

# Tax Changes Could Unlock Millions in Cash for Cannabis Sector

## Aaron Grey at Benzinga's Cannabis Capital Conference: The Fall of 280E Will Be Transformative for Cannabis Operators

At the Benzinga Cannabis Capital Conference in Chicago on Tuesday, Aaron Grey, senior analyst at Alliance Global Partners, made a bold statement regarding the future of the cannabis industry. He asserted that the removal of Section 280E—a section of the U.S. tax code that prohibits cannabis businesses from deducting most operating expenses—will be one of the most impactful changes for cannabis operators in decades.

### Tax Reform: Unlocking Cash Flow for Cannabis Operators

The panel discussion, moderated by Claire Hanson, Member-in-Charge of the Denver Office and head of the Cannabis Litigation Team at Clark Hill Law, focused on the significant influence that tax policy changes, particularly the removal of 280E, will have on the cannabis industry. Grey emphasized that once cannabis companies are no longer bound by the restrictive 280E provisions, they will gain access to hundreds of millions of dollars in cash flow that they can redirect toward growth opportunities.

Grey highlighted that companies will use these newfound funds in various ways, including mergers and acquisitions (M&A), paying off debt, or buying back shares. He stressed that the ripple effects of this policy change will be felt across the entire cannabis industry, unlocking new possibilities for major operators.

Paul Antonacci, president and CEO of Security Bank, echoed this sentiment, noting that the current tax environment has placed heavy financial burdens on cannabis businesses, forcing them to operate with razor-thin margins. He expressed optimism that the removal of 280E will allow cannabis companies to expand more organically without needing to rely so heavily on debt.

Antonacci described the removal of 280E as a game-changer, likening the current environment to the government making more money off cannabis operations than the operators themselves. He believes that with the tax burden lifted, companies will have the breathing room needed to scale their operations sustainably.

### Interest Rates: A Double-Edged Sword for Cannabis Companies

The conversation also turned to the impact of interest rates on the cannabis sector. Dan Roda, chief credit officer at Safe Harbor Financial, noted that rising interest rates have presented both challenges and opportunities for cannabis businesses. While higher rates have squeezed margins, they have also opened up new avenues for well-capitalized companies to secure interest-bearing accounts and structured credit facilities.

Roda explained that the high-rate environment has led to more conservative lending standards, which can be challenging for smaller operators. However, stronger businesses have been able to negotiate more favorable credit terms, taking advantage of the paradoxical benefits of higher rates. As interest rates begin to stabilize, Roda expects that lending conditions will continue to improve, creating more favorable terms for cannabis operators seeking capital.

Antonacci added that with more banks entering the cannabis space, competition will likely drive down borrowing costs and create more opportunities for cannabis businesses to access affordable credit. He predicted that the Federal Reserve will introduce two more rate cuts before the end of the year, which could further alleviate financial pressure on cannabis operators.

## **Macroeconomic Trends and Consumer Behavior**

The panel also delved into the broader macroeconomic trends influencing the cannabis industry. Despite inflation showing signs of cooling, Grey pointed out that it is still affecting cannabis consumers, who are increasingly gravitating toward value brands. He compared cannabis to alcohol and tobacco, noting that while consumers continue to purchase these products, they are becoming more price-sensitive in their choices.

Neil Prasad, who leads the cannabis practice at accounting firm Marcum, emphasized that operators have become more disciplined in their spending as a result of these economic pressures. He noted that companies are now more strategic in their financial decisions, which has led to improved operating margins. As companies continue to refine their business models, Prasad expects these trends to benefit the industry in the long run, especially as tax reform unlocks additional cash flow.

## **The Future Impact of 280E Removal**

The potential repeal of 280E is expected to have far-reaching effects on the cannabis industry. Grey and his fellow panelists believe that the ability to deduct operating expenses like other legal businesses will dramatically improve profitability for cannabis operators. This change will provide much-needed relief for companies that have been struggling under the weight of federal tax restrictions.

Antonacci noted that with the removal of 280E, cannabis businesses will be better positioned to focus on organic expansion rather than relying on debt to fuel growth. He predicted that the industry would see a wave of consolidation as companies use their newfound cash flow to pursue M&A opportunities.

Roda echoed these views, adding that the removal of 280E will help companies strengthen their financial standing, which will, in turn, lead to better loan terms and more competitive credit markets. He expects that as the cannabis industry matures, operators will become more adept at managing their finances and accessing capital.

## **Practical Tips for Cannabis Operators**

The panel concluded with actionable advice for cannabis operators navigating the current financial landscape. Aaron Grey advised businesses to prepare for change but continue to operate as if no major reforms were imminent. This approach will allow operators to remain nimble and ready to capitalize on new opportunities when they arise.

Paul Antonacci urged cannabis operators to establish strong relationships [with banks and financial institutions](#), as more banks enter the cannabis space. Building these partnerships now, he said, will position companies to take advantage of better pricing and more favorable terms as competition in the banking sector

intensifies.

Dan Roda emphasized the importance of having clean, well-organized financials when seeking capital. He advised cannabis companies to present a concise and accurate loan package to potential lenders to stand out in the increasingly competitive credit market.

Neil Prasad added that companies should prioritize internal controls and compliance, especially as they prepare for potential capital raises or debt refinancing. By maintaining operational and financial discipline, cannabis businesses will be better equipped to thrive in the evolving regulatory landscape.

## **A Transformative Moment for the Cannabis Industry**

As Aaron Grey stated, the removal of 280E represents a transformative moment for the cannabis industry. The ability to deduct operating expenses like other legal businesses will unlock substantial cash flow for operators, allowing them to pursue growth opportunities, reduce debt, and improve profitability. Combined with stabilizing interest rates and evolving consumer trends, the cannabis industry is poised for significant expansion in the coming years.

Cannabis operators should prepare for these changes by staying nimble, refining their financial practices, and building strong relationships with financial institutions. As the industry moves into a new phase of growth, the removal of 280E will provide the financial breathing room that cannabis companies need to thrive.

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