LODGEN, LACHER, GOLDITCH, SARDI, SAUNDERS & HOWARD LLP **CERTIFIED PUBLIC ACCOUNTANTS**

16530 Ventura Boulevard, Suite 305 Encino, CA 91436

(818) 783-0570

www.LGSHCPA.com email: jsaunders@lgshcpa.com





Mastering Cannabis & Marijuana Regulation

The Rossdate Group

John E. Saunders, C.P.A., C.F.E.

jsaunders@lgshcpa.com

(818) 783-0570



Mastering Cannabis & Marijuana Regulation

The Rossdate Group

John E. Saunders, C.P.A., C.F.E.

I. IRS Code Section 280E

A. Supremacy Clause of the U.S. Constitution

- a. Establishes the U.S. Constitution, federal statutes and treaties as "the supreme law of the land"; and
- b. Pursuant to this clause, any state law which conflicts with the federal law is preempted

Non-deductible operating expenses A.

- a. Section 280E disallows any deduction for ordinary and necessary business expenses for illegal controlled substance businesses
- b. IRC section 280E/Ordinary and Necessary Business Expenses
 - i. Denies a taxpayer any deductions for any amount paid or incurred in the year in carrying on any trade or business if such trade or business consisted of trafficking in controlled substances.
 - ii. Supreme Court has consistently upheld the fact that deductions are a matter of "legislative grace" rather than constitutional requirements

Cost of Goods Sold (COGS)

Cost of Goods Sold (COGS)IRC section 61 defines "gross income" as total sales less the COGS COGS is not considered an expense, but rather an adjustment taken into account in arriving at "gross income" Cultivators and producers

Full absorption cost method IRC section 471

Beginning inventories plus current-year production costs and/or current-year purchases less ending inventories Direct costs including material costs, direct labor including burden

1. Indirect costs including rent, utilities, nutrients, security, insurance, scales, grinders, packaging materials, traceability software a. Dispensaries and resellers

- i. Cost of purchases
 - a. Cash basis purchases
 - 1. Cost of cannabis and other purchases for resell

I. Bifurcating entity types

A. Cannabis related activities

- a. Cultivators, producers and dispensaries
- B. Non cannabis related activities
 - a. Packaging, branding, clothing, lights, software, etc.

I. Form 8300

A. Bank Secrecy Act (BSA)

- a. Requires those in the U.S. and its territories, that receive more than \$10,000 in cash in their trade or business, to report the transactions to the U.S. Treasury using Form 8300
- b. Businesses must report cash payments received if all of the following criteria is met:
 - i. Business receives cash totaling \$10,000 as one lump sum, installment payments received in one year of the initial payment cause the total to exceed \$10,000, or previously unreported payments that cause the total cash received within a 12 month period exceed \$10,000;
 - ii. From the same agent or buyer; and
 - iii. In a single transaction or in related transactions
- c. Form 8300 data is maintained by the Financial Crimes Enforcement Network (Fin Cen) a branch of the U.S. Treasury
- d. Some transactions covered by these requirements
 - i. Pre-existing debt payments
 - ii. Reimbursement of expenses
 - iii. Making or repaying a loan

- i. Sale of real property
- ii. Sale of intangible property
- iii. Sale of goods or services
- iv. Rental of real or personal property
- a. Cash includes the following if valued at less than \$10,000 and included in a designated reporting transaction
 - i. Cashier's checks
 - ii. Bank drafts
 - iii. Travelers checks
 - iv. Money orders
- b. Penalties
 - i. Civil penalties for negligent failure to timely file
 - a. \$250 per return not to exceed \$3,000,000
 - b. For persons with average annual gross receipts of not more than \$5,000,000, the ceiling is \$100,000
 - c. The penalty applies to each return
 - d. \$50 per return not to exceed \$500,000
 - e. .For persons with average annual gross receipts of not more than \$5,000,000, the ceiling is \$75,000
 - ii. Criminal penalties for willful failure to file
 - a. Willfully filing a false or fraudulent Form 8300
 - b. Stopping, or attempting to stop, a Form 8300 from being filed, or
 - c. Setting up, assisting, or trying to set up a transaction in a way that would make it seem unnecessary to file Form 8300
 - 1. Fines up to \$100,000
 - 2. And/or imprisonment up to five years
 - 3. Costs of prosecution



