

the buzz:

Cannabis News & Policy Update

October 2026 Edition

FEDERAL UPDATES

Rescheduling: U.S. Drug Enforcement Administration Chief Administrative Law Judge Derek Julius [stayed](#) the non-medical marijuana rescheduling proceedings on September 29 while considering opponents' request to add a Government Accountability Office (GAO) [report](#) to the hearing record. The report identified "gaps" in the DEA's and FDA's written procedures for evaluating drugs and making scheduling decisions, and it recommended clearer policies and an updated interagency agreement. In an October 13 [response brief](#), the DEA deferred to the judge on whether to add the report to the record, but [objected](#) to rescheduling opponents' [request](#) for additional briefing concerning the report. Julius has not yet decided whether to reopen the record and permit supplemental briefing.

Medical Cannabis Business Registration: The DEA [posted](#) a registration application form for state-regulated medical marijuana manufacturers, distributors, and analytical laboratories (DEA Form 225a). These operators could already apply using the form for dispensaries that was released in the spring (DEA Form 224Ma); the new form is more specific to their respective operations. The DEA registration process for medical marijuana businesses was launched following the federal rescheduling of state-regulated medical marijuana.

280E Guidance: The Treasury Department and Internal Revenue Service included Section 280E in their [2026–2027 Priority Guidance Plan](#), released September 29. The plan identifies guidance on projects the agencies intend to prioritize during the federal fiscal year that begins October 1, 2026, and ends September 30, 2027. "Guidance under §280E" is one of 121 projects mentioned in the plan, and it is listed in the "Other Priorities" category. The plan does not include details about what the guidance will entail or when it will be released.

280E Litigation: In [Mission Organic Center v. Commissioner](#), the IRS [filed a brief](#) in the U.S. Court of Appeals for the Ninth Circuit, defending its rejection of a San Francisco marijuana dispensary's \$65,000 offer to resolve approximately \$5.25 million in tax liability. The dispute concerns whether operating expenses disallowed under 280E may also be excluded when estimating the business's ability to pay. The IRS estimated that Mission could pay about \$57.85 million

toward its tax debt, but the agency did not subtract the costs of keeping the business running, including rent, wages, and utilities, because federal law prevents cannabis businesses from deducting them for tax purposes. The dispensary argues that those bills still must be paid, so the IRS is overstating how much money the company has available to pay its tax debt. The appeal is still pending.

In a separate 280E case, *NM Top Organics v. Commissioner*, the Tax Court denied the taxpayer's request for oral argument on October 2, finding that additional briefing made argument unnecessary. On October 7, the IRS filed a Notice of Supplemental Authority referencing the GAO report discussed above.

Tax Refunds: Multistate operator TerrAscend filed a [motion to dismiss](#) a federal government lawsuit that aims to recover an \$8.36 million refund issued after the company amended its 2020 tax return. The company argues that the government sued a consolidated tax return group that is not a separate legal entity, brought the case in an improper jurisdiction and venue, and mishandled service.

Insurance Legislation: A bipartisan pair of lawmakers reintroduced the Clarifying Law Around Insurance of Marijuana (CLAIM) Act ([H.R. 10471](#)) in the U.S. House of Representatives. The measure would provide federal protections for insurers serving state-legal cannabis businesses, which could reduce legal uncertainty for insurers and support broader coverage options for operators. It was referred to the Committee on Financial Services. A companion bill in the Senate, [S. 5049](#), was introduced earlier this year and referred to the Committee on Banking, Housing, and Urban Affairs.

Supreme Court Petition: Cannabis business applicants in Washington state [petitioned](#) the U.S. Supreme Court to decide whether the U.S. Constitution's prohibition on discriminatory state economic barriers applies to state and municipal cannabis licensing. The Ninth Circuit upheld dismissal of [Peridot Tree WA, Inc. et al. v. Washington State Liquor and Cannabis Board, et al.](#), reasoning that the dormant Commerce Clause does not protect commerce in a market Congress prohibits. That holding conflicts with First and Second

Circuit decisions applying the clause to cannabis licensing despite federal prohibition. If the Court decides to hear the case, its ruling could significantly impact state cannabis markets. A decision for Peridot could invalidate residency requirements, while a decision for the government would give states more certainty about how they can structure their intrastate markets. The government's response, originally due October 15, is now due December 4.

NEW MARKETS & LICENSING OPPORTUNITIES

Florida: Two constitutional amendments to legalize adult-use marijuana were proposed for the 2028 ballot late last month. The measures were filed by two separate committees, [Floridians for Marijuana](#) and [Let Florida Vote IV](#), which appear to be related. Both would legalize possession for adults, but they differ on which medical operators would be able to transition to the new adult-use market and when, among other things. A third proposal, backed by [Smart and Safe Florida](#), failed to qualify for the ballot in 2026 but remains active for the 2028 election.

Nebraska: The Medical Cannabis Commission announced that [proposed regulatory amendments](#) needed to license manufacturers and dispensaries are not expected to be finalized until 2027. Permanent medical cannabis rules are already in effect, but the MCC will not issue licenses until the associated fees are authorized. The delay leaves the program without a complete licensed supply chain, prolonging patients' wait for access and creating additional carrying costs for businesses.

