



The United States' Cannabis Industry and Banking

Center Forward Basics
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Overview

The cannabis industry is rapidly growing across the United States. As of June 25, 2019, 33 states and the District of Columbia have legalized cannabis medically, and 11 states have legalized it recreationally. In 2017, sales in the cannabis industry reached \$8.3 billion. Marijuana sales are expected to exceed \$25 billion by 2025. Problems have arisen because transactions are only conducted in cash, and there are limited options to safely bank the proceeds.

The Problem

Because the federal government classifies marijuana as an illegal substance, banks providing services to cannabis businesses may be subject to criminal and civil liability under the federal Controlled Substances Act and certain federal banking statutes. Therefore, in the 33 states where cannabis has been legalized, credit unions and banks are prevented from providing financial services to cannabis-related businesses. These financial institutions are prohibited under federal law because handling proceeds from a cannabis related transaction is considered money laundering. Additionally, this is a major problem because many vendors, suppliers, and utility companies that serve the businesses across the many states may be criminalized. Because of the amount of cash kept in a single dispensary, one in every two cannabis dispensaries have been robbed or burglarized. These cash-only businesses increase the risk of crime.

Current Legislation

In May 2019, a bipartisan group of 38 attorneys general from states and territories wrote a letter to congressional leaders asking Congress to advance legislation that would allow states and territories that have legalized certain use of marijuana to bring that commerce into the banking system. The Secure and Fair Enforcement (SAFE) Banking Act is currently being debated in the House of Representatives and the Senate Committee on Banking, Housing, and Urban Affairs is holding hearings on the legislation. The bill protects the depository institutions that provide financial services to state-legal cannabis business and provide legal assurance and clarity. This will also ensure accountability in the marijuana industry.

Conclusion

Overall, cannabis-related businesses do not have equal access to financial services. Some argue that passing cannabis banking legislation would protect financial institutions and the communities that they serve. Due to the conflicting state and federal laws, the cannabis businesses operate in a cash system, which makes it extremely difficult to track revenues for taxation and regulatory compliance purposes and prevents the tracking of billions of dollars across the nation. It also increases the likelihood of criminal activity and is a public safety threat. Credit unions and banks can help to address the public safety, regulatory, and compliance challenges posed by the cannabis industry.

Center Forward Basics

Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Links to Other Resources

- [Associated Press - Illinois becomes 11th state to allow recreational marijuana](#)
- [CNBC - Paying taxes in cash, marijuana companies have a lot to hash out with IRS](#)
- [Financial Crimes Enforcement Network - Marijuana Banking Update](#)
- [Fox Business - Congress can solve the cannabis banking conundrum now](#)
- [The Hill - It's time Congress fixed cannabis' green problem](#)
- [National Association of Attorney Generals -](#)
- [Wharton Public Policy Initiative - Cash, Crime, and Cannabis: Banking Regulations in an Illegal Market](#)