

## SECTION 1. SHORT TITLE.

This Act may be cited as the “**Cannabis Regulation and Revenue Act of 2025.**”

## SECTION 2. CONGRESSIONAL FINDINGS.

Congress finds the following:

1. **Misclassification under Federal Law.** Cannabis is currently listed as a Schedule I controlled substance under section 202(c) of the Controlled Substances Act (21 U.S.C. §812(c)), alongside heroin and LSD, despite medical and scientific evidence that its risks are not comparable to such substances.
2. **Comparability to Alcohol and Tobacco.** Alcohol and tobacco are regulated substances under federal law, subject to excise taxation, labeling, and age restrictions (see 26 U.S.C. §§5001, 5701). Cannabis should be regulated in a similar manner.
3. **Public Health and Safety.** The National Academies of Sciences, Engineering, and Medicine (2017) concluded that cannabis use carries lower risks of dependency and overdose than alcohol and opioids. Regulation provides a framework for consumer safety, product purity, and impaired-driving enforcement.
4. **Economic Impact.** The Congressional Research Service (CRS Report R46789, 2021) estimates that legal cannabis sales exceeded \$25 billion in 2021. Federal prohibition prevents interstate commerce, banking access, and uniform taxation, resulting in lost revenue and inefficiencies.
5. **Criminal Justice.** According to the American Civil Liberties Union (2020), Black Americans are nearly four times more likely to be arrested for cannabis possession than white Americans, despite similar usage rates. Expungement of non-violent cannabis convictions would reduce incarceration costs and restore economic opportunity.
6. **Revenue Potential.** The Congressional Budget Office (CBO, 2022) projects that a federal excise tax on cannabis could generate billions annually. These funds can be directed toward deficit reduction, veterans’ healthcare, rural health infrastructure, and addiction treatment.

## SECTION 3. DEFINITIONS.

For purposes of this Act:

1. **Cannabis.** The term “cannabis” means all parts of the plant *Cannabis sativa L.*, whether growing or not, with a delta-9 tetrahydrocannabinol (THC) concentration greater than 0.3 percent on a dry weight basis, and includes derivatives, extracts, and products thereof.
2. **Regulated Substance.** The term “regulated substance” means a substance subject to federal excise tax and regulatory oversight, including alcohol (26 U.S.C. §5001), tobacco (26 U.S.C. §5701), and cannabis.
3. **ATFC.** The term “ATFC” refers to the Bureau of Alcohol, Tobacco, Firearms, and Cannabis, as established under this Act.

4. **Licensed Entity.** The term “licensed entity” means any grower, processor, distributor, or retailer authorized under federal law to engage in cannabis commerce.
5. **Non-violent Cannabis Offense.** The term means any federal conviction for possession, cultivation, or distribution of cannabis not involving violence, firearms, or trafficking of other controlled substances.
6. **Small Producer.** The term means a cannabis cultivator with less than 5,000 square feet of canopy or equivalent production volume, as defined by the Secretary of Agriculture.

## **SECTION 4. RECLASSIFICATION OF CANNABIS.**

### **(a) Amendment to the Controlled Substances Act.**

1. Section 202(c) of the Controlled Substances Act (21 U.S.C. §812(c)) is amended—
  - (A) by striking “marihuana” and “tetrahydrocannabinols” from Schedule I;
  - (B) by redesignating subsequent items accordingly.
2. Cannabis shall no longer be classified as a controlled substance under the Controlled Substances Act, except as otherwise provided for impaired driving and workplace safety standards.

### **(b) New Category: Regulated Substances.**

1. Cannabis is hereby designated a “regulated substance,” subject to federal excise taxation and regulatory oversight in a manner consistent with alcohol (26 U.S.C. §5001) and tobacco (26 U.S.C. §5701).
2. Nothing in this Act shall preempt state authority to regulate retail sales, zoning, or additional taxation, provided such regulations do not prohibit lawful interstate commerce.

## **SECTION 5. ESTABLISHMENT OF THE BUREAU OF ALCOHOL, TOBACCO, FIREARMS, AND CANNABIS (ATFC).**

(a) **Redesignation.** The Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), established under 28 U.S.C. §599A, is hereby redesignated as the **Bureau of Alcohol, Tobacco, Firearms, and Cannabis (ATFC)**.

