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I got a call the other day from a client in California that has a new way to deliver cannabis. He is a subsidiary of a Canadian Company. I ask where the product will be sold, and he says California. I ask the obvious question, did he have a license to sell cannabis products in California. He states that he buys the product from the Canadian company, that marks it up. Forget that we have a Subpart F Income situation, I state that the sales are still occurring in California and he needs a cannabis license.

Here is where it gets interesting, he wants to fly in with his corporate lawyers and spend the day with me in Orlando to find a way around something that you can't. I

have a policy: I will give you a free consultation, but I'm not sitting there for eight

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There is a way around Section 280E, but not the California cannabis license and taxes. I send my engagement letter and never hear back from this guy.

Let me tell you what this guy wanted to create. The foreign company was going to sell the cannabis product to the US company for a profit. The US then marks it up and sells it. This guy has just created Subpart F Income. Which is a nightmare to keep track of.

What gets me, is this guy really wants me to spend the day with him and his legal team, and think I'm going to do it for free? I work a lot on retainers, It is the fairest and easiest way for me to get paid. Why would I spend my whole day with this person without being compensated?

Every cannabis client pays me the same way, this joker just wanted something for free. Now to clarify something, I don't do this for money. I view money as a way to have power and control over someone. That doesn't mean that I don't charge a lot of money for what I do, it means that I'm not going to do something just for money.

The taxes on cannabis are really high in California, and for this guy to think he's going to get out of them is a fairy tale. I don't care what this guy's legal team says, someone will have to get a resale license, pay the taxes, and figure a way out of 280E.

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Craig W. Smalley, MST, EA, is the Founder and CEO of [CWSEAPA, PLLC](#). He has been admitted to practice before the Internal Revenue Service as an Enrolled Agent and has a Master's Certificate in Taxation from UCLA. In practice since 1994, Craig is well-versed in U.S Tax Law and U.S. Tax Court cases, and specializes in individual,

partnership, and corporate taxation for high-net-worth clients; entity structuring

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