

In The News

Joshua Mandell, Claudia Fu Break Down California's New Cannabis Laws in Article for *Daily Journal*

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Joshua Mandell and Claudia Fu wrote an article for the *Daily Journal* breaking down a set of cannabis laws signed by California Governor Gavin Newsom. Among the most significant laws, Assembly Bill 37 allows licensed operators to now be taxed as any other business in California.

They explained, “U.S. Internal Revenue Code section 280E prohibits deductions or credits for ordinary business expenses, ‘below-the-line’ deductions, of a trade or business whose activities consist of trafficking certain controlled substances, including cannabis which remains a Schedule I drug. This results in the calculation of federal income tax based on gross income, rather than net profit. AB 37 amends California Revenue and Taxation Code to allow licensed cannabis operators to deduct business expenses paid or incurred during each taxable year beginning on or after January 1, 2020.”

Mandell and Fu also elaborated on AB 420, which approves additional resources for cannabis research. “Currently, researchers must obtain cannabis through the National Institute on Drug Abuse, and the University of Mississippi is the only entity authorized by the Drug Enforcement Agency to cultivate cannabis for research purposes in the United States. This has created a shortage in supply as well as a lack of diversity in cannabis strains

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available for research. AB 420 authorizes the Center to cultivate cannabis for its own use in research, subject to approval from the DEA.”

The additional bills signed into law address the re-testing of cannabis samples; the meaning of outdoor “specialty cottage” licenses; labor peace agreements; a universal symbol for cannabis cartridges; donations of medical cannabis; appellations of origin; and state licensing and renewal fees.