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Stateline

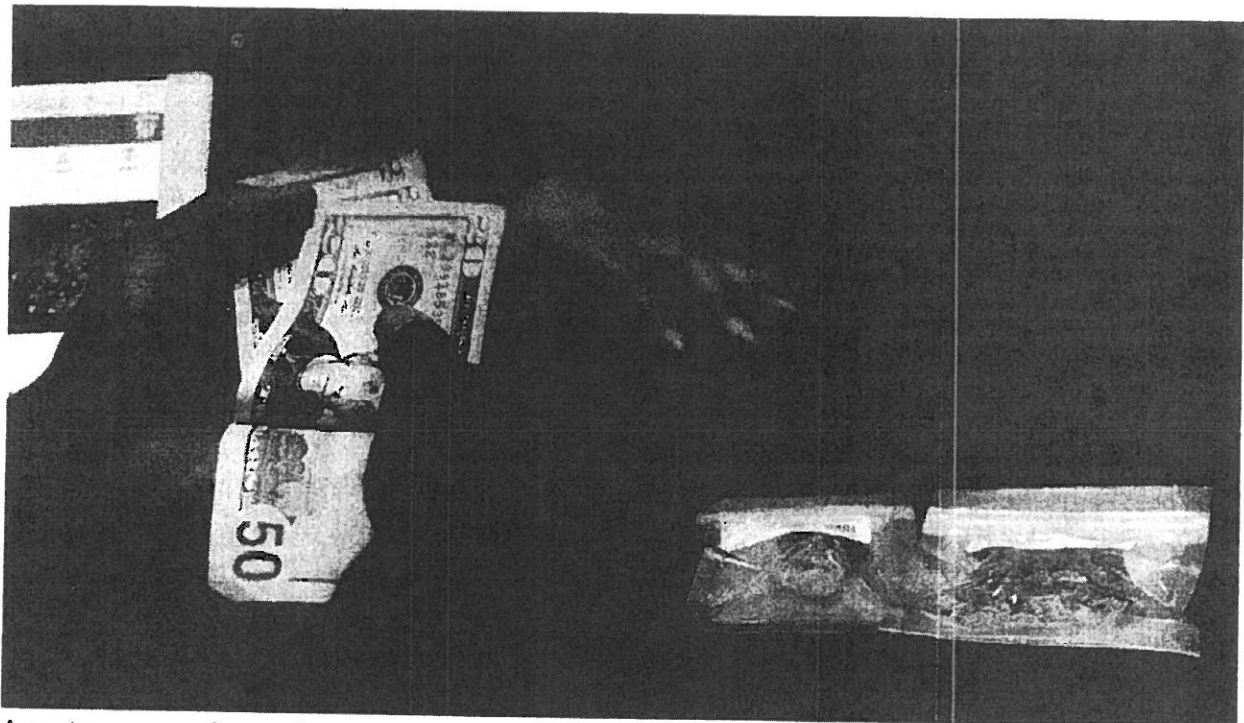
Cannabis Banking Bill May Falter (Again) Despite State Support

STATELINE
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A customer pays for marijuana at a dispensary in San Francisco. Advocates for the cannabis banking bill say the cash-heavy status quo creates a target for burglars.

Jeff Chiu/The Associated Press

Many state leaders are hoping the fourth time's the charm for a federal bill that would protect banks from being penalized for serving licensed cannabis businesses. Many banks are reluctant to work with marijuana businesses or people in the industry because federal law says the plant is a dangerous drug.

Seventeen state treasurers and attorneys general from 34 states and four U.S. territories back the Secure and Fair Enforcement Banking Act, authored by U.S. Rep. Ed Perlmutter, Democrat of Colorado. They argue that under current law, licensed marijuana businesses are pushed out of the banking system, leaving them dependent on cash, a target for crime and harder to tax and regulate.

The National Association of State Treasurers also has called for law changes, and the Michigan House last week adopted a resolution asking Congress to pass Perlmutter's banking bill.

But despite mounting pressure from the states, congressional support is far from a sure thing.

"The biggest issue is building a political campaign around the issue," said Michael Correia, director of government relations for the National Cannabis Industry Association, a nonprofit trade group. He said that while most members of the U.S. House support a banking fix — over a third of members have co-sponsored the House bill — support is weaker in the Senate.

The chairman of the Senate Committee on Banking, Housing and Urban Affairs, Idaho Republican Mike Crapo, hasn't committed to holding a hearing yet, according to Amanda Critchfield, communications director for the committee.

While the House Financial Services Committee approved the banking bill in March, 15 of 26 Republicans voted against it, including U.S. Rep. Patrick McHenry of North Carolina, the committee's ranking member.

"We need to ensure we're doing our due diligence before proceeding," McHenry said in a statement. "One committee hearing is not enough to fully understand the consequences of this bill."

In a March letter to the committee's Democratic leaders, McHenry and Republican U.S. Rep. Blaine Luetkemeyer of Missouri listed 15 questions the legislation raises, such as how it would affect enforcement of anti-money laundering regulations.

As marijuana legalization spreads, more businesses and states are running into the banking problem. Today 10 states allow adults to possess small amounts of marijuana, and more than 30 states allow adults to use marijuana if they have a prescription.

Legal weed has become a multibillion-dollar industry, generating hundreds of millions of dollars in tax revenue for states such as Colorado and Washington.

Marijuana businesses currently can access limited banking services, thanks to guidance issued by the Justice and Treasury departments during the Obama administration. In 2014, the agencies said financial institutions could serve marijuana businesses if they carefully monitored the accounts for nefarious activities, such as selling marijuana to minors, and regularly reported to the Treasury.

These days, a growing number of financial institutions are willing to offer a basic business checking account, said Andrew Freedman, co-founder and partner at Freedman & Koski, a cannabis policy consulting firm. "They're pricey, but they're available in most states."

But cannabis companies can't qualify for traditional bank loans or process credit card transactions. For dispensaries, handling cash transactions is the norm.

Nearly 500 banks and credit unions nationwide serve the marijuana industry, according to the latest report from the Treasury's Financial Crimes Enforcement Network. Marijuana money is typically handled by local, state-chartered banks and credit unions.

Banks' ability to handle marijuana money was thrown into doubt last year, when then-Attorney General Jeff Sessions rescinded the Justice Department guidance. But the Treasury's guidance hasn't changed, and banks and credit unions have continued to serve cannabis clients under the Obama-era rules.

However, the marijuana industry and many state officials argue that the services available are insufficient.

Safe Harbor Services, a wholly owned subsidiary of Partner Colorado Credit Union, has been helping credit unions and banks in about 10 states create systems and procedures for managing cannabis accounts.

Safe Harbor itself currently manages 137 marijuana-related accounts for financial institutions nationwide, in addition to 325 marijuana-related accounts managed by Partner Colorado Credit Union.

"At any given time, we typically have a waiting list and a queue of accounts that we are trying to open up and process that's over 100 deep," said Katrina Skinner, president of

Perlmutter's bill has failed to gain traction in years past. Still, the bill's supporters remain hopeful. Younger congressmen and women from states that have legalized marijuana tend to be more supportive of a banking fix, Correia said.

"Every year, the support in Congress is going to grow," he said. "You can't put the genie back in the bottle. We're not going to go backwards."

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