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Dank Until Gone Dark: The State of Corporate Insolvency for Cannabis Businesses

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Two thirds of all states and the District of Columbia have, to varying degrees, legalized cannabis. With the recent addition of Illinois, eleven states now allow adult recreational use. But cannabis entrepreneurs' rush of excitement and dreams of cashing in is met with fierce competition and economic risks that makes the dreams, which look so dank at first, end up going dark, or in other words, out of business. This article discusses the available options for a cannabis business that finds itself on hard times and in need of reorganizing its debts or liquidating altogether. With the federal status of cannabis remaining illegal, cannabis businesses must clear significant hurdles to achieve success. Among the many other pitfalls traditional business owners experience, a cannabis business must navigate limited access to financial institutions and its related security concerns of keeping large amounts of cash on location. Also, they cannot deduct ordinary and necessary business expenses for federal income tax purposes. Turning a profit in legal cannabis can be a big challenge.

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