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labs, or retail operations — you already know the basics of serving a cannabis company. The biggest difference lies in the stringent reporting requirements and ...

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**By Monique Swansen.**

If the news is to be believed, your state — along with the federal government — is making strides towards legalizing recreational cannabis. Even if it's not a done deal,

if your state is considering joining the [growing list of states](#) who have legalized

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understanding cannabis taxation.

And if entrepreneurs in your area are ready to begin the cannabis licensing process, even though the process often takes about 2 years from application to doors opening, the time is now to begin familiarizing yourself with how to advise them.

### **Tax Considerations & What the Heck is 280E and Sec 471?**

Let's get one thing straight: even if cannabis is legal in your state, it is still federally illegal and is classified as a Schedule 1 substance. As with any Schedule 1 substance, cannabis is subject to IRS 280E. ([Grab our guide to 280E compliance here.](#))

So what is IRS Tax Section 280E? It's the federal tax code that states that any business engaged in the trafficking of a Schedule I or II controlled substance is barred from taking tax deductions or credits for operating expenses.

This limits and complicates your business tax deductions, however, Sec 471 delivers options for sorting through it, mainly by leveraging the full absorption method of inventory costing .

280E compliance and leveraging IRC 471 cost accounting is just another piece of the puzzle that a cannabis accounting expert can help cannabis clients navigate to maximize deductions and minimize overpaying each quarter and year.

### **Specific Ways You Can Help Cannabis Clients?**

As with all businesses, it starts with training your clients to create day-to-day operational systems that keep their business — and finances running smoothly. Some of the biggest help you can offer includes:

- Tech stack recommendations and set up
- Insights into organizing your [business structure](#)

- Creating systems that make it easy to keep accurate records

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If you take anything away from this post, it should be this: being a good partner will help your clients win big. Even if many would-be cannapreneurs are just beginning to understand the role of accountants in their businesses, now is your time to shine as an expert who can help them set up their business right from the start.

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Monique Swansen, founder and CEO of Automated Accounting Services and Accounting for Green outside of Boston helps visionary cannabis business owners automate and outsource their financial needs. In addition to serving the cannabis space, Monique consults with accounting businesses looking to work with cannabis clients. Learn more at [accountingforgreen.com](https://accountingforgreen.com) on LinkedIn:

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