

An American flag is shown in the top-left corner of the slide, waving against a blue sky. The flag's stars and stripes are clearly visible.

# Federal Compliance

There are **three key agencies** you should know about at the federal level:

1. The Drug Enforcement Administration (DEA)
2. The Internal Revenue Service (IRS)
3. The Department of the Treasury



**Federal small business resources:**

**<https://sba.gov>**

**Get help with federal business compliance:**

<https://www.sba.gov/business-guide/manage-your-business/stay-legally-compliant>



**Federal compliance checklist**

# Drug Enforcement Administration (DEA)

- Enforces federal drug laws, including the Controlled Substances Act (CSA), which covers cannabis.
- Since 1970, cannabis has been classified as a schedule I controlled substance, which means no accepted medical use in the United States.
- **Despite this, dozens of states have legalized it for medical and recreational use, putting their laws in conflict with federal law.**
- There is a possibility that cannabis may be reclassified to schedule III. That will cause a ripple of effects to rules for departments such as the Department of Justice and the IRS.
- The DEA will still maintain authority to enforce federal laws related to cannabis cultivation, distribution, and possession.



Learn more: <https://dea.gov>



# DEA Risk

Conflicting rules represent risk to your business operations. There are four things you can do to mitigate this risk:

- Maintain compliance at the state and local levels and with other federal agencies (such as the IRS).
- Keep accurate records of all business transactions.
- Monitor rules and laws at the federal level, so you can adapt your business to changes.
- Join an advocacy group, such as the Minority Cannabis Business Association or the National Cannabis Industry Association.



# Internal Revenue Service (IRS)



- Your retail cannabis business is **always subject to federal tax laws**, which are administered by the IRS.
- This includes **business taxes, payroll taxes for your employees, and reporting on payments**, such as those made to independent contractors.
- You will need a **federal tax identification** number for your business (EIN)

<https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers>

- Work with an **accountant** who is experienced in cannabis retail operations and who stays on top of changes to regulations.
- A **payroll service** is also valuable, to make sure withholding and benefit administration are compliant.

<https://irs.gov>

*Internal Revenue code prohibits businesses engaged in the trafficking of controlled substances from deducting ordinary business expenses for federal tax purposes, except for cost of goods sold.*

*This is true as long as cannabis is classified as schedule I under the CSA. Your accountant will help you understand what's deductible now and how that will change if the rule changes.*

# Department of the Treasury

- As of January 1, 2024, the U.S. Department of the Treasury requires that businesses file a **Beneficial Ownership Information (BOI)** report
- This provides transparency about who owns and benefits from an LLC or a corporation.
- It is a one-time federal requirement that can be completed for free online.

Learn more: <https://fincen.gov/boi>

