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A new tax snag that has hit marijuana stores could cause delays in new openings, higher product prices, and even closures of newly opened stores.

It looks like stores — and by default their customers — will end up paying a federal tax on the excise tax that already goes to the state, something that many were unaware of until recently.

“It's quite possible that this makes retail business untenable,” said Brian Budz, one of the owners of New Vansterdam in Vancouver. “There just wouldn't be enough revenue. It could create a really big issue for smaller stores.”

Main Street Marijuana manager Ramsey Hamide said the problem could mean his store will owe upwards of \$80,000 in federal taxes for its first month of sales, which would be a heavy burden for him and other small retailers.

“This system is a lot more broken than people think it is,” Hamide said. “I don't know that it's even viable at this point.”

Last week, Florida's BiotrackTHC, the software company contracted by the Liquor Control Board to track marijuana sales, began adding the extra federal tax to its software system, which store owners said was a surprise.

Stores pay a 25 percent excise tax on marijuana when they purchase it from a grower and another 25 percent excise tax when they sell the product to a customer.

Those taxes go to the state as part of the I-502 legislation.

Stores also pay a tax on their retail sales to the federal government. But excise taxes

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Compounding the problem is the fact that Biotrack, which created the state system and also sells independent marijuana company management suites, didn't add the federal tax into its products until last week — so its customers hadn't anticipated the additional costs.

“It came to our attention through our CPA,” said Budz, of New Vansterdam. “We discovered that Biotrack had incorrectly programmed our point-of-sale computers (for the first few weeks to not collect the taxes).”

That means his store could also end up owing tens of thousands of dollars for its first few weeks of sales, Budz said.

Retailers that haven't yet opened may want to consider waiting until the issue is sorted out, Hamide added.

“They need at least to be aware of what they're getting themselves into,” Hamide said. “The system is dependant on the stores' survival at every level, but with this, stores should delay opening until they get clarification. This has been pitched as the green gold rush, but it doesn't seem that way if you find yourself suddenly \$80,000 in debt.”

He also said the Biotrack software has been problematic since it was first installed.

“There's been a million little glitches with Biotrack with categorizing inventory, putting in data, even transportation manifests,” Hamide said. “Biotrack has been a major nightmare.”

Routing problem

The company's software has told some growers to transport their product to Vancouver stores by taking Interstate 84 in Oregon, essentially breaking the law,

Hamide said.

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Justin Dufour, owner of Viridian Sciences, a software company in Vancouver that competed with Biotrack for the state contract and lost, said that the state contractor isn't supposed to deal with tax issues at all.

“We were told from the beginning that we were not responsible for doing taxes in that software, and now Biotrack is trying to impose tax law into the system?” Dufour said. “That's not what they're supposed to do.”

The company is only supposed to track inventory, he said.

Simmons, of the Liquor Control Board, said some of the software problems are from businesses that use the full Biotrack package, which is independent of the inventory tracking system that the state bought from Biotrack called mjtraceability.com.

“The taxes in that system have always been correct,” Simmons said.

The transportation issue, however, is associated with the state software, he acknowledged.

“That would be problematic” if it's true, Simmons said. “The destination of the shipping manifest would be our system. We have to look into that.”

The federal tax issue, on the other hand, is not something the state can really do anything about, he said.

“The other Washington is the one that they'll have to work with,” Simmons said. “I understand these people are hit by a lot of tax problems, but also, to be honest, a lot of these people are not used to running a business.”

That said, the state system — which taxes marijuana businesses at three stages — could also use some tweaking by the legislature, Simmons said.

Along with the excise taxes from growers and stores, another 25 percent excise tax is

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Store owners said they're not sure what they will do about the tax problem yet. Some may push for legislative change on the three tier tax system, and there could also be some federal lawsuits that arise over it.

“At this point we're just aggressively looking for answers,” Budz said.

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