

NEWSLETTER

DealBook

The Cannabis Industry's New Best Friend? President Trump

The administration's decision to relax federal regulations on medical marijuana comes with big tax breaks for many cannabis companies, and could drive new investment in the budding sector.



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You're reading the DealBook newsletter. The most crucial business and policy news you need to know from Andrew Ross Sorkin and team.

By some measures, the legal cannabis industry is flowering. It has grown to around \$30 billion today from less than \$20 billion just six years ago. But investors have remained wary of its high taxes, marijuana's illicit status at the federal level and the operational costs of complying with a patchwork of state regulations.

Now the Trump administration is pushing major policy changes that could hand marijuana companies a huge windfall and unlock new investment in the industry.

Last week, the government relaxed federal controls on medical marijuana. While that does not make medical marijuana legal under federal law, it moves the product from a class of highly addictive drugs, such as heroin, to a category of lower-risk

medicines, like prescription Tylenol, that are overseen by the D.E.A. The Trump administration has also started a process to reclassify cannabis more broadly.

For some cannabis businesses, reclassification could cut tax bills in half.

Companies that sell marijuana are currently taxed largely on their income, rather than their profits, resulting in effective tax rates of around 70 percent, more than double those of other businesses. Under the new category, those licensed to sell medical marijuana can claim common tax deductions for expenses like rent and payroll, according to accountants and tax lawyers. A broader reclassification would do the same for recreational marijuana.

The Treasury is considering making the tax relief retroactive, which would be a boon for the industry. Legal cannabis companies owed the Internal Revenue Service \$2.24 billion in 2025, according to Whitney Economics, a cannabis research firm. A handful of publicly traded companies, including Trulieve, Florida's largest medical cannabis company, and Curaleaf, a global juggernaut based in New York, owed more than \$1.6 billion in federal taxes, according to their financial disclosures.

It is unclear how the change would be put in place and how extensively businesses would benefit. The Treasury and Internal Revenue Service have yet to issue guidance, though the Drug Enforcement Administration has begun allowing businesses to register with the agency. And there are questions about how the many businesses that sell both medical and recreational cannabis will be treated.

"I'm ecstatic that this happened," Joe Andreae, the chief executive of CULTA, a cannabis company in Maryland that sells both recreational and medical marijuana. "But it creates a challenge. Will they force us to actually delineate?"

Despite the confusion, and the exclusion of recreational marijuana, many in the industry have welcomed the administration's acknowledgment of the medical benefits of cannabis as a meaningful first step toward broader reform and public acceptance.

Patrick Rea, the managing director of Poseidon, a cannabis-focused venture capital firm, said the tax relief will make the industry more attractive to investors. “The upshot here for investors is that you can invest and get a return,” he said.

A windfall in sight

Nationally, cannabis businesses are facing rising supply-chain costs, and a glut of legal crops is driving down prices. Beau Whitney, an economist specializing in cannabis, said that 24 of the 40 states that have legalized medical or recreational marijuana, or both, saw revenues decline in 2025.

A big tax break could offer significant help. Austin Ownbey, a Washington, D.C.-based partner at Akerman LLP, said the tax break will make some businesses profitable or more profitable.

Many cannabis companies have delayed filing taxes in anticipation of rescheduling. Jeffrey Schultz, a cannabis lawyer at Foley Hoag LLP in New York, said that he was advising clients who have been granted extensions from the I.R.S. to consider holding off longer, while telling those that have filed already to think about amending their returns. “They may not owe that money,” he said.



Kim Rivers, the chief executive of Trulieve, helped persuade President Trump to issue an executive order last December directing the Department of Justice to quickly reclassify marijuana. Ian Clontz for The New York Times

Paying less in taxes could help cannabis companies fund research required for marijuana to gain approval from the Food and Drug Administration, which would make it legal to prescribe at the federal level.

The chief executives of Trulieve, Curaleaf and Tilray, a New York-based alcohol and pharmaceutical company with cannabis operations in Canada, said in interviews that they wanted to invest in research to gain approval for cannabis-based

treatments for cancer, nerve pain and seizures.

Kim Rivers, the chief executive of Trulieve, said rescheduling cannabis was a long overdue step that recognizes how much the industry has evolved. Rivers was instrumental in persuading President Trump to issue an executive order last December directing the Department of Justice to quickly reclassify marijuana.

“This is not some plants in a closet or on a dirt floor,” she said in an interview. “This is real, regulated, highly nuanced business. Millions of Americans are finding relief and want to have assurance that these products are backed by real research in the United States.”