### **(b) Jurisdiction.** The ATFC shall have jurisdiction over:

1. Licensing of cannabis growers, processors, distributors, and retailers engaged in interstate commerce.
2. Enforcement of federal excise tax collection on cannabis.
3. Oversight of labeling, advertising, and age-restriction compliance.
4. Coordination with the Food and Drug Administration (21 U.S.C. §393) on product purity and labeling standards.

(c) **Rulemaking Authority.** The Secretary of the Treasury, acting through the ATFC, shall promulgate regulations within 12 months of enactment to implement this Act.

## **SECTION 6. FEDERAL EXCISE TAX ON CANNABIS.**

### **(a) Imposition of Tax.**

1. Chapter 52 of the Internal Revenue Code of 1986 (26 U.S.C. §5701 et seq.) is amended to include cannabis as a taxable commodity.
2. There is hereby imposed a federal excise tax on cannabis products, to be collected at the wholesale level.
3. The rate shall be **10 percent of the wholesale price**, subject to annual adjustment by the Secretary of the Treasury based on inflation (26 U.S.C. §1(f)) and public health data.

(b) **Revenue Allocation.** All revenues collected under this section shall be deposited into the **Cannabis Revenue Trust Fund**, established in the Treasury, and allocated as follows:

1. **40 percent** to deficit reduction and general revenue.
2. **30 percent** to public health and addiction treatment programs administered by the Department of Health and Human Services (42 U.S.C. §201 et seq.).
3. **20 percent** to rural healthcare infrastructure, including mobile clinics authorized under the Rural Mobile Health Access Act.
4. **10 percent** to veterans' healthcare, including dementia care initiatives under Title 38, United States Code.

(c) **State Authority.** States may impose additional excise or sales taxes on cannabis, provided such taxes do not conflict with federal minimum standards.

## **SECTION 7. AGE RESTRICTIONS AND PUBLIC SAFETY.**

(a) **Minimum Age.** No person under the age of **18** may purchase, possess, or consume cannabis products.

### **(b) Impaired Driving.**

1. The Department of Transportation (49 U.S.C. §301) shall, within 18 months, establish national standards for cannabis-impaired driving, modeled on existing alcohol impairment thresholds (49 U.S.C. §31306).
2. Federal grants shall be made available to states to implement roadside testing and public education campaigns.

(c) **Workplace Safety.** Employers may enforce workplace safety standards consistent with federal and state law, including restrictions on cannabis use in safety-sensitive positions.

## **SECTION 8. LICENSING OF CANNABIS ENTITIES.**

### **(a) Federal Licensing Requirement.**

1. No person or entity may engage in the cultivation, processing, distribution, or wholesale of cannabis in interstate commerce without a federal license issued by the ATFC.
2. Licenses shall be issued upon demonstration of compliance with:
  - (A) Age-restriction safeguards consistent with Section 7 of this Act;
  - (B) Product purity and labeling standards established under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §301 et seq.);
  - (C) Tax compliance obligations under the Internal Revenue Code of 1986 (26 U.S.C. §1 et seq.).

### **(b) State Authority.**

1. States may regulate retail sales, zoning, and additional licensing requirements.
2. States may not prohibit the lawful interstate transport of cannabis between licensed entities, consistent with the Commerce Clause of the U.S. Constitution (Art. I, §8, cl. 3).

### **(c) Small Business Priority.**

1. At least **30 percent** of federal cultivation and distribution licenses shall be reserved for small businesses, minority-owned enterprises, and veteran-owned enterprises.
2. The Small Business Administration (15 U.S.C. §631 et seq.) shall establish a loan guarantee program to support such applicants.

## **SECTION 9. CRIMINAL JUSTICE REFORM.**

### **(a) Expungement of Federal Convictions.**

1. All federal convictions for non-violent cannabis offenses, as defined in Section 3(5), shall be automatically expunged within 12 months of enactment.
2. The Attorney General, acting through the Executive Office for United States Attorneys (28 U.S.C. §519), shall notify affected individuals and provide certification of expungement.