North Carolina: The [Advisory Council on Cannabis](#) appointed by Gov. Josh Stein is [reportedly](#) considering recommending legalization through a system of state-run retail locations supplied by private cultivators and manufacturers. The panel has not made any formal recommendations yet, but whatever actions it takes could significantly impact the 2027 legislative debate.

Virginia: The Cannabis Control Authority published [initial draft rules](#) for the state's forthcoming adult-use market. The rules cover ownership, applications, testing, packaging, security, and other operating requirements. The proposed regulations will be reviewed by the Public Health Advisory Council over the next couple of months and finalized in December, according to the [CCA timeline](#). The final rules are scheduled to be published and take effect in January 2027. The CCA anticipates applications opening February 1, with initial licenses issued by May 1, and retail sales beginning July 1.

STATE POLICY UPDATES

California: Gov. Gavin Newsom signed [AB 2532](#), requiring the national Poison Help line to be included on edible cannabis product labels. It also requires specific controls for multi-serving cannabis beverages, including serving disclosures, markings on transparent containers, free measuring devices, and restrictions on promoting multiple servings or presenting a multi-serving product as single-serve. The new requirements take effect July 1, 2027.

In Los Angeles, the City Council [directed regulators](#) to renew 2027 cannabis licenses for businesses that would qualify for the city's delayed tax-amnesty program, even if they owe city taxes, provided they submit complete applications on time and pay renewal fees. Businesses renew annually during a common [fall window](#), which runs September 1–November 2 this year, with late renewals accepted through November 30. The amnesty program is intended to help businesses repay overdue taxes through installment plans and waivers of penalties and interest, but implementation has lagged behind the renewal schedule. The Council also requested an ordinance removing the tax-delinquency restrictions that would otherwise block some renewals during this cycle. The action gives eligible businesses time to address their debts while continuing to operate, but it does not forgive the underlying taxes.

Colorado: The Marijuana Enforcement Division adopted [permanent rule revisions](#) addressing several topics, including inventory tracking and production batches, relabeling, cannabinoid labeling, unauthorized transfers, research and development testing, inventory limits, and other operational changes.

Separately, the state Department of Revenue [refiled](#) its proposed rules on adult-use retail marijuana sales and excise taxes and held a hearing on October 15 after discovering that the version it adopted in August omitted intended updates. The corrected proposal would make existing emergency provisions permanent, establishing wholesale tax categories and calculations for fresh frozen marijuana, concentrates produced through physical separation, pre-rolls, and infused pre-rolls. It also clarifies exemptions, transfer classifications, inventory tracking and recordkeeping, and permits fan-leaf removal before weighing marijuana for tax purposes. These changes could affect taxable valuations and require operators to update product classifications and accounting procedures.

The Department of Revenue also recently released a [private letter ruling](#) addressing sales and use tax exemptions for equipment and inputs used by marijuana cultivation and manufacturing businesses. The ruling applies only to the requesting taxpayer but offers insights that may be valuable industry-

wide. Based on the facts and assumptions presented, the Department found that the listed manufacturing equipment qualified for the machinery exemption, except for chemical storage cabinets. It also found that specified fertilizers and agricultural compounds qualified for exemptions, along with irrigation equipment costing at least \$1,000 per unit and sprayers used solely to apply liquid fertilizer. Other listed cultivation equipment did not qualify for the farm-equipment exemption. The ruling does not address taxes administered by self-collected home-rule cities, and certain state-administered local exemptions also depend on local adoption.

Georgia: The Access to Medical Cannabis Commission [approved an omnibus rule package](#) on September 30 covering licensing, production, dispensing, testing, enforcement, recalls, and research. The new rules would allow licensed medical cannabis producers and dispensaries to ship cannabis to registered patients and long-term-care facilities through the U.S. Postal Service or private carriers, although it is unclear whether any carrier will allow it. The amended rules take effect 20 calendar days after filing with the Secretary of State.

Ohio: New [retail-package limits](#) took effect October 5, establishing product-specific restrictions on weight, THC content, and units per package. These requirements affect product sizing, pricing, and multipack strategies and may require manufacturers to develop Ohio-specific formats. Dispensaries must also distinguish medical products from those eligible for adult-use sale and ensure inventory and product listings reflect the applicable limits. Ohio's [updated fee schedule](#), which took effect October 8, requires a non-refundable \$100 fee for advertising review.

HEMP

Rhode Island: The Cannabis Control Commission issued [Cannabis Office Bulletin 2026-7](#), notifying businesses that hemp products exceeding 0.4 milligrams of total THC per container must be removed from licensed facilities prior to December 11, when the new federal limit is set to take effect. Businesses are also prohibited from offering such products online after the cutoff, and they are expressly barred from transferring inventory into the regulated cannabis market for sale as cannabis products.

New Jersey: In early October, legislation was introduced in the state Senate ([S. 4635](#)) and General Assembly ([A. 5604](#)) that would extend intoxicating hemp beverage sales by eligible alcohol and cannabis licensees from November 13 to the new federal deadline, December 11, or the effective date of specified federal hemp restrictions, whichever is later. The bills would also extend the corresponding allowance for authorized producers to possess and transport certain intermediate hemp products during processing.



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