

# CANNABIZ IL

CANNABIS BUSINESS ASSOCIATION OF IL

## DECOUPLE IL FROM PUNITIVE FEDERAL TAX PROVISIONS

**SB 2196 | HB 3914**  
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We're working to decouple Illinois from Internal Revenue Code Section 280e, which prohibits cannabis businesses from deducting ordinary business expenses such as payroll, rent, utilities, and other elements of running cannabis businesses.

### OVERVIEW

Internal Revenue Code Section 280e is a federal tax law that prohibits legitimate cannabis businesses that have been legalized by the State of Illinois from deducting normal business expenses.

### IMPACT ON CANNABIS ENTREPRENEURS

The urgency to approve this measure is particularly important, considering the significant growth in the Illinois cannabis industry and new licenses coming online. The need is especially critical for small businesses - particularly those run by minority business owners who have received "social equity" licenses - and struggle to access capital just to get started, placing them at a significant disadvantage.

Not allowing these deductions will have a severe financial impact on new cannabis businesses and will negatively impact the ability to achieve profitability in the first and second years of operations. The inability to deduct these expenses can make the effective tax rate on dispensaries more than 70%.

### ABOUT THE CANNABIS BUSINESS ASSOCIATION OF IL

The Cannabis Business Association of Illinois (CannaBiz or CBAI) is a nonprofit, statewide association that represents cannabis businesses licensed by the state of Illinois as well as ancillary businesses and industry supporters. It advocates for patient well-being, consumer safety, greater equity and inclusion, job creation, community investment and the responsible use of cannabis.