IRS Form 8300 Page 1

Report of Cash Payments Over \$10,000 Received in a Trade or Business

IRS 8300 Form B3000 Revealed in a Trade or Business > Soe instructions for definition of cash. > Use this form for transactions occurring after August 28, 2014, Do not use prior versions after this date.											
Department of the Treasury Internal Revenue Service	For Privacy Act	-					er uns date.	Department of the Treat Financial Crimes Enforcement Network			
		Amends p					clous transa				
	ty of Individual From Wh			eived							
	one individual is involved, check	here and see						<u></u> Þ			
3 Last name			4 First name		1	5 M.I.		r identification numb			
7 Address (num	ber, street, and apt. or suite no.	<u> </u>	L		8 Date of bir	th	. ► М М	DDYYY			
		,			(see instru	ctions)					
9 City		10 State	11 ZIP code	12 0	country (if not	U.S.)	13 Occup	ation, profession, or bush			
14 Identifying document (ID)	a Describe ID► c Number►					b Issu	ied by P				
	on on Whose Behalf This	Transacti	ion Was Con	ducte	4						
	tion was conducted on behalf o					tions .					
	st name or organization's name		17 First nam		18 M.I.	19 Taxpayer identification nu					
							: :	1 1 1			
20 Doing busines	ss as (DBA) name (see instructio	ns)						er identification nurr			
21 Address (num	ber, street, and apt. or suite no.				19	22 Occup		sion, or business			
a nouress (num	series and april or suite no.	'			!`	_ 0000p					
23 City		24 State	25 ZIP code	26 (Country (if not	U.S.)					
		1									
27 Alien	a Describe ID >					b Issu	ted by P				
identification (Part III Desci	^(D) c Number► ription of Transaction an	d Mothod	of Daymont			_					
28 Date cash rec			30				31 Total p	rice if different from			
MMDD				is received in one payment		item 29					
	1 1 1 1 \$			eck her			\$.0			
32 Amount of ca	sh received (in U.S. dollar equiv				ctions):						
a U.S. currency			n \$100 bills or hi	gher S		.00)					
 b Foreign curre c Cashler's che 		(Country	name(s) and set	iel num)	oneton/ in	etniment(e)				
d Money order		1000010	manno(o) and oo								
e Bank draft(s)	\$.00	}									
f Traveler's che		,									
								y or service shown in			
33 Type of trans		Debt oblic	bien anolten			earial at a	registration number, address, doc				
33 Type of trans a Personal	property purchased f [_	gations paid of cash				egistration n	umber, address, doo			
33 Type of trans a Personal b Real prop	property purchased f [perty purchased g [Exchange			33. Give		egistration n	umber, address, doo			
33 Type of trans a Personal b Real prop c Personal	property purchased f [perty purchased g [services provided h [Exchange Escrow of Bail receiv	e of cash r trust funds ved by court cler		33. Give		egistration n	umber, address, doc			
33 Type of trans a Personal b Real prop c Personal d Business o Intangible	property purchased f berty purchased g services provided h services provided i g property purchased j	Exchange Escrow of Bail receiv Other (spi	of cash r trust funds		33. Give		egistration n	umber, address, doo			
33 Type of trans a Personal b Real prop c Personal d Business o Intangible Part IV Busin	property purchased f [perty purchased g [services provided h [services provided i [property purchased] [tess That Received Cast	Exchange Escrow of Bail receiv Other (spi	e of cash r trust funds ved by court cler		33. Give						
33 Type of trans a Personal b Real prop c Personal d Business o Intangible Part IV Busin	property purchased f berty purchased g services provided h services provided i g property purchased j	Exchange Escrow of Bail receiv Other (spi	e of cash r trust funds ved by court cler		33. Give		36 Emplo				
33 Type of trans a Personal b Real prop c Personal d Business o Intangible Part IV Busin 35 Name of busin	property purchased f [perty purchased g [services provided h [services provided i [property purchased] [tess That Received Cast	Exchange Escrow of Bail receiv Other (spin	e of cash r trust funds ved by court cler		33. Give		36 Emplo	ver identification num			
33 Type of trans a Personal b Real prop c Personal d Business o Intangible Part IV Busin 35 Name of busin	property purchased f [perty purchased g [services provided h [services provided i [a property purchased j [less That Received Cash ness that received cash	Exchange Escrow or Bail receiv Other (spi	e of cash r trust funds ved by court cler ecify in item 34) I		33. Give number,	etc. ►	36 Emplo	ver identification num			
33 Type of trans a Personal b Real prop c Personal d Business o Intangible Part IV Busin 35 Name of busin	property purchased f [perty purchased g [services provided h [services provided i [a property purchased j [less That Received Cash ness that received cash	Exchange Escrow of Bail receiv Other (spin	e of cash r trust funds ved by court cler		33. Give	etc. ►	36 Emplo	ver identification num			