### **(b) Resentencing.**

1. Any individual currently incarcerated solely for a non-violent cannabis offense shall be eligible for immediate resentencing and release.
2. The Bureau of Prisons (18 U.S.C. §4042) shall coordinate with federal courts to implement this provision.

### **(c) State Incentives.**

1. States are encouraged to adopt similar expungement and resentencing provisions.

2. Federal grants shall be made available to states that implement such reforms within 24 months of enactment, administered by the Department of Justice (34 U.S.C. §10101 et seq.).

## **SECTION 10. PUBLIC HEALTH AND SAFETY.**

### **(a) Product Standards.**

1. The Food and Drug Administration (21 U.S.C. §393) shall establish national standards for cannabis product purity, potency, and labeling, including THC concentration disclosure.
2. Packaging shall include health warnings consistent with those required for alcohol (27 U.S.C. §205) and tobacco (15 U.S.C. §1333).

### **(b) Education and Prevention.**

1. The Department of Health and Human Services (42 U.S.C. §201 et seq.) shall fund public education campaigns on responsible cannabis use, modeled on existing alcohol education programs.
2. At least **10 percent** of annual cannabis tax revenues shall be dedicated to prevention and treatment of substance use disorders.

### **(c) Addiction Treatment.**

1. Medication-assisted treatment (MAT) for cannabis use disorder shall be covered under Medicaid (42 U.S.C. §1396 et seq.), Medicare (42 U.S.C. §1395 et seq.), and all federally funded health programs.
2. Grants shall be provided to rural health clinics and community health centers (42 U.S.C. §254b) to expand access to behavioral health services.

## **SECTION 11. CANNABIS REVENUE TRUST FUND OVERSIGHT.**

### **(a) Establishment of Oversight Board.**

1. There is established within the Department of the Treasury a **Cannabis Revenue Oversight Board (CROB)**.
2. Membership shall include representatives from:
  - (A) The Department of the Treasury (31 U.S.C. §301);
  - (B) The Department of Health and Human Services (42 U.S.C. §201 et seq.);
  - (C) The Department of Veterans Affairs (38 U.S.C. §301 et seq.);
  - (D) The Department of Agriculture (7 U.S.C. §2201 et seq.);
  - (E) Two public members appointed by Congress, one from a rural state and one from an urban state.

### **(b) Duties.** The CROB shall:

1. Monitor collection and allocation of cannabis excise tax revenues under Section 6 of this Act.
2. Publish **quarterly reports** detailing revenue distribution to deficit reduction, public health, rural healthcare, and veterans' services.
3. Conduct **annual audits**, made publicly available online, pursuant to 31 U.S.C. §3515.

## **SECTION 12. TRANSPARENCY AND PUBLIC REPORTING.**

(a) **Public Dashboards.** The Secretary of the Treasury shall establish and maintain a publicly accessible online dashboard showing:

1. Total cannabis excise tax revenues collected;
2. Allocation of funds by statutory category;
3. State-by-state breakdown of revenues and disbursements.

(b) **Annual Report to Congress.** The CROB shall submit an annual report to Congress summarizing:

1. Revenue performance;
2. Public health outcomes;
3. Impact on rural healthcare and veterans' services;
4. Recommendations for adjustments to tax rates or allocations.

## **SECTION 13. SUNSET AND REVIEW.**

(a) **Initial Term.** The provisions of this Act shall remain in effect for **10 years** following enactment.

(b) **Congressional Review.**

1. Not later than 9 years after enactment, the Government Accountability Office (31 U.S.C. §712) shall conduct a comprehensive review of:
  - (A) Revenue performance;
  - (B) Public health outcomes;
  - (C) Criminal justice impacts;
  - (D) Effectiveness of regulatory oversight.
2. GAO shall submit its findings to Congress with recommendations for renewal, amendment, or repeal.

(c) **Automatic Renewal.** Unless Congress acts to amend or repeal, this Act shall automatically renew for an additional 10-year term.

## SECTION 14. SEVERABILITY.

If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected.

## SECTION 15. HOME CULTIVATION.

### (a) Personal Cultivation Rights.

1. Any individual **18 years of age or older** may cultivate up to **six (6) cannabis plants** for personal use, with no more than three (3) plants flowering at any given time.
2. Cannabis cultivated under this subsection shall not be sold or transferred for remuneration, consistent with 21 U.S.C. §841 (unlawful acts) as amended by this Act.

