

Dennis Brager Speaking at Marijuana Business Conference on Dealing with the IRS

LOS ANGELES, Nov. 04, 2015 (GLOBE NEWSWIRE) -- Dennis Brager, founder of the [Brager Tax Law Group](#), will be speaking at the [Marijuana Business Conference](#) on a panel titled *Minimizing the 280E Bite, Dealing with the IRS & Preparing for an Audit* on November 13th at the Rio Hotel in Las Vegas. “Although every small business entrepreneur dreads an IRS tax audit,” states Brager, “it can be especially painful for cannabis dispensaries.” In addition to all of the tax problems that arise in every business, marijuana dispensaries are conducting a business which is illegal under federal law, although in nearly half the states the sale of medical marijuana is legal. “The discrepancy between state and federal law,” continues Brager, “puts marijuana businesses in a ridiculous situation for running a business.”



The key tax problem for cannabis dispensaries that are legal under state law is Internal Revenue Code Section 280E, which prevents legitimate marijuana businesses from writing off most “normal” business deductions and creates a very high effective tax rate.

Another vulnerability that cannabis dispensaries have is related to the cash nature of their businesses. Because it is almost impossible for cannabis dispensaries to maintain a bank account, they are subject to claims by the IRS that not all of their income is being reported. In cases where the IRS alleges substantial non-reporting of income, marijuana dispensaries and their owners are exposed to both criminal and civil tax penalties, including a 75 percent civil tax fraud penalty.

The medical marijuana dispensary tax problems are not limited to tax audits by the IRS. The

Brager Tax Law Group has seen sales tax audits by the California State Board of Equalization (SBE or BOE) claiming that the medical marijuana dispensaries did not report all of their income for California Sales Tax purposes. “Without good records the BOE can be expected to make wild guesses about the amount of income based upon such flimsy evidence as the number of people walking through the door,” says Brager. “Nevertheless, when the BOE makes a determination, it is up to the cannabis dispensary to prove that the BOE’s estimate is wrong; the owners of the marijuana dispensary can become personally liable for any unpaid sales taxes.”

Brager, who has been helping marijuana businesses since 2005, has written several articles published in Marijuana Venture discussing a number of IRS issues.

Based in Los Angeles, but with a worldwide client base, the Brager Tax Law Group is a tax litigation and tax controversy law firm, which represents clients with tax disputes with the IRS in all 50 states, the California Franchise Tax Board (FTB), the State Board of Equalization (SBE) and the Employment Development Department (EDD). All of the firm’s tax lawyers are former trial attorneys with the IRS.

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