

# What Cannabis Rescheduling Could Mean for the Industry

## **Cannabis Accountants Say Rescheduling Will Remove the Accounting Headache of 280E, but Legal Experts Say the Move Creates a Litigious Opportunity for Big Pharma to Step In**

As the U.S. considers moving cannabis from a Schedule I to a Schedule III substance under the Controlled Substances Act, professionals in the industry are reacting with a mix of relief and concern. While accountants see the move as a long-awaited solution to burdensome tax challenges, legal experts fear it may open the door for pharmaceutical corporations to reshape — or overtake — the existing cannabis market.

### **Section 280E Has Made Cannabis Accounting a Burdensome Process, Limiting Deductions and Creating a Niche for Specialized CPAs**

Cannabis businesses currently operate under the weight of Section 280E, which prevents them from deducting most routine business expenses due to the plant's Schedule I status. Accountants have had to create intricate systems to separate deductible costs of goods sold from non-deductible business costs, resulting in a highly specialized accounting ecosystem. Many businesses rely on fractional CFOs and cannabis-focused CPAs to remain compliant while minimizing tax liability.

### **Legal Risk Rises as Federal Rules May Clash With State Markets, Creating an Opening for Large Corporations With Federal Licenses**

Legal analysts suggest that if cannabis is rescheduled to Schedule III, it will align the product with other federally regulated drugs. This change could conflict with state-level cannabis frameworks, leading to lawsuits from federally licensed pharmaceutical companies who may argue that only they are permitted to manufacture and distribute Schedule III substances. These companies may attempt to challenge the legality of state markets, claiming federal supremacy in drug regulation.

### **The Entry of Big Pharma Could Lead to Lawsuits That Challenge the Legality of State Cannabis Operators and Dispensaries**

Rescheduling could trigger legal challenges that reshape the market. Pharmaceutical companies may assert that their existing federal licenses entitle them to exclusive rights to produce and sell cannabis as a Schedule III drug. This legal avenue could allow major players to bypass state systems and invalidate existing cannabis businesses, from growers to retailers.

## **Some Industry Professionals Believe the Threat of Big Pharma Is Overstated, With Capital-Backed MSOs Poised to Benefit the Most**

Accountants working closely with cannabis businesses suggest that while pharmaceutical companies might show interest in cannabis, they are currently more focused on high-revenue drug markets such as weight-loss medications. They argue that large multi-state cannabis operators are more likely to benefit from the new regulatory environment, with the ability to raise capital, expand operations, and acquire smaller competitors.

## **The End of 280E Could Significantly Increase Business Valuations and Attract New Investment Across the Industry**

Removing the limitations imposed by 280E could dramatically improve the financial performance of cannabis companies. Businesses that have been operating with minimal margins due to tax constraints could see a sudden increase in profitability, leading to higher valuations and greater interest from investors. Industry advisors recommend that operators focus on building solid business foundations now to be well-positioned for future regulatory changes.

## **Even With Tax Relief, Cannabis Businesses Will Still Face Higher Costs and Regulatory Complexity Compared to Traditional Retail**

Despite the potential repeal of 280E, the cannabis industry continues to face systemic challenges such as limited access to banking, elevated insurance costs, and restricted payment processing. Operators must also contend with inconsistent state regulations and expensive compliance requirements. These factors continue to set the cannabis industry apart from traditional sectors, maintaining a need for specialized expertise.

## **While Rescheduling Could Disrupt the Market, Financial Professionals Emphasize the Ongoing Need for Strategic Planning and Risk Management**

The possible reclassification of cannabis presents both opportunities and uncertainties. While it could simplify accounting and enhance business performance, it also introduces new legal and competitive risks. Financial professionals stress the importance of maintaining strong infrastructure and compliance strategies regardless of federal status, noting that cannabis will likely remain a complex and high-risk industry even with federal reform.

Email: [info@cannabisriskmanager.com](mailto:info@cannabisriskmanager.com) | Phone: +415-226-4060

© Copyright 2025 Cannabis Risk Manager. All Rights Reserved