

House Republicans Move to Block 280E Tax Relief for Cannabis

House Republicans Introduce Bill to Block 280E Tax Relief for Cannabis Businesses

In a coordinated effort to maintain punitive tax burdens on state-licensed cannabis businesses, U.S. House Rep. Jodey Arrington, R-Texas, and six of his Republican colleagues have introduced legislation to prevent cannabis companies from receiving federal tax relief. This move follows a similar bill recently introduced in the U.S. Senate by Sens. James Lankford, R-Okla., and Pete Ricketts, R-Neb.

Understanding the New Legislation: H.R. 1447

On February 21, Congressman Jodey Arrington, who chairs the House Budget Committee, introduced H.R. 1447, a bill designed to amend the Internal Revenue Code (IRC) of 1986. If passed, the legislation would ensure that businesses engaged in “trafficking” cannabis remain unable to claim ordinary business deductions or credits, even if the federal government reclassifies cannabis to a [Schedule III substance](#) under the Controlled Substances Act (CSA).

Under the current Section 280E of the IRC, businesses dealing with Schedule I or II substances cannot deduct standard business expenses like payroll, rent, or utilities. For cannabis businesses, this results in an effective tax rate that can exceed 70%, making profitability challenging.

The hope for many in the cannabis industry is that the Department of Justice’s (DOJ) recent proposal to reclassify cannabis as a Schedule III substance would relieve them from the restrictions of Section 280E. This reclassification could provide much-needed financial relief to an industry that collectively pays billions of dollars annually in federal taxes despite cannabis remaining federally illegal.

However, Arrington and his co-sponsors aim to prevent that relief from becoming a reality. The bill is co-sponsored by six other House Republicans: Chuck Edwards (R-N.C.), Gregory Murphy (R-N.C.), Vern Buchanan (R-Fla.), Blake Moore (R-Utah), Gary Palmer (R-Ala.), and Pete Sessions (R-Texas).

Bicameral Opposition: Senate and House Republicans Align Against Cannabis Tax Relief

While the DOJ’s Schedule III proposal remains tied up in legal proceedings, this new House bill mirrors a nearly identical piece of legislation introduced in early February by Sens. Lankford and Ricketts. Both bills aim to ensure that cannabis businesses remain excluded from accessing traditional tax deductions, regardless of a potential rescheduling decision.

In a press release on February 7, Senator Lankford justified the Senate bill by arguing that businesses selling federally illegal drugs should not benefit from federal tax breaks.

The Senate's version of the bill is officially titled the "No Deductions for Marijuana Business Act," and it closely aligns with the language expected in the House version, although the official text of H.R. 1447 was not available as of February 24.

Prohibitionist Support and the Push to Maintain Cannabis Tax Burdens

The push for this legislation has been strongly supported by prohibitionist groups, including Smart Approaches to Marijuana (SAM). Kevin Sabet, CEO and president of SAM, has taken credit for helping craft the bill, publicly celebrating the effort as a way to ensure cannabis businesses continue to pay an estimated \$2.3 billion annually in taxes.

The Economic Impact of Section 280E on Cannabis Businesses

The timing of this legislative push coincides with growing financial struggles for the cannabis industry. According to a 2024 Whitney Economics report, only 27% of U.S. cannabis businesses are currently profitable. Industry advocates argue that relief from Section 280E would allow more businesses to survive and grow, particularly as the legal market faces intense competition from unregulated operators.

By keeping Section 280E in place, cannabis businesses remain burdened with significantly higher tax obligations compared to other industries. For the largest operators, this means paying upwards of \$100 million annually to a federal government that still classifies their operations as illegal.

What Comes Next for H.R. 1447 and Cannabis Tax Policy?

As of now, the House bill awaits further consideration, and the DOJ's Schedule III proposal remains paused due to an interlocutory appeal. Should either the House or Senate versions of the bill advance, it could significantly limit the financial relief cannabis businesses are hoping for from potential rescheduling.

Cannabis Business Times has reached out to Arrington's office for comment and a copy of the official House bill text.

For now, the cannabis industry continues to navigate a challenging financial landscape while facing persistent legislative efforts to block relief that other legitimate businesses enjoy.

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