

In The News

Akerman Partner Iran Hopkins Authors *Bloomberg Tax* Article on Cannabis Under Federal Law – What’s the Fuss About Section 280E?

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Real Estate partner [Iran Hopkins](#) authored an article for *Bloomberg Tax* titled, “Cannabis Under Federal Law – What’s the Fuss About Section 280E?” While many states now permit legal medicinal or adult use commercial cannabis activity, cannabis remains classified as Schedule I controlled substance under the Controlled Substances Act. This classification transforms a “plant-touching” cannabis business compliant under state law into a criminal enterprise “trafficking in a controlled substance” under federal law; treats otherwise compliant business owners and operators as “drug dealers” pandering drugs deemed equivalent to cocaine and heroin; and subjects such businesses to Section 280E. Section 280E penalizes traffickers of Schedule I or II drugs by disallowing the deduction of “ordinary and necessary” business expenses after reducing gross receipts by cost of goods sold, essentially resulting in federal income tax liability calculated based on gross income, not net income.

“If a cannabis business is not structured carefully and thoughtfully from a tax perspective, the effect of Section 280E’s disallowance of deductions can easily result in effective tax rates and tax bills equaling or exceeding the economic profits of the business, often

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leaving the business operating in the red,” said Hopkins.

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