

the buzz:

Cannabis News & Policy Update

July 2025 Edition

FEDERAL UPDATES

What Cannabis Professionals Need to Know About the One Big Beautiful Bill

- 21% C corporation tax rate was retained
- For pass-through entities, non-corporate owners can take advantage of an expanded QBI deduction, subject to limitations
- The qualified small business stock exclusion has been expanded
 - Exclusions are now available for holding periods less than five years
 - The per issuer gain exclusion has been increased from \$10 million to \$15 million (which is indexed for inflation) or 10 times basis (if greater)
 - The gross asset threshold has been increased from \$50 million to \$75 million (which is indexed for inflation)
- Special depreciation allowance for certain types of agricultural and chemical production equipment, subject to case law limitations (*See Lord v. Comm'r*, T. C. Memo. 2022-14, a decision for which the period for appeal has not expired)
- Increased W-2 reporting: employers will now need to report overtime and tips separately on Form W-2

Congressional Action on Hemp: The U.S. Senate Appropriations Committee approved an **FY2026 agriculture and FDA spending bill** with language that prohibits the sale of consumable hemp products with any quantifiable amount of THC. The language in the bill largely mirrors the new definition of hemp approved by the House Appropriations Committee in its **Agricultural Appropriations** bill. However, the Senate version includes a one-year delay in implementation. The Senate effort to “close the hemp loophole” is being led by former Republican Senate leader Mitch McConnell (R-KY), who played a pivotal role in legalizing hemp production via the 2018 Farm Bill.

Rescheduling: A U.S. House Appropriations subcommittee approved an FY2026 Commerce, Justice, Science, and Related Agencies **spending bill** that would block the Department of Justice from using funds for rescheduling or descheduling marijuana. It also maintains a longstanding provision that prohibits the DOJ from interfering in state medical cannabis programs. The bill will need to be approved by the full committee before advancing to the House floor. Earlier this month, the DEA notified an administrative law judge that the marijuana rescheduling process **continues to be stalled**.

Holland & Hart comment: Rescheduling appears a low priority for the Trump Administration despite campaign promises and has direct opposition in the Republican-controlled House and Senate.

Veterans Affairs: The U.S. Senate Appropriations Committee **approved** an amendment to a defense spending bill that would allow doctors at the U.S. Department of Veterans Affairs to recommend medical cannabis to veterans in states where it is legal. This is the 10th year in a row the measure has passed in committee, but it has never been enacted. A similar amendment was passed by the House in June.

NEW MARKETS & LICENSING OPPORTUNITIES

Delaware: The Office of Cannabis Management **announced** adult-use cannabis sales will begin August 1 through converted medical licensees. Sales are **projected** to reach as high as \$160 million by the end of 2026. Delaware will be the 22nd state to commence regulated marijuana sales to adults 21 and older.

Pennsylvania: State Sens. Dan Laughlin and Sharif Street filed **SB 120**, a bipartisan bill that would legalize cannabis for adult use. The bill was referred to the Senate Law and Justice Committee, which Laughlin chairs. A companion bill was introduced in the House by Rep. Amen Brown. A different bipartisan legalization bill, **HB 20**, was also filed in the House earlier this month. Adult-use legalization will need bipartisan support because Republicans control the Senate, while Democrats hold the House and governorship.

Nebraska: Gov. Jim Pillen adopted [emergency regulations](#) for the medical cannabis program which narrow the scope of what was approved by voters in November 2024. The new regulations ban flower, edibles, and vape products; cap the number of dispensaries in the state at one per each of its 12 judicial districts; and prohibit vertical integration. Despite these constraints, this was the first concrete move to regulate medical cannabis in the state following the legislature's failure to act. Licensing must begin by October 1.

STATE POLICY UPDATES

Taxes: Various states made changes to their cannabis tax rates:

- **California** [increased](#) its cannabis excise tax from 15% to 19%. [Efforts](#) to reverse the increase are ongoing in the state legislature.
- **Maine** is [increasing](#) its cannabis excise tax from 10% to 14%, while cultivation taxes will be reduced starting January 1, 2026. The taxes will drop from \$335 to \$223 per pound for flower, \$94 to \$63 per pound for trim, \$1.50 to \$1 per seedling for immature plants, \$35 to \$23 per mature plant, and \$0.30 to \$0.20 per seed.
- **Minnesota** state [lawmakers](#) agreed to a state budget that raises the cannabis excise tax from 10% to 15% on marijuana and hemp products. Minnesota will now have the nation's fourth-highest state tax rate on marijuana sales and the highest tax rate on retail hemp product sales of any regulated hemp market.

Virginia: The newly reconstituted Joint Commission to Oversee the Transition of the Commonwealth into a Retail Cannabis Market held its [first meeting](#), formally launching a new process to craft a legislative framework for legal adult-use cannabis sales. Republican Gov. Glenn Youngkin, a staunch opponent of adult-use sales, is term-limited, and a new governor will be elected this November. Virginia has a long history of voting for governors in the opposite party of the sitting president, which gives Democrats a good shot at winning a state government trifecta. The Democratic nominee, former U.S. Rep. Abigail Spanberger, supports adult-use sales and has [called](#) for a "formalized, legal, emerging cannabis market."

Texas: Gov. Greg Abbott acted on two critical cannabis-related bills last month:

- Abbott vetoed [SB 3](#), which would have banned all consumable hemp products containing any detectable THC. In his [veto statement](#), he called for hemp products to be regulated by the Alcoholic Beverage Commission rather than banned. He also called on lawmakers to pass a bill regulating consumable hemp products during a special session from July 21–August 20, though flood relief issues may dominate discussion.

- Abbott signed [HB 46](#), which will significantly expand the state's medical cannabis market. The bill adds chronic pain as a qualifying condition, increases the number of vertically integrated medical cannabis licenses from three to 15, and expands the amount of THC allowed in products to 10 mg per dosage unit. The state Department of Public Safety will begin the process of issuing nine new vertically integrated medical cannabis licenses by December 1, 2025, with three more due by April 1, 2026.

HEMP LITIGATION

Alabama: The Montgomery County Circuit [denied](#) a request from four hemp businesses to block Alabama's new law banning smokable hemp products. The plaintiffs argued the ban conflicts with federal law under the 2018 Farm Bill and interferes with interstate commerce. The judge rejected their claims, ruling that [HB 445](#) does not impede interstate shipping of hemp products.

Arkansas: The Eighth Circuit Court of Appeals [upheld](#) Arkansas' authority to regulate hemp within its borders, allowing the state to enforce its ban on hemp-derived THC products. The court ruled that states retain the primary authority over their in-state hemp programs and "just because states may legalize hemp under the 2018 Farm Bill does not mean they must."

California: The state Department of Public Health proposed a [permanent rule](#) banning hemp products with any level of THC. CDPH estimates the ban will cost California businesses \$3.14 billion in lost revenue and result in the elimination of 18,000 jobs over five years. It also projects the rules will increase revenue for cannabis retailers by \$69.8 million over the next five years. The proposal marks the first extended opportunity for stakeholders to formally weigh in on the state's ban, following the initial imposition of the ban through emergency rulemaking. CDPH is accepting comments on the proposal until July 28.

Holland & Hart comment: Regardless of what happens on the federal front, many states are imposing limitations on THC-containing and psychoactive hemp-derived products. Hemp businesses need to be ready to pivot to comply with new laws.

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