



October 24, 2022

RE: CPAs support A3946 to remove unfair taxation of legal cannabis businesses like drug traffickers

Dear Honorable Members of the Assembly:

The New Jersey Society of Certified Public Accountants (NJCPA) strongly supports A3946 and urges a yes vote on October 27. This bill decouples cannabis businesses from Internal Revenue Code Section 280E. In a nutshell, Section 280E prohibits any company illegally engaged in drug trafficking from deducting business expenses on personal or corporate income tax returns. Deducting business expenses is, of course, an integral part of operating a business and is critical for a company to be profitable.

Believe it or not, New Jersey still “piggybacks” 280E, thus taxing cannabis business owners like they’re drug dealers, including those who operate in the medicinal space. Since cannabis is still illegal on a federal level, this may make sense for federal taxes, but it’s irrational and unfair in New Jersey where cannabis is legal. We believe it’s also insulting to treat these business owners like drug dealers.

Because the federal government doesn’t allow cannabis businesses to deduct business expenses, there is already a tremendous barrier to market entry and success. Preventing business expense deductions on a state level only compounds this problem. If lawmakers want a prosperous cannabis industry, with businesses participating and thriving, then New Jersey needs to decouple cannabis companies from 280E. It should be noted that this bill applies only to legal cannabis companies, not companies engaged in illegal drug trafficking of other substances.

Thank you for considering our views on this bill. If you have any questions, please feel free to reach out to me via my cell 732-586-3236, office 862-702-5610 or email jkaszerman@njcpa.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Kaszerman". The signature is fluid and cursive.

Jeff Kaszerman
Government Relations Vice President