



The SAFE Banking Act (HR 1595/S 1200): Ensuring Access to Traditional Financial Services to Bank, Track and Tax Lawfully Licensed Business Proceeds for the Regulated Cannabis Industry

Legislative Solution: The National Cannabis Roundtable (NCR) and its 15 member companies support the SAFE Banking Act as necessary and fundamental legislation, integral to addressing the expanding inter-dependence among 10,000+ licensed and lawful cannabis businesses around the country now intertwined with the US economy. The SAFE Banking Act promotes safety, transparency and the certainty needed for the fastest growing sector of the US economy to prosper.

Background. Forty-seven states, Washington DC, Puerto Rico, Guam and multiple Native American tribes, have enacted laws permitting or decriminalizing consumption of cannabis and/or marijuana-based products. It is estimated that this industry will generate more than \$13 billion in retail sales in 2019 with a forecast to grow to more than \$25 billion by 2025.¹ Yet, in the 33 states with comprehensive medical cannabis regulations - and the 11 states with adult cannabis consumption laws - the industry has limited to no access to financial institutions for fundamental banking services critical to the safe and productive operation of their businesses, the safety of their communities and the transparent tracking and taxation of this rapidly growing industry.

SAFE Banking resolves problems associated with the storage and transport of billions of dollars of revenue and addresses the urgent public safety concerns for employees and local businesses which are currently forced to move large volumes of cash through their communities.

SAFE Banking addresses the logistical challenges for businesses that pay taxes in cash and the state and local governments that do not have the resources to capture, count, store and transport the large volume of cash payments.

SAFE Banking addresses a significant public safety hazard. Licensed cannabis entities are forced to pay vendors and employees in cash as opposed to electronic transfer. In many cases, vendors are paid with duffle bags full of cash, which presents an obvious risk to the public, especially those who transport or accept cash. Without access to necessary banking services, licensed cannabis entities will continue to be a target for theft and violent crime.

SAFE Banking levels the playing field for the more than ten thousand businesses and service providers working with legal cannabis businesses. Every dollar of revenue (including vendor payments, payroll, taxes, accounts payable, accounts receivable, rent and insurance) generated from a lawfully licensed and regulated business requires fair access to financial institutions that other legal commercial entities enjoy.

¹ 2019 Marijuana Business Factbook: <https://mjbizdaily.com/exclusive-us-retail-marijuana-sales-on-pace-to-rise-35-in-2019-and-near-30-billion-by-2023/>

SAFE Banking improves the transparency in the collection of tax revenue. According to New Frontier Data, in 2018, the estimated total federal tax revenue generated by cannabis businesses was \$2.7 billion and is estimated to increase to \$6.9 billion by 2025.

SAFE Banking would help eliminate money laundering activity, improve oversight in the AML/KYC regulations and promote public safety. If every dollar generated from a regulated licensed cannabis entity were banked, bankers could then apply a comprehensive AML/KYC policy to the entire regulated and licensed cannabis market, thus permitting regulators and law enforcement to pursue actual money laundering criminal activity.

Support for SAFE Banking Legislation:

- House SAFE Banking Act, H.R. 1595 - 206 co-sponsors including **26 Republicans**.
- On March 27, 2019, the House Financial Services Committee advanced HR 1595 out of committee 45-15 with support from **11 Republicans**.
- **State Banker Associations from all 50 states** jointly signed a letter on 20 May 2019 expressing support for SAFE Banking.
- **National Association of Attorneys General (NAAG):** 38 State Attorneys General, including **8 Republican Attorneys General**, signed a letter supporting the SAFE Banking Act, which is now official NAAG policy. Republican Attorneys General represent AK, AZ, AR, ND, OH, OK, UT and WV.
- **17 State Treasurers** sent a SAFE Banking support letter to Congress.
- The **National Association of State Treasurers (NAST)** support banking services to state legalized cannabis businesses and encourage financial law enforcement authorities' consistent interpretation of the FinCEN guidance.
- **25 State Banking Supervisors** sent a letter to Congress supporting SAFE Banking.
- Multiple **nationally represented organizations** have also expressed support for SAFE Banking, including:
 - American Bankers Association (ABA)
 - Credit Union National Association
 - Independent Community Bankers of America
 - National League of Cities
 - Real Estate Roundtable

The Congressional Budget Office (**CBO**) released its score of **SAFE Banking**.² Key takeaways include:

- CBO estimates SAFE Banking will reduce the federal deficit by \$4 million from 2019-2029.
- CBO predicts enacting SAFE Banking would increase insured deposits by bolstering legal certainty for institutions. In 2022, insured deposits at banks would increase by ~\$1.2 billion and at credit unions ~\$200 million. Those amounts would rise to \$2.1 billion and \$350 million, respectively, by 2029;
- CBO estimates future direct federal spending for resolving bank failures would increase by \$5 million. However, those costs would be offset by assessments levied on insured financial institutions totaling \$9 million.

² <https://www.cbo.gov/publication/55296>