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DeJoy, Knauf & Blood LLP (“DKB”), a leading Upstate New York-based business advisory and CPA firm, has announced the launch of its Cannabis and Hemp Advisory practice area. The new practice leverages the firm’s in-depth cannabis and hemp industry knowledge and expertise of the tax implications, regulatory environment, as well as critical operating and financial procedures. DKB is among the first firms in New York State, and one of only a handful across the country, to establish a practice area dedicated to serving this complicated yet growing market.

The Cannabis and Hemp Advisory practice will provide counsel and support to existing businesses, start-ups, and ancillary service providers within the cannabis industry, especially in the areas of: tax planning; compliance with section 280E of the U.S. tax code; banking procedures; accounting policies and procedures; licensing; operating policies; outsourced accounting; referrals to ancillary service providers; and general business consulting.

Section 280E, is just one critical area that those operating in the cannabis industry must consider. The Federal statute states that a business engaging in the trafficking of a Schedule I or II controlled substance (such as cannabis) is barred from taking tax deductions (other than cost of sales) or credits. In short, cannabis entrepreneurs must pay taxes on all of their gross margin without the benefit of being able to deduct other common business expenses such as payroll and rent to reduce their taxable income. Careful planning surrounding 280E is one of the many ways that DKB will help cannabis business owners maximize after tax cash.

Morgan Hopkins, CPA, senior manager, who will lead the new practice area with

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2020. The sale of hemp-based products is currently legal federally. The legalization of the adult recreational use of cannabis is expected to become reality with the adoption of the 2019-2020 New York State budget. Similar decriminalization initiatives are being considered in states across the country and even at the Federal level – and is expected nationwide by 2025.

Mark Blood, co-founder and partner at DKB said, “As a firm we go well beyond providing CPA services to our clients. We’re recognized business consultants who dig into the categories in which our clients compete to advise and support them on critical business decisions. The development of an emerging industry like Hemp and Cannabis comes with a lot of confusion and blurred legality. Our research into the intricacies of the hemp and cannabis industry, and our ability to cut through the confusion, made this new practice area a logical extension of our business.”

It’s not enough that the business of Hemp and Cannabis is confusing, so is the difference between the two. Hemp typically contains a higher concentration of the cannabinoid CBD, and a very low concentration of the psychoactive cannabinoid THC. On the contrary, cannabis typically has higher concentrations of THC regardless of the CBD concentrations. Hemp is legal in all 50 states, while cannabis is currently illegal under Federal law.

DKB’s launch of this new cannabis and hemp practice area is not to endorse the use of cannabis, but rather to support a growing industry and make sure companies are conducting business properly. DKB currently has clients that operate in the Hemp industry ranging from growers to retail stores. The firm also advises multiple cannabis entrepreneurs and start-up companies.

DKB supports clients in other regulated industries – wineries, liquor stores, and breweries – so there is every expectation that using key learnings from these

industries that they can help their cannabis and hemp clients get it right – especially

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