

Calif. asks Trump for guidance on pot, banking

By Michael R. Blood, AP

LOS ANGELES – California Treasurer John Chiang on Friday appealed to President-elect Donald Trump for guidance on how the state's projected \$7 billion marijuana industry can participate in the nation's banking system while pot remains illegal under U.S. law.

California voters last month approved Proposition 64, which legalized the recreational use of marijuana, beginning in 2018. Largely at issue is how the state will collect an estimated \$1 billion in annual taxes from legal pot sales and cultivation, when cannabis businesses can face obstacles opening bank accounts, getting loans or obtaining insurance.

The "conflict between federal and state rules creates a number of difficulties for states that have legalized cannabis use, including collecting taxes, increased risk of serious crime and the inability of a legal industry under state law to engage in banking and commerce," Chiang wrote to Trump.

"We have a year to develop a system that works in California and which addresses the many issues that exist as a result of the federal-state legal conflict," he added. "Uncertainty about the position of your administration creates even more of a challenge."

The California vote on Nov. 8 represented the national legalization movement's biggest victory to date. The new law will attempt, at least in theory, to tame a market that now ranges from legal, medicinal production and sales to vast illegal grows operated by drug cartels.

With pot illegal on the federal level, it's unclear what

stance the incoming Trump administration will take with the new California pot economy and other weed-friendly states. Trump's pick for attorney general, Alabama Sen. Jeff Sessions, has called marijuana a danger that should not be legalized.

Twenty-eight states and Washington, D.C., allow marijuana for medical or recreational purposes.

In other states, the business of legal marijuana has created a patchwork of banking and tax practices.

In Oregon, officials have built a fortified office, with bulletproof glass, security cameras and armed guards, for collecting huge cash payments for pot taxes. In Washington, most businesses are paying taxes electronically, a sign of better access to bank accounts.

And the number of U.S. banks and credit unions willing to handle pot money under Treasury Department guidelines issued two years ago is growing, though they are often smaller institutions.

California tax collectors, however, released a report that concluded tax payments from marijuana-related businesses would be made in cash, since pot is illegal under federal law and businesses struggle to get access to banks.

Chiang wrote that federal policies have not provided certainty for financial institutions to give access to the cannabis industry and "California might exacerbate the banking problem even more."

The treasurer said he was forming a group to study banking issues that he says could hamper the coming legal pot economy in the state.

In general, the state will treat cannabis like alcohol. Taking effect in 2018, the law allows people 21 and older to legally possess up to an ounce of pot and grow six marijuana plants at

home.

Associated Press writer John Antczak contributed.