

## **Social Equity and the Importance of Qualified Cannabis Accounting Services**

The term 'social equity' is used frequently during discussions about the ever-developing cannabis industry. The movement for greater social equity is designed to open more opportunities for aspiring entrepreneurs and executives from traditionally marginalized communities to own, operate and manage cannabis businesses of all types. There is much wealth available to spread around in cannabis, and making sure a healthy portion of it is distributed to the underrepresented is an especially appropriate and necessary goal, given how severely impacted people of color, in particular, have been by the 50-year War on Drugs.

In support of more social equity in cannabis, several states and some municipalities have created social equity programs to boost diversity of ownership in growing, manufacturing and retail. Social equity initiatives provide funding and technical assistance, plus priority in the business license application process, to women, veterans, members of the BIPOC and LGBTQ+ communities, and people with previous convictions for cannabis-related offenses. Access to start-up capital has been the biggest factor restricting the involvement of marginalized peoples, and some of these programs do attempt to address that inequality as aggressively as they're able.

### **Is the Social Equity Movement Working? Yes and No**

In surveying the landscape of currently existing social equity programs, there is both good news and bad news.

On the negative side of the balance sheet, only 15 of the 39 states that have legalized cannabis for either medical use or both adult use and medical use have social equity programs sponsored by state and local governments. This includes 13 of the 21 states that allow both medical and recreational use, but only two of the 18 states that have legalized medicinal cannabis exclusively.

So most states still offer no direct support for cannabis entrepreneurs who would qualify for social equity programs. This is unfortunate since current trends of prioritizing MSOs over solopreneurs indicate such initiatives are badly needed.

Between 2021 and 2022, the percentage of cannabis businesses owned by people of color dropped from 20.7% to 15.4%, an alarming decrease of over 25%. Additionally, in the last five years, the number of women and Black and Brown employed as executives or serving in leadership positions in cannabis enterprises declined by more than 10% and 25% respectively.

Despite a professed commitment to social equity almost everywhere, the present statistics show this commitment is not always backed by action and does not run deep enough to counteract currently prevailing patterns. As a result, social equity policymaking has proven ineffective during economically troubled times.

But the news is not all bad. In fact, it is far from it.

On the positive side of the balance sheet, the states that do sponsor social equity programs are working in tandem with private cannabis firms and pro-cannabis nonprofits to provide an impressive range of essential services to start-up entrepreneurs from traditionally marginalized groups.

These private and public social equity initiatives have a lot to offer potential cannabis entrepreneurs in underrepresented communities, among them:

- Vital start-up capital through grants and low-interest loans
- Tips on how to fundraise or find new investors
- Cannabis-oriented software programs
- Access to e-commerce sites
- Mentorship and training opportunities
- Assistance with preparing license applications.

State social equity programs generally give priority in the licensing process to women or people of color as a way to guarantee that social equity programs will produce real-world results.

Another encouraging factor is the high level of support for social equity among American cannabis consumers as a whole. A recent survey by [Weedmaps](#) found that 57% of medicinal and adult-use product consumers consider equal opportunity to be an important goal for the cannabis industry.

Asked to answer more specific questions about social equity, 46% of survey respondents expressed a desire to frequent women-owned cannabis businesses, while 44% wanted to support businesses run by people of color and 37% preferred to patronize LGBTQ-owned cannabis shops. The remainder of the survey respondents expressed no preference, meaning they would be willing to purchase cannabis products from businesses operated by individuals from traditionally marginalized groups even if they wouldn't specifically seek them out.

Revenues in the cannabis industry in the United States are projected to [surpass the \\$100 billion mark](#) by 2030, which would represent nearly a 30% increase from the projected industry profits for 2023. What this means is that there will be plenty of room for determined social equity candidates with solid business plans to break into the industry and find lasting success in the years ahead.

While some of the current statistics suggest a regression in social equity, this is likely a temporary setback caused by a tight economy that punishes smaller entrepreneurs or those who are brand-new to the business more severely. As the social equity movement matures, it should start producing more sustainable results.

### **Are You a Social Equity Applicant? If So, You Need a Cannabis Accountant**

Should you be interested in taking advantage of social equity opportunities in your state or community, you should know that professional cannabis accounting services are an essential hedge against business failure.

This is true regardless of the type of cannabis business you plan to start or whatever your long-term ambitions might be. Opportunities for marginalized and disadvantaged license applicants in cannabis have been difficult to obtain and sustain, and any success you have will be short-lived if you select an accounting firm that simply isn't up to the challenge of working within the structure of the most highly-regulated legal industry in the United States.

Among the most vital responsibilities of the cannabis accountant is to help you take advantage of what the tax code allows to ensure your business enjoys maximum profitability. While the infamous Section

280E robs you of deductions and write-offs that are routinely available to other legal businesses, the IRS will still allow you to allocate some expenses related to inventory costs, as long as your financial tracking and accounting system is transparent and fully in compliance with IRS expectations and requirements.

It's important to realize that if you enter the cannabis industry, the challenges to success you face aren't likely to change anytime soon. There simply is no momentum behind the movement to have cannabis legalized or decriminalized at the federal level, and while that might change in a few years for now, you have to assume the cannabis industry will continue to be hindered by its murky and inconsistent legal status. States will continue to pass their own rules and regulations governing the industry, creating a complex and sometimes confusing coast-to-coast mosaic of legal statutes that takes experience and expertise to navigate.

In a recent survey carried out by the cannabis industry employment platform [Vangst](#), 52.4% of cannabis business leaders listed regulatory requirements and compliance as their top challenge for the upcoming year. New cannabis entrepreneurs must take this reality seriously, and if they do, they will quickly realize how essential it is to contract a cannabis accounting firm that understands the importance of compliance and knows how to guarantee it, 100% of the time.

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Angela Mays, founder and CEO of The Blunt Accountant, has over 25 years of experience in accounting, audit, fraud risk management and business process reengineering. Her background, which includes Big 4 accounting, allows Angela to see cannabis accounting from the perspective of the IRS and the audits that will come to all plant-touching businesses.

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