

Governor Signs PA Budget: 280E Relief, No Cannabis Legalization

Pennsylvania Governor Approves Budget Legislation Without Adult-Use Cannabis Legalization

Pennsylvania Governor Josh Shapiro has signed into law a package of budget [legislation](#) that notably excludes provisions for legalizing adult-use marijuana, which he had initially requested. Despite the absence of recreational marijuana legalization, one of the bills includes a provision allowing certain medical cannabis businesses to take state-level tax deductions as a partial workaround to the federal IRS code known as 280E.

Budget Legislation and Cannabis Provisions

The 2025 budget legislation passed both chambers and was signed into law on Thursday. Governor Shapiro had proposed recreational marijuana legalization in his budget request submitted in February, but the reform did not materialize in the final measure. This development comes amid increased discussions about cannabis legalization in the Pennsylvania legislature, with numerous hearings, bill introductions, and press conferences emphasizing the need for policy change, particularly as neighboring states move forward with legalization.

Advocates' Reactions and Legislative Dynamics

Brit Crampsie, spokeswoman for the advocacy organization Responsible PA, expressed disappointment over the exclusion of adult-use cannabis legalization from the budget. "The legislature left a critical issue behind as they crafted a budget that did not include adult-use cannabis," Crampsie said. She highlighted the potential financial benefits, noting that an adult-use market could generate over a billion dollars for the state in its first year.

The urgency of legalization is further emphasized as Pennsylvanians witness neighboring states like New York, New Jersey, Maryland, and Ohio benefiting financially from legal cannabis. *Crampsie* remains hopeful that adult-use legalization will become a legislative priority when the session resumes in September.

Political Challenges and Future Prospects

During a press briefing, the chair of the Pennsylvania Legislative Black Caucus tempered expectations regarding the timeline for passing legalization legislation, citing the politically charged environment leading up to the November election. Senator Sharif Street, a long-time advocate for legalization, acknowledged the delays but emphasized the need to act swiftly to keep up with neighboring states and address the disparate enforcement of cannabis laws that have disproportionately affected Black and brown communities.

Representative *Emily Kinkead*, who is sponsoring a separate legalization proposal, echoed the sentiment, calling for prioritizing a legalization bill when the legislature returns. She underscored the financial and

social equity benefits of legalization, including tax revenue, job creation, and addressing past criminal justice harms.

Medical Cannabis Tax Deductions

The budget does include a provision allowing medical marijuana grower-processors to take state tax deductions equivalent to what they would have received at the federal level if not for the IRS 280E policy. This policy precludes deductions for businesses dealing with Schedule I and Schedule II substances. The newly enacted reform, however, appears more limited than a standalone bill that advanced through the House in 2022, as it seemingly excludes dispensaries from taking these tax deductions.

Economic Impact and Advocacy

An attached fiscal note projects that the tax cut will cost the state \$2.1 million in revenue over the next two fiscal years. Multiple states have implemented state-level tax relief for licensed marijuana businesses as Congress continues to delay federal action. If the Biden administration's proposal to reclassify cannabis from Schedule I to Schedule III materializes, it would resolve the 280E issue.

Advocates are pushing for legislative action on standalone proposals to legalize adult-use cannabis. Despite skepticism about enacting legalization this year, lawmakers stress the urgency given regional dynamics and the potential economic benefits. The Pennsylvania Cannabis Coalition emphasized the need for comprehensive adult-use legislation as a new, recurring revenue source, pointing out that tax revenue is currently flowing to neighboring states.

Economic Projections and Legislative Alignment

A recent report by activists projected that Pennsylvania could see up to \$2.8 billion in adult-use marijuana sales in the first year, generating up to \$720 million in tax revenue and creating around 45,000 jobs. Lawmakers like Senator Street and Senator Dan Laughlin believe the votes are there to pass a legalization bill this year, stressing the importance of bipartisan cooperation and federal cannabis rescheduling.

The approval of the 2025 budget legislation without adult-use marijuana legalization highlights ongoing challenges and delays in Pennsylvania's cannabis policy reform. However, the inclusion of tax deductions for medical cannabis businesses offers some relief. Advocates and lawmakers remain hopeful that adult-use legalization will become a legislative priority in the coming months, aiming to position Pennsylvania at the forefront of cannabis policy and economic benefit.

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