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Cannabis Co. Trulieve Improperly Kept Tax Refund, Suit Says- law360 .com

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Law360 (March 12, 2025, 4:46 PM EDT) -- California cannabis retailer Catalyst alleged in a new lawsuit that Florida-based multistate operator Trulieve improperly pocketed a \$305,000 federal tax refund that was rightfully Catalyst's following its acquisition of a dispensary.

In a complaint filed Tuesday in state court in Los Angeles, Catalyst claimed that after it purchased a cannabis shop in Grover Beach, California, from Trulieve, the cannabis giant filed an amended tax return seeking relief from a federal tax policy that targets traffickers of Schedule I and II substances.

According to the lawsuit, Trulieve's amended tax return for the year 2021 advanced a "novel and controversial tax position relating to the applicability of IRS Section 280E," which effectively forbids cannabis companies from taking ordinary business deductions.

The amended return was filed after Trulieve and Catalyst had executed a written purchase and sale agreement for the company, 805 Beach Break Inc., but almost two months before the transaction closed, according to the complaint.

"Defendants — without Catalyst's notice, knowledge or approval, and in direct contravention of material representations made by Defendants regarding the accuracy and completeness of 805's previously filed tax returns — filed an amended 2021 federal tax return in which they sought a substantial tax refund," the complaint said.

As a result of the amended 2021 return, Trulieve received a \$304,960 tax refund check from the IRS, which rightfully belonged to 805, Catalyst alleged. The company also claimed that Trulieve took steps to conceal its intention of filing an amended return.

"When Defendants learned Catalyst's general counsel was seeking 805's 2021 and 2022 tax returns from 805's (i.e., their) tax preparers — information that would have included the amended 2021 return and the specifics of the requested refund — Defendants' general counsel directed that all correspondence on tax-related issues go through him so they could continue to conceal the amended 2021 tax return and accompanying refund request from Catalyst," the lawsuit said.

Trulieve had publicly announced its intention to pursue a new, undisclosed interpretation of Section 280E with tax regulators, which would allow the company to seek tax refunds totaling more than \$100 million.

Catalyst claimed when it became aware of the strategy, it sought the refund that it alleged was issued to 805 but that Trulieve and affiliates deposited the check into accounts that they controlled.

"In criminal analogy terms, Defendants stole Catalyst's identity in order to commit grand theft against Catalyst," the complaint said.

Catalyst alleges promissory fraud, intentional misrepresentation, negligent misrepresentation, breach of contract, breach of good faith, conversion, deceit, identity theft and grant theft. The company is seeking a declaratory judgment and the return of the \$305,000, plus interests, fees and costs.

Jeff Augustini, an attorney for Catalyst, told Law360 on Wednesday that the complaint spoke for itself.

Trulieve did not immediately respond to a request for comment.