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On National Weed Or Cannabis Day, Time To Go To The Mattresses

National Weed Day isn't an official holiday. Not yet. Federal law still outlaws marijuana even in states that have legalized it. Forget even medical use. And while that may make you think of federal charges and drug raids, perhaps you should think of the IRS. After all, taxes brought down Al Capone.

Presently, [18 states and the District of Columbia](#) allow medical marijuana.

[Massachusetts](#) was most recent.

See [Medical marijuana law passes in Massachusetts](#).

Colorado and Washington legalized even recreational use. See [Colorado, Washington First States to Legalize Recreational Pot](#). Yet even legal dispensaries are drug traffickers to the feds, so [Section 280E](#) of the tax code denies them tax deductions. Of all the federal enforcement efforts, taxes hurt most. "The federal tax situation is the biggest threat to businesses and could push the entire industry underground," the [leading trade publication for the marijuana industry reports](#).



Marijuana plants grow at Perennial Holistic Wellness Center, a not-for-profit medical marijuana dispensary in operation since 2006, on Sept. 7, 2012 in Los Angeles, CA. (Image credit: Getty Images via @daylife)

One answer is for dispensaries to deduct **other** expenses distinct from dispensing marijuana. If a dispensary sells marijuana and is in the **separate** business of care-giving, the care-giving expenses are deductible. If only 10% of the premises are used to dispense marijuana, most of the rent is deductible. Good record-keeping is essential. See [Medical Marijuana Dispensaries Persist Despite Tax Obstacles](#). Another idea is that marijuana sellers might operate as nonprofit social welfare organizations. See [Growing the Business: How Legal Marijuana Sellers Can Beat a Draconian Tax](#). That way [Section 280E](#) shouldn't apply.

Meanwhile, Congressmen Jared Polis (D-CO) and Earl Blumenauer (D-OR) introduced a bill to end the federal prohibition on marijuana and allow it to be taxed. This legislation would remove marijuana from the Controlled Substances Act. That way growers, sellers and users could no longer fear violating federal law. Their [Marijuana Tax Equity Act](#) would also impose an excise tax on cannabis sales and an annual occupational tax on workers dealing in the [growing field of legal marijuana](#).

Medical marijuana dispensaries are on the corner and in the news. See [Voters Say Yes To Marijuana, IRS Says No](#). And the industry is going corporate, including merger notices. See [Is Medical Marijuana Going Corporate?](#) Think of it as marijuana M&A. [Medbox, Inc.](#) (OTC Markets: MDBX) announced the acquisition of 100% of [Vaporfection International Inc.](#), manufacturer of Vaporfection vaporizers. Medbox was featured on the cover of the Los Angeles Times Business Section: [Wall Street sees opportunity in marijuana](#).

There's no suggestion yet the federal government will move off its policies anytime soon. Which may mean more and more people and companies in the medical marijuana business will have to go to the mattresses.

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