

Act could move cannabis away from cash

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A bill that could allow banks to work with cannabis-related businesses is moving to the U.S. Senate. If passed, cannabis businesses could move away from cash-only commerce.

The Secure and Fair Enforcement (SAFE) Banking Act of 2019 passed the House of Representatives on September 25, under “suspension of the rules,” a procedure used to pass a bill rapidly. The bill passed in a landslide with 321 votes in favor and only 103 opposed.

Now it will head to the Senate, and if passed, could land on President Trump’s desk by the end of the year.

The SAFE Banking Act will restrict Federal banking regulators from penalizing banks for working with cannabis-related businesses in states where recreational marijuana use is legal.

While 33 states have legalized medical marijuana and 10 states have legalized recreational use of marijuana, it is still federally illegal.

Marijuana businesses in states where it is legal face the balancing act of being legal but federally illegal. Under federal law, marijuana is categorized under the Controlled Substance Act, meaning it is illegal for

anyone to handle money made from cannabis businesses, including banks.

“Access to banking is something most of us take for granted. But without it, cannabis businesses are forced to either maintain large amounts of cash – which invites violent crime – or launder money, which itself is a crime,” said California Congressman Jared Huffman, a strong supporter of the act.

Most marijuana retail businesses cannot open a bank account or take out business-related loans, according to an article in the Nevada Independent. Banks are required to report any suspected illegal activity to the federal government under the Bank Secrecy Act, an anti-money laundering act.

Banks also must report when someone makes a cash payment of \$10,000 or more. Since cannabis businesses are currently cash only, this makes it difficult for them to deposit their income.

Finally the treasury department has an agency, Financial Crimes Enforcement Network, that enforces regulations for banks working with marijuana businesses. It also offers assistance in detecting money laundering.

“I could care less about marijuana. We cannot bank it because there’s not national laws,” said Chase Bank CEO JPMorgan in a statement. He added that if there was a national law shielding banks from prosecution if they worked with cannabis businesses, he would consider working with them.

Because of these reasons, the marijuana industry is primarily cash only, and being cash only can pose a variety of problems, according to Robert Derego, the owner of Sticky Grove, Crescent City’s only cannabis shop.

Not only is it inconvenient for customers, but it also poses more of a risk of robbery. Derego has to take extra security measures to ensure the safety of his employees and his business. He tries to limit the amount of cash held in the store at any given time. He also has installed security cameras throughout the two room shop.

But what Derego finds most inconvenient about being cash only is paying taxes. In order to pay them in cash, he must drive to Sacramento, as no place near Crescent City will take the cash-only payments.

Additionally, it is entirely possible that after paying taxes, he will have lost income instead of earning, according to Derego. While most businesses can deduct business costs, such as rent, from their sales before paying taxes. Since marijuana retail is not a federally legal business, he cannot deduct business costs before paying his taxes, which makes his business’ income appear higher than it actually is.

“As the retailer that is the biggest burden. It’s entirely possible that you make a loss after taxes,” Derego said.

While he does not believe the SAFE Banking Act will make solve all of these problems, it could make things at least a little easier.

“If it passes it still might be that you know not every bank is going to want to bank cannabis still it’s still gonna be federally illegal,” Derego said. “It might not solve everything, but i’m sure it would increase the amount of banks that decide to do business with cannabis businesses.”