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As discussed in our special report *Is a "legal marijuana business" really legal?*, there are tremendous business and personal risks from being involved in the so-called legal marijuana market. There are also tax implications. Section 280E of the Internal Revenue Code says that "no deduction or credit shall be allowed" for expenses related to a trade or business that consists of trafficking in Schedule I or Schedule II controlled substances in violation of state or federal law. In a 2012 case, the U.S. Tax Court denied all business deductions to a California marijuana dispensary. Without these deductions, marijuana businesses pay an effective tax rate in excess of 50%. One more reason to tread carefully, and consult a highly qualified lawyer, before getting involved with the legal marijuana market.