

## Cannabis Business Blog

# Marijuana Industry Tax Treatment in Oregon

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Come tax time, taxpayers in the marijuana industry in Oregon may want to proceed with caution. Since Oregon is tied to the Internal Revenue Code—specifically IRC § 280E—for purposes of income taxation, deductions relating to the trade or business of selling medical or recreational marijuana will be disallowed, and therefore taxpayers in this industry seeking to capitalize expenses and add them to the cost of goods should keep in mind that the taxing authorities will likely be monitoring this area closely. For more information on this issue, please read the [latest post](#) on our firm's sister blog [Larry's Tax Law](#).

**Warning Regarding Federal Law:** The possession, distribution, and manufacturing of marijuana is illegal under federal law, regardless of state law which may, in some jurisdictions, decriminalize such activity under certain circumstances. Penalties for violating federal drug laws are very serious. For example, a conviction on a charge of conspiracy to sell drugs carries a mandatory minimum prison term of five years for a first offense and, depending on the quantity of marijuana involved, the fine for such a conviction could be as high as \$10 million. In addition, the federal government may seize, and seek the civil forfeiture of, the real or personal property used to facilitate the sale of marijuana as well as the money or other proceeds from the sale. Although the U.S. Department of Justice (DOJ) recently rescinded its guidance regarding prioritization of criminal prosecutions of individuals and entities operating in compliance with effective state regulatory systems, DOJ left in place long standing guidance to federal prosecutors regarding how to exercise this discretion. Individuals and companies are cautioned to consult with experienced attorneys regarding their exposure to potential criminal prosecution before establishing business operations in reliance upon the passage of state laws which may decriminalize such activity. Federal authority to prosecute violations of federal law as crimes or through seizures and forfeiture actions is not diminished by state law. Indeed, due to the federal government's jurisdiction over interstate commerce, when businesses provide services to marijuana producers, processors or distributors located in multiple states, they potentially face a higher level of scrutiny from federal authorities than do their customers with local operations.

**Tags:** business deductions, Business Expenses, Internal Revenue Code, Medical Marijuana Dispensary