

# EXECUTIVE SUMMARY OF THE PATH TO MARIJUANA REFORM

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The Path to Marijuana Reform is a package of three bills that pave the way for responsible federal regulation of the legal marijuana industry, and provide certainty for state-legal marijuana businesses which operate in nearly every state in the U.S.

On November 6, 2018, voters in states across the country acted to end the prohibition of marijuana. Michigan joined nine states to legalize adult recreational use of marijuana, and Utah and Missouri joined 31 states to provide or expand access to medical marijuana. Today, a majority of Americans live in states that permit adult use of marijuana, and 95 percent of Americans have access to some form of legal marijuana. These changes represent a dynamic shift in public opinion. In 1969, only 12 percent of Americans approved of legal marijuana. Today, two-thirds believe marijuana should be legal.

Despite legalization under state law and broad public support for marijuana legalization, marijuana remains illegal under federal law. Federal agents may arrest marijuana consumers in states where marijuana is legal, and individuals complying with state law may be subject to penalties and jail time under federal law. Marijuana consumers may be barred from public housing or federal financial aid for higher education, and non-citizens may be deported or denied entry into the United States.

Marijuana businesses face even more daunting obstacles. Retailers, researchers, healthcare providers, and marijuana producers complying with state law may face penalties, jail time, and asset forfeiture under federal law. In addition, marijuana businesses have difficulty obtaining bank loans, access to bank accounts, bankruptcy protection, and goods and services like building rental, scientific testing, payment processing, and even legal representation. The IRS also imposes burdensome tax penalties on marijuana businesses, which do not apply to any other businesses legal under state law.

In the face of these challenges, the state-legal marijuana business sector continues to grow. In 2017 the state-legal marijuana industry produced an estimated \$8.5 billion in economic activity, with marijuana businesses paying billions of dollars in federal income tax. This industry is expected to produce nearly 300,000 jobs by 2020 and grow to \$26 billion by 2025. It is an undeniable fact that the legal marijuana industry is an economic driver in the United States. And every public road, bridge, school, and hospital is paid for, in part, by income taxes paid by marijuana businesses—legal under state law, but still prohibited by the federal government.

The Path to Marijuana Reform includes three bills that pave the way for responsible federal regulation of the legal marijuana industry, including:

- **Small Business Tax Equity Act**

This legislation would repeal the tax penalty that singles out state-legal marijuana businesses and bars them from claiming deductions and tax credits.

- **Responsibly Addressing the Marijuana Policy Gap Act**

This legislation would reduce the gap between Federal and State law by removing federal criminal penalties and civil asset forfeiture for individuals and businesses acting in compliance with state law. It would also reduce barriers for state-legal marijuana businesses by ensuring access to banking, bankruptcy protection, marijuana research, and advertising. It would protect individual marijuana consumers in states that have legalized marijuana, by providing an expungement process for certain marijuana violations, ensuring access to public housing and federal financial aid for higher education, and ensuring that a person cannot be deported or denied entry to the U.S. solely for consuming marijuana in compliance with state law. Finally, it would remove unfair burdens by ensuring veterans have access to state-legal medical marijuana, and protecting Native American tribes from punishment under federal marijuana laws.

- **Marijuana Revenue and Regulation Act**

This legislation would responsibly deschedule, tax, and regulate marijuana. It would impose an excise tax on marijuana products similar to current federal excise taxes on alcohol and tobacco, escalating annually to a top rate equal to 25 percent of the sales price. Marijuana producers, importers, and wholesalers would be required to obtain a permit from the Department of Treasury, and the marijuana industry would be regulated in a manner similar to alcohol. Strict rules would prohibit sale or distribution of marijuana in states where it is illegal under state law.