(b) **Household Limit.** No more than **twelve (12) cannabis plants** may be cultivated per household, regardless of the number of adults residing therein.

### (c) Safeguards.

1. Plants must be grown in a secure, enclosed location not visible from a public right-of-way.
2. Reasonable precautions must be taken to prevent access by individuals under 18 years of age, consistent with child-access prevention standards under 15 U.S.C. §2051 (Consumer Product Safety Act).

## SECTION 16. FARM-TO-TABLE PROVISIONS.

(a) **Direct Sale Authorization.** Licensed small-scale cultivators and family farms may sell cannabis products directly to consumers, subject to:

1. Federal excise tax collection at point of sale under Section 6 of this Act;
2. Compliance with labeling and purity standards under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §301 et seq.);
3. State licensing requirements for retail operations.

### (b) Farmers' Market Pilot Program.

1. The Department of Agriculture (7 U.S.C. §2201 et seq.), in coordination with ATFC, shall establish a pilot program authorizing cannabis sales at state-licensed farmers' markets.
2. Participating vendors must be licensed cultivators with annual production not exceeding **5,000 square feet of canopy**.
3. The program shall operate for **five years**, with annual reports to Congress on economic and public health impacts.

(c) **Local Food Systems Integration.** Cannabis shall be recognized as an agricultural commodity eligible for inclusion in local food system initiatives, consistent with the Agricultural Marketing Act of 1946 (7 U.S.C. §1621 et seq.), provided all sales comply with federal and state law.

## **SECTION 17. LIMITS ON MARKET CONCENTRATION.**

### **(a) Ownership Caps.**

1. No single licensed entity may control more than **10 percent of the national wholesale cannabis market**, as determined annually by the Federal Trade Commission (15 U.S.C. §41 et seq.).
2. No licensed entity may operate in more than **five states simultaneously** without a waiver issued jointly by the ATFC and the FTC.

### **(b) Vertical Integration Limits.**

1. A single entity may not simultaneously hold cultivation, distribution, and retail licenses in more than **two states**.
2. The FTC shall enforce these provisions under its authority to prevent unfair methods of competition (15 U.S.C. §45).

(c) **Merger Review.** Any merger or acquisition in the cannabis sector exceeding **\$10 million** in value shall be subject to pre-merger notification and review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. §18a).

## **SECTION 18. SMALL PRODUCER PRIORITY.**

(a) **License Set-Asides.** At least **30 percent** of federal cultivation and distribution licenses shall be reserved for:

1. Small businesses as defined under 15 U.S.C. §632;
2. Minority-owned enterprises;
3. Veteran-owned enterprises.

(b) **Loan Guarantees.** The Small Business Administration (15 U.S.C. §636) shall establish a loan guarantee program to support small cannabis producers.

(c) **Farm-to-Table Protection.** Direct-to-consumer sales authorized under Section 16 of this Act shall be reserved exclusively for cultivators with less than **5,000 square feet of canopy**.

## **SECTION 19. BAN ON CORPORATE CAPTURE.**

(a) **Lobbying Restrictions.** Any entity holding a federal cannabis license may not expend more than **\$100,000 annually** on federal lobbying activities, as defined under the Lobbying Disclosure Act of 1995 (2 U.S.C. §1601 et seq.).

(b) **Foreign Ownership.** No cannabis licensee may have more than **20 percent foreign ownership**, consistent with restrictions under 47 U.S.C. §310(b) (foreign ownership in communications).

(c) **Transparency.** All licensees must disclose beneficial ownership and political contributions annually in a public database maintained by the ATFC, consistent with disclosure requirements under 52 U.S.C. §30104 (Federal Election Campaign Act).

## **SECTION 20. COMMUNITY REINVESTMENT.**

(a) **Revenue Allocation.** Not less than **15 percent** of cannabis excise tax revenues shall be reinvested in communities disproportionately impacted by prior cannabis prohibition.

(b) **Local Oversight.** States and municipalities may establish community boards to oversee reinvestment funds, with public reporting requirements consistent with 31 U.S.C. §6101 (Federal Funding Accountability and Transparency Act).

