



# Banking Cannabis Industry



## THE PROBLEM

On November 8, 2016, California voters passed Proposition 64, legalizing

the use of recreational cannabis. However, the use, possession and sale of cannabis remains a federal crime.



STATE

FEDERAL

The federal government still considers marijuana a Schedule I drug under the Controlled Substances Act. As a result, banks and other financial institutions generally refuse to provide services to cannabis businesses.

The standoff between State-Federal Law causes the following problems:

### State Cannot Fulfill the Will of the People

57% of voters approved the recreational use of cannabis.



### Tax Revenues May Be Difficult to Collect

Prop 64 is projected to generate billions in new revenue that would be used for social and medical programs, cannabis research, educational programs, and much more.



### Increase in Crime

Large amounts of cash make cannabis businesses targets for violent crimes.



**70%** | OF MARIJUANA-RELATED BUSINESSES DO NOT HAVE BANK ACCOUNTS.

*(Source: Marijuana Business Daily Survey, December 2015)*

**\$7.6B**

IN CANNABIS SALES PROJECTED BY 2020

*Source: Arcview Market Research; Nov. 9, 2016; New California Marijuana Market Projection*

PROP 64 IMPOSES A 15% SALES TAX ON THE RETAIL SALE OF CANNABIS



By taxing cannabis, California is expected to bring in an estimated \$1 billion in new tax revenue.

*(Source: Legislative Analysts Office)*

**“WE SHOULDN’T BE FORCED TO CARRY (CASH) AROUND IN DUFFEL BAGS.”**

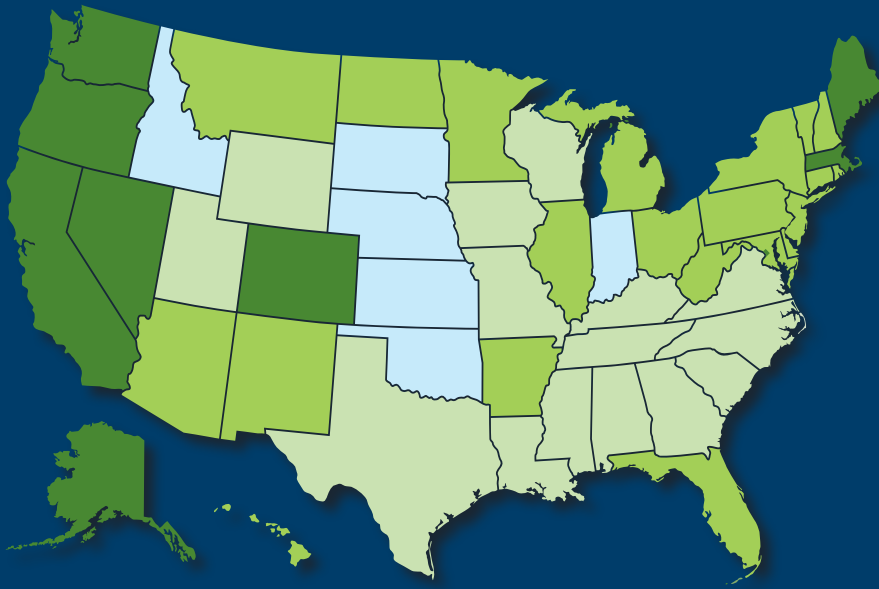
AARON SMITH, EXECUTIVE DIRECTOR OF THE NATIONAL CANNABIS INDUSTRY ASSOCIATION

*The Denver Post, 'Bipartisan marijuana banking bill introduced in U.S. Senate'*

# THE SOLUTION

State Treasurer John Chiang has convened the Cannabis Banking Working Group. The group has been directed to produce actionable recommendations designed to open access to the banking system to cannabis-related businesses. The current lack of access stands as a major barrier to the successful implementation of voter-approved Proposition 64.

## Cannabis Banking Not Only A California Problem Finding a Solution to a National Dilemma



### Adult Recreational Use

- Alaska
- California
- Colorado
- District of Columbia
- Maine
- Massachusetts
- Nevada
- Oregon
- Washington

### Medical Use

- Arizona
- Arkansas
- Connecticut
- Delaware
- Florida
- Hawaii
- Illinois
- Maryland
- Michigan
- Minnesota
- Montana
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Dakota
- Ohio
- Pennsylvania
- Rhode Island
- Vermont
- West Virginia

### Limited Medical Marijuana\*

- Alabama
- Georgia
- Iowa
- Kentucky
- Louisiana
- Mississippi
- Missouri
- North Carolina
- South Carolina
- Tennessee
- Texas
- Utah
- Virginia
- Wisconsin
- Wyoming

### States With No Legal Cannabis Use

Source: National Conference of State Legislatures (as of Oct. 18, 2017)

\*Limited medical marijuana includes cannabis extracts that are high in cannabidiol and low in tetrahydrocannabinol (THC)

## The following organizations comprise the Treasurer's working group:

- California Department of Insurance
- California Department of Taxes and Fees Administration
- The California Bankers Association
- California Community Banking Network
- California and Nevada Credit Union League
- California Board of Equalization
- California Employment Development Department
- California Franchise Tax Board
- California Department of Business Oversight
- California Business, Consumer Services and Housing Agency
- Bureau of Cannabis Control
- Clark Neubert Law Firm
- California Department of Justice
- California Growers Association
- California Cannabis Industry Association
- California State Association of Counties
- League of California Cities