33 Type of trans a Personal b Real prop c Personal d Business e Intangible Part IV Busin's 35 Name of busi 37 Address (num 38 City	property purchased f [perty purchased g [services provided h [a property purchased] [less That Received Cash ness that received cash ther, street, and apt. or suite no.	Exchange Escrow of Bail receive Other (spin h	of cash r trust funds ved by court cler ecity in item 34) i	41 1	33. Give number,	etc. ►	36 Employ : Social : :	rer identification nun 1 1 1 1 security number 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
33 Type of trans a Personal b Real prop c Personal d Business e Intangible Part IV Busin 35 Name of busi 37 Address (num) 38 City 42 Under penal	property purchased f [perty purchased g [services provided h [a property purchased j [tess That Received Cash ness that received cash ther, street, and apt. or suite no.	Exchange Escrow of Bail receive Other (spin h	of cash r trust funds ved by court cler ecity in item 34) i	41 1	33. Give number,	etc. ►	36 Employ : Social : :	rer identification nun 1 1 1 1 security number 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
33 Type of trans a Personal b Real prop c Personal d Business e Intangible Part IV Busin's 35 Name of busi 37 Address (num 38 City	property purchased f [perty purchased g [services provided h [a property purchased j [tess That Received Cash ness that received cash ther, street, and apt. or suite no.	Exchange Escrow of Bail receive Other (spin h	of cash r trust funds ved by court cler ecity in item 34) i	41 1	33. Give number,	etc. ►	36 Employ : Social : :	rer identification nun 1 1 1 1 security number 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
33 Type of trans a Personal b Real prop c Personal d Business e Intanjible Part IV Busin 35 Name of busi 37 Address (num 38 City 42 Under pena and comple	property purchased f [perty purchased g [services provided h [a property purchased] [tess That Received Cash ness that received cash ther, street, and apt. or suite no.	Exchange Escrow of Bail received Other (spin h	of cash r trust funds ved by court cler ecity in item 34) i	41 1	33. Give number,	etc. ►	36 Employ : Social : :	rer identification nun 1 1 1 1 security number 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
33 Type of trans a Personal b Real prop c Personal d Business e Intangible Part IV Busin 35 Name of busi 37 Address (num 38 City 42 Under pena and comple Signature Signature	property purchased f [perty purchased g [services provided h [services provided i] property purchased] [tess That Received Cash ness that received cash liber, street, and apt. or sufte no.	Exchange Escrow of Ball receit Other (spin h 39 State : at to the best official	of cash r trust funds ved by court cler ecity in item 34) i 40 ZIP code st of my know	↓ 41 t edge ti Title	33. Give number, 	etc. ►	36 Employ : Social : : furnished :	ver identification num : 1 1 1 : 2 1 : 2 1 : 2 1 : 1 : 1 : 1 : 2 : 2 : 2 : 2 : 2 : 2 : 2 : 2			
33 Type of trans a Personal b Real prop c Personal d Business e Intangibb Part IV Busin 35 Name of busi 37 Address (nur 38 City 42 Under pena and complete Signature 43	property purchased f [perty purchased g [services provided h [services provided i] property purchased] [tess That Received Cash ness that received cash liber, street, and apt. or sufte no.	Exchange Escrow of Ball receit Other (spin h 39 State : at to the best official	of cash r trust funds ved by court cler ecity in item 34) i	↓ 41 t edge ti Title	33. Give number, 	etc. ►	36 Employ : Social : :	ver identification num : 1 1 1 : 2 1 : 2 1 : 2 1 : 1 : 1 : 1 : 2 : 2 : 2 : 2 : 2 : 2 : 2 : 2			
33 Type of trans a Personal b Real prop c Personal d Business e Intangibb Part IV Busin 35 Name of busi 37 Address (num 38 City 42 Under pena and complet Signature 43 Date of signature M	property purchased f [perty purchased g [services provided h [services provided i [a property purchased j [less That Received Cash ness that received cash here, street, and apt. or suite no.	Exchange Escrow of Bail receiv Other (spring) 39 State : at to the best official 4 Type or pring)	of cash r trust funds ved by court cler ecity in item 34)1 40 ZIP code st of my know	↓ 41 t edge ti Title	33. Give number, 	etc. ►	36 Employ : Social : : furnished a tact telephor	rer identification num i i i i security number i : i above is true, corr ie number			
33 Type of trans a Personal b Real prop c Personal d Business e Intangibb Part IV Busin 35 Name of busi 37 Address (nur 38 City 42 Under pena and complete Signature 43	property purchased f [perty purchased g [services provided h [services provided i [a property purchased j [less That Received Cash ness that received cash here, street, and apt. or suite no.	Exchange Escrow of Bail receiv Other (spring) 39 State : at to the best official 4 Type or pring)	of cash r trust funds ved by court cler ecity in item 34) i 40 ZIP code st of my know	↓ 41 t edge ti Title	33. Give number, 	etc. ►	36 Employ : Social : : furnished a tact telephor	ver identification num : 1 1 1 : 2 1 : 2 1 : 2 1 : 1 : 1 : 1 : 2 : 2 : 2 : 2 : 2 : 2 : 2 : 2			

