barr, has said the situation is untenable. **The STATES Act does not legalize cannabis nationwide. It does allow states to regulate cannabis within their own borders.**

Even though certain uses of cannabis are legal in some states, conflicting federal and state laws leave the industry open to not just uncertainty, but disparities in the tax code and difficulties banking and paying bills.

Section 280E of the tax code prevents businesses with expenditures connected to “illegal” drug sales from utilizing deductions or tax credits. However, in the 46 states and the District of Columbia, where cannabis businesses are not considered illegal, these legal businesses are unfairly discriminated against by Section 280E. Because of this, cannabis businesses nationwide face income tax rates as high as 90%. **This bill will remove cannabis businesses from the arbitrary measures of Section 280E and entitle them to the same deductions and credits as any other legal business.**

As a result of federal prohibition and the disparity between federal and state law, many banks will not allow dispensaries to deposit revenues into bank accounts, which makes it extremely difficult to pay electric bills, leases, and so on. Roughly 70% of dispensaries are forced to carry thousands of dollars in cash, making them a huge target for bad actors. The STATES Act would allow retailers in states with legal cannabis to put their revenues into bank accounts, correcting complications paying bills and encouraging safe sale and use of cannabis.

States are fully capable of regulating cannabis, but retailers face many obstacles because of federal law. **I urge you to support the STATES Act so there is more legal certainty surrounding the cannabis industry.** If you should have any questions or comments, please contact me or Katie McAuliffe by phone, 202-785-0266, or email, kmcauliffe@atr.org.

Onward,

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