## **SECTION 21. FEDERALISM SAFEGUARD.**

(a) **State Authority.** Nothing in this Act shall be construed to authorize the federal government to mandate state participation in cannabis commerce.

(b) **Interstate Commerce.** States retain the right to regulate retail sales, zoning, and taxation, provided they do not obstruct lawful interstate commerce between consenting states, consistent with the Dormant Commerce Clause doctrine (Art. I, §8, cl. 3).

## **SECTION 22. CONSUMER PROTECTIONS.**

(a) **Advertising Restrictions.**

1. Cannabis advertising shall not target individuals under 18 years of age.
2. Use of cartoon characters, youth-oriented imagery, or sponsorship of youth events is prohibited, consistent with restrictions on tobacco advertising under 15 U.S.C. §1335.

(b) **Health Claims.** No cannabis product may make therapeutic or medical claims without FDA approval under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §301 et seq.).

(c) **Product Recalls.** The Food and Drug Administration (21 U.S.C. §393) and ATFC shall have joint authority to issue mandatory recalls of cannabis products found to be contaminated, mislabeled, or unsafe, consistent with recall authority under 21 U.S.C. §350l.

## **SECTION 23. ENVIRONMENTAL AND AGRICULTURAL SAFEGUARDS.**

(a) **Sustainable Cultivation Standards.** The Secretary of Agriculture (7 U.S.C. §2201 et seq.) shall establish standards for energy efficiency, water conservation, and waste management in cannabis cultivation.

(b) **Pesticide Regulation.** The Environmental Protection Agency shall regulate pesticide use in cannabis cultivation consistent with the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §136 et seq.).

(c) **Hemp Integration.** Cannabis and hemp shall be regulated under consistent agricultural frameworks, with hemp defined as cannabis containing less than 0.3% THC by dry weight, consistent with the Agriculture Improvement Act of 2018 (7 U.S.C. §1639o).

## **SECTION 24. FEDERALISM AND TRIBAL SOVEREIGNTY.**

(a) **State Authority.** States may prohibit retail cannabis sales within their borders, but may not obstruct lawful interstate commerce between consenting states, consistent with the Commerce Clause (Art. I, §8, cl. 3).

(b) **Tribal Sovereignty.** Federally recognized tribes shall retain full authority to regulate cannabis commerce on tribal lands, subject to federal excise tax collection, consistent with 25 U.S.C. §5304.

## **SECTION 25. DATA AND RESEARCH.**

(a) **Research Funding.** Not less than **5 percent** of annual cannabis excise tax revenues shall be allocated to the National Institutes of Health (42 U.S.C. §281) and the Centers for Disease Control and Prevention (42 U.S.C. §247d) for cannabis-related health research.

(b) **Medical Research Access.** The Drug Enforcement Administration (21 U.S.C. §823) and FDA shall streamline approval processes for universities, hospitals, and research institutions to study cannabis.

(c) **Annual Reporting.** The Department of Health and Human Services shall publish an annual report on cannabis usage, health outcomes, and impaired driving statistics, consistent with its authority under 42 U.S.C. §242k.

## **SECTION 26. BANKING AND WORKFORCE PROTECTIONS.**

(a) **Banking Access.** FDIC-insured banks and credit unions may lawfully provide financial services to cannabis businesses licensed under this Act, notwithstanding 12 U.S.C. §1818.

(b) **Labor Protections.** Cannabis industry workers shall be covered under the Fair Labor Standards Act (29 U.S.C. §201 et seq.) and the Occupational Safety and Health Act (29 U.S.C. §651 et seq.).

(c) **Veterans' Employment.** The Department of Veterans Affairs (38 U.S.C. §301 et seq.) shall establish a program to prioritize veteran-owned businesses in cannabis licensing and contracting.

## **SECTION 27. SUNSET REVIEW OF TAX RATES.**

(a) **Review Requirement.** The Government Accountability Office (31 U.S.C. §712) shall review cannabis excise tax rates every five years to ensure they do not incentivize black-market activity.

(b) **Adjustment Authority.** Congress may adjust tax rates based on GAO findings to balance public health goals with market stability.