

When Will President Donald Trump Move to Reclassify Cannabis?

When Is President Donald Trump Going to Reclassify Cannabis and What Could This Mean for the \$32 Billion Legal Cannabis Industry?

President Donald Trump has given little indication of when he might decide whether marijuana will be reclassified under federal law. However, the potential impact of downgrading cannabis to a Schedule 3 drug could be transformative for the U.S. cannabis industry, which is valued at more than \$32 billion annually. Such a shift could provide significant financial relief to plant-touching businesses across the country while reshaping how the federal government approaches cannabis regulation.

Trump Inherits a Stalled Cannabis Rescheduling Effort

When Trump began his second term in January, he inherited an unfinished review of marijuana's federal classification — the first such review since 1970. Initiated under former President Joe Biden in October 2022, the review led to an August 2023 recommendation from the U.S. Department of Health and Human Services that marijuana has accepted medical use in the United States.

In May 2024, the Department of Justice proposed moving cannabis from Schedule 1 — reserved for the most dangerous and addictive substances — to Schedule 3 of the Controlled Substances Act. However, the process stalled before Trump took office, with hearings paused indefinitely. Critics argued that the Biden administration's DEA was reluctant to move forward, slowing progress and maintaining strict federal controls.

The DEA Holds the Next Move — But the White House Has the Final Say

Federal law grants the head of the Drug Enforcement Administration broad authority over drug scheduling decisions. The DEA can resume hearings, accept the rescheduling proposal, reject it, or bypass hearings entirely.

Trump's newly appointed DEA chief, Terrance Cole, has a history of serving under an anti-marijuana state governor, but he is expected to align with the president's direction. This means that, in practical terms, the ultimate decision rests with the White House.

Political Pressures and Industry Influence on the Decision

The cannabis industry has been actively working to influence the administration's stance through political donations, strategic hires, and public support of the president's broader policies. Pro-cannabis stakeholders see Trump's reconsideration of the Biden-era proposal as a rare opportunity to achieve a long-awaited policy change.

At the same time, the president faces opposition from certain conservative and MAGA-aligned figures who frame cannabis reform as a partisan or socially liberal issue. Trump's personal distaste for marijuana, including its smell and cultural associations, further complicates the matter. His decision will need to balance political strategy, personal beliefs, and industry lobbying.

What Rescheduling to Schedule 3 Would Actually Mean

Moving marijuana to Schedule 3 would mark the first substantial change in federal cannabis policy in over half a century. The most immediate effect would be the elimination of Internal Revenue Code Section 280E restrictions, which currently prohibit cannabis businesses from deducting ordinary business expenses on their federal tax returns.

Without 280E, cannabis operators could save hundreds of millions of dollars annually in taxes, freeing up capital for reinvestment, expansion, and hiring. Several companies have already tested the waters by filing amended tax returns, though the IRS has warned that refunds will not be issued until a final federal rule is published.

What Rescheduling Would Not Accomplish

Despite the financial benefits, rescheduling alone would not create a nationwide legal market for cannabis or automatically enable interstate commerce. Banks and institutional investors may remain hesitant to engage with the cannabis industry, as marijuana would still be a controlled substance without FDA approval for general use.

Most other Schedule 3 drugs in the U.S. are FDA-approved pharmaceuticals sold through DEA-licensed pharmacies, a model that does not apply to state-licensed cannabis dispensaries. As a result, broader access to banking services may still depend on congressional action, such as the passage of the SAFER Banking Act, which would protect financial institutions that serve state-legal cannabis businesses.

Barriers to Research Would Remain, but Stigma Could Decline

Rescheduling could ease certain research restrictions by reducing stigma and improving funding opportunities, but significant federal hurdles would persist. Under the Medical Marijuana and Cannabidiol Research Expansion Act, strict DEA oversight remains in place, and major funding cuts under the Trump administration have limited cannabis research capacity.

While the move to Schedule 3 could attract more institutional and academic interest, the full benefits for scientific study would require additional regulatory changes.

The Broader Economic and Political Stakes

The U.S. cannabis industry is watching closely because the stakes are enormous. In addition to tax relief, rescheduling could signal a broader softening of federal attitudes toward marijuana, potentially paving the way for future reforms. This could encourage new investment, bolster struggling operators, and increase state

tax revenues through business growth.

However, a misstep — whether through continued delays, partial measures, or outright rejection of the proposal — could prolong uncertainty, deter investors, and frustrate both industry leaders and voters who support reform.

What Happens Next

The timeline for a final decision remains unclear. The DEA could resume hearings at any time, or the administration could bypass them and issue a final rule. Trump's decision is likely to be influenced by both political calculations ahead of the next election cycle and by the cannabis industry's continued efforts to frame rescheduling as a pro-business move that aligns with his economic agenda.

Until a final federal rule is issued, cannabis will remain in Schedule 1, and the financial and operational challenges facing legal cannabis businesses will persist.

Email: info@cannabisriskmanager.com | Phone: +415-226-4060

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