IRS Form 8300 Page 2

Report of Cash Payments Over \$10,000 Received in a Trade or Business

RSI	Form 8300 (Rev. 8		Page 2					FinCEN Form 8300 (Rev. 8-20								
		Com	lete applica			e Parti		n nago 1 /	e checked							
_	-				2.2		100	in page in	S CHOCKED	/					_	
Par	Continue	d-Complete	o if box 2 (on page					and the state of t							
3	Last name				4	First name			5 M.I.	6			entific	ation nu		
7	Address (number,	Address (number, street, and apt. or suite no.)				8 Date of b			birth	. •		MD		Y Y	Y	
				(see instru												
9	City	10 State	11 ZIP c	ode	ode 12 Country (if not U.S.) 1				ation	n, pro	fession	n, or b	usiness			
14	Identifying	Identifying a Describe ID >					1				by Þ	Č				
100	document (ID)															
3	2 4 2 A		Sada - 7	NAL AL		First name		Signal Pr	5 M.I.	IA	Tavn	avor in	Iontific	cation n	mb	
3	B Last name			4 First name				o m.t.					1 1			
7	7 Address (number, street, and apt. or sui			e no.)				8 Date of birth (see instructions)			м	MD		YY	Y	
0	City		10 State	11 ZIP o	ode	12 Com	try (if		13 Occup	atio	1		;			
a	City		10 State	11 20-0	.000	12 Country (if not U.S.)			10 0000	Auto	, pic	10000101	., 0. 0			
14	Identifying	a Describe I	D •						b Issued by >							
	document (ID)	c Number►								-					_	
Par	t li Continue	d-Complete	if box 15	on page	e 1 is	checked										
16	Individual's last n	ame or organization	on's name		17	17 First name 18			18 M.I.					cation n		
20	Doing business as (DBA) name (see instructions)									Employer Identification numb						
20	Doing business a:		9 mar uctiona	*							. 1			: 1		
21	Address (number,	Address (number, street, and apt. or suite no.)								22 Occupation, profession, or business						
23	City			24 State	05 71	P code	26 (Country (If n	atus)	-	_	-	-		_	
20	City			24 State	20 21	0000	20 0	sound y firm	01 0.0.9							
27	Alien	a Describe ID	<u>ہ</u>						b iss	ued	by 🕨					
如約	identification (ID)	c Number►	and services	1*04/10/2014	263.0465	「「「「「「「」」」	NO (25912	and the second second	HERE AND A PLAN	196362	1000	1.5		12.619		
16	Individual's last n	ame or organizati	CALLER STOLEN CALLER D	51252-66-57		17 First name 18										
2220									Employer identi							
20	Doing business as (DBA) name (see instructions)										Emp					
21	Address (number, street, and apt. or suite no.)					22 0				ccupation, profession, or business						
23	City	City		24 State	25 ZI	25 ZIP code 26 Country (if n			ot U.S.)							
27	Alien	a Describe ID	•	1					b iss	ued	by 🕨	(
70.0	identification (ID)	c Number►									200					
Comr	ments – Please use	the lines provided	d below to co	omment on	or clari	fy any info	matio	n you entere	ed on any lin	ne in	Parts	1, 11, 11	, and	IV		
					_					-	_		-			
										_						
3	- C.M						19- ¹⁰ -		(a) (a)	-						
5					- 14	-91/9/14									_	
RS Fo	orm 8300 (Rov. 8-20	14)		-							Find	EN Fo	rm 83	OO (Rov	8-2	
		0.767														