

In The News

Akerman Lawyer Joshua Hamlet Explores Potential Tax Savings for Cannabis Companies

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On October 6, President Biden announced pardons for people convicted of marijuana possession under federal law, as well as a review of the legal categorization of marijuana. In a *Tax Notes* article titled, “Biden’s Pardons Could Be a Big Win for the Cannabis Industry,” tax associate [Joshua Hamlet](#) in New York explores what the new status of cannabis could mean for tax deductions and write-offs.

Hamlet wrote, “Since marijuana is classified as a Schedule I substance under the CSA [Controlled Substances Act], cannabis companies cannot deduct “ordinary and necessary” business expenses that are routine across other industries. In other words, cannabis businesses may only reduce their gross receipts by the cost of goods sold in determining their gross income but may not take below-the-line deductions such as rents and salaries.

If Biden’s review triggers a reclassification of marijuana... cannabis companies would be entitled to take the same deductions as any other business. That would mean huge savings for the cannabis industry and much easier bookkeeping. If you listen, you can hear the sigh of relief from accountants everywhere. That’s because deductions vary wildly based on whether the business operates as a grower or as a dispensary. If your business operations

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include both, the accounting can become extremely difficult.”

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