

Cannabis Chair Talks Taxes, Enforcement, Trump with Forbes

Cannabis Industry Optimistic About Trump's Second Term with Pro-Legalization Attorney General Pick

With the appointment of pro-cannabis Congressman Matt Gaetz as the nominee for U.S. Attorney General and the potential for a business-friendly tax policy, parts of the cannabis industry are cautiously optimistic about President-elect Donald Trump's second term. Industry leaders and advocates are closely watching how these developments could reshape the regulatory and financial landscape for legal cannabis operations across the country.

The Burden of Federal Tax Code 280E

One of the cannabis industry's top concerns is the Internal Revenue Code provision 280E, which prevents cannabis businesses from deducting ordinary business expenses on their federal tax returns. Jonathan Robbins, Chair of Akerman's Cannabis Practice, emphasized the outsized impact of this provision during an interview with *Forbes*.

"IRS Code provision 280E is an albatross around the neck," Robbins said. "This is the main reason why companies want to see cannabis rescheduled, because it would save tens of millions of dollars a year in taxes that they have to pay right now. So, that will fuel either litigation or lobbying efforts on the part of this industry."

The classification of cannabis as a Schedule I drug under the Controlled Substances Act—alongside heroin and LSD—ensures the continued application of 280E. However, rescheduling cannabis to a less restrictive category could eliminate the tax code's punitive effects, allowing businesses to operate on a level playing field with other industries.

Gaetz as Attorney General: A Game Changer?

Trump's nomination of Matt Gaetz, a long-time proponent of cannabis legalization, as Attorney General has raised eyebrows and expectations in the cannabis community. Gaetz's outspoken support for cannabis reform and his legislative record indicate a potential shift in federal enforcement policies.

Jonathan Robbins pointed out that while the Attorney General does not have the unilateral authority to legalize or reschedule cannabis, the position holds significant sway over how federal laws are enforced.

This shift could bring much-needed relief to operators in states with legalized cannabis markets, reducing the risk of federal intervention and creating a more stable environment for businesses to grow.

The Potential for Rescheduling and Reform

Rescheduling cannabis remains a central focus for the industry, and Gaetz's appointment could accelerate progress in this area. Advocates argue that rescheduling marijuana to a less restrictive category would have far-reaching benefits, including:

Tax Relief: Eliminating the effects of 280E would allow cannabis businesses to deduct routine expenses, such as rent, payroll, and utilities.

Banking Access: Rescheduling could pave the way for federal banking reforms, enabling cannabis companies to access traditional financial services.

Research Opportunities: Lowering cannabis to a Schedule II or III classification would expand opportunities for scientific research, fostering innovation in medical applications.

However, meaningful reform would require collaboration between the Department of Justice, Congress, and other federal agencies. While Gaetz's leadership at the DOJ could set the tone, legislative action remains crucial to achieving comprehensive changes.

A Pro-Business Tax Agenda

In addition to cannabis-specific reforms, the Trump administration's broader pro-business tax agenda has sparked optimism within the industry. Measures aimed at reducing corporate tax burdens and streamlining regulations could indirectly benefit cannabis operators, particularly those navigating the complex and costly compliance landscape.

"The cannabis industry stands to gain from any administration that prioritizes business growth and economic development," Robbins explained. "If the Trump administration implements policies that create a more favorable tax environment, that could offset some of the challenges cannabis businesses face under current federal restrictions."

Litigation and Lobbying Efforts on the Horizon

As the industry awaits potential legislative and regulatory changes, many businesses and advocacy groups are preparing to intensify their lobbying efforts. Some are even exploring litigation as a strategy to challenge the constitutionality of 280E and push for fairer treatment under federal tax laws.

Robbins predicts a surge in activity aimed at reshaping the legal framework for cannabis businesses. "You're going to see a combination of lobbying and litigation efforts ramp up," he said. "The stakes are too high for the industry to remain passive."

Challenges and Cautious Optimism

While recent developments have injected a sense of optimism, the cannabis industry remains cautious. Trump's first term saw limited progress on cannabis reform, and it is unclear how much political capital the administration will invest in the issue during a second term.

Moreover, the divisive nature of cannabis policy could complicate efforts to achieve bipartisan consensus on rescheduling, banking access, or tax reforms. Advocates worry that partisan gridlock in Congress could stall meaningful progress, even with a pro-legalization Attorney General at the helm.

Broader Implications for the Cannabis Market

The potential for federal reforms under Trump's second term comes at a critical time for the cannabis industry, which has experienced both rapid growth and significant challenges in recent years. The legal cannabis market in the U.S. is projected to exceed \$40 billion by 2025, driven by increasing consumer demand and the expansion of state-legal markets.

However, federal barriers continue to hinder the industry's full potential. In addition to tax burdens and banking restrictions, businesses face regulatory uncertainty and competition from the illicit market.

Advocates argue that comprehensive federal reform would not only benefit cannabis businesses but also generate significant economic and social benefits. According to a 2021 report by New Frontier Data, federally legal cannabis could create more than a million jobs and generate billions in tax revenue annually.

As Trump's second term approaches, the cannabis industry is bracing for what could be a transformative period. With Matt Gaetz poised to lead the Department of Justice and a pro-business tax agenda on the table, industry leaders see opportunities for meaningful progress.

At the same time, they recognize the need for continued advocacy and engagement to ensure that cannabis remains a priority in the federal policy agenda. The road ahead is uncertain, but for many, the potential rewards outweigh the risks.

Whether through rescheduling, tax relief, or regulatory reforms, the coming years could mark a turning point for the cannabis industry—and a chance to finally achieve the stability and legitimacy it has long sought.

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