Left out

It came as a surprise to many in the industry that recreational marijuana was left out of the initial rescheduling. Shawn Hauser, the co-chair of the cannabis practice at Vicente LLP, based in Colorado, said the treaty powers that the Trump administration used to bypass the bureaucratic rule-making process allowed the reclassification only of medical cannabis.

The Trump administration is seeking the same change for recreational marijuana at a hearing scheduled to begin on June 29. But it is certain to be opposed by anti-legalization groups like Smart Approaches to Marijuana, which led opposition that ultimately derailed an earlier attempt to reschedule marijuana under President Biden.

Eddie Brennan, the president of Beak & Skiff, said he feared that the reclassification of medical marijuana would put his company, which sells recreational marijuana, at a competitive disadvantage. Liam Kennedy for The New York Times

Businesses that sell cannabis solely for adult recreational use are worried that the new rules for medical marijuana could put them at a competitive disadvantage.

That includes Beak & Skiff, a 115-year old apple orchard in New York that makes a line of cannabis and hemp products called Ayrloom. In addition to the possibility of being excluded from rescheduling, the company is preparing for a looming national

ban on hemp products containing more than .4 milligrams of THC per container. For Beak & Skiff, the ban would reduce the number of states in which it sells hemp from 13 states to just one, New York.

“It feels like we’re just getting crushed in the middle of two things,” Eddie Brennan, the company president, said.

Hurdles remain

Moving medical marijuana to a lower-risk category does not make it legal, which would require either an act of Congress, F.D.A. approval or removal from the federal controlled substances list. Companies will still contend with the legal risks associated with cannabis that have kept banks, institutional investors and insurance companies on the sidelines, leaving them with limited access to financial services and higher borrowing costs.

Marijuana at the Ayrloom facility in LaFayette, N.Y. Liam
Kennedy for The New York Times

The effect can be seen at the dispensary register, where consumers are required to pay with cash or PIN debit because major payment processing companies like Visa and Mastercard do not allow cannabis transactions. Even the Drug Enforcement Administration is requiring the medical cannabis businesses now seeking federal registration to submit their application fees using PayPal or bank transfer.

Efforts in Congress to pass legislation providing protections for federally regulated financial institutions that serve state-licensed businesses have been unsuccessful so far.

It is also unclear how rescheduling will interact with state laws.

“There’s just a lot of questions, a lot of murkiness,” Whitney, the economist, said, adding: “The devil’s in the details.”

IN CASE YOU MISSED IT

Spirit Airlines is preparing to shut down. The distressed airline, which has filed for bankruptcy twice in the last two years, had been hoping to secure a \$500 million loan from the government before running out of funds. But the deal fell apart as some of Spirit’s investors and some Republican lawmakers opposed it.

Fed drama continued. Kevin Wash, Trump’s nominee for Fed chair, cleared an important Senate Banking Committee vote and is expected to be confirmed in time for the next Fed meeting in June. The Fed voted on Wednesday to keep rates unchanged at a range of 3.5 to 3.75 percent, and the current chair, Jerome Powell, announced that he will break with tradition to remain a governor at the central bank after his term as chair ends on May 15.

A.I. spending set a record. Google, Amazon, Microsoft and Meta reported more than \$130 billion in quarterly capital expenditures on Wednesday, about 70 percent more than they spent in the same quarter last year.

The F.C.C. ordered a review of ABC’s broadcast licenses. The extraordinary order came amid a fight between President Trump and Jimmy Kimmel over a joke by the late-night host and represented an escalation by the Trump administration to punish media outlets for their coverage. It faces long odds in court.

More big deals: Bill Ackman’s new fund had a lukewarm I.P.O. PayPal is said to be spinning out Venmo. G.D.P. grew 2 percent in the first three months of the year. And the Senate banned its members from trading on prediction markets.





Taylor Swift's legal team recently filed to trademark her voice and appearance. Joel Carrett/EPA, via Shutterstock

Taylor Swift's deepfake defense

A.I. threatens the business of being a celebrity, and Taylor Swift's legal team just set up a new layer of defense. Last week, the artist filed applications to trademark snippets of her voice and a photo of herself, which lawyers who specialize in intellectual property say could help build a legal argument against unauthorized deepfakes. The actor Matthew McConaughey has made similar moves.

DealBook's Sarah Kessler talked with Josh Gerben, the head of a trademark-focused law firm that was one of the first to point out the applications, about Swift's legal strategy. The conversation has been condensed and edited.

How do these trademarks potentially help in a case over deepfakes?

One potential defense is right to publicity law, which basically says, I can't put Taylor Swift's image on a T-shirt and go sell it, because that would violate her right to exploit her name, image and likeness. If I were to take her voice and make a new song, I'm arguably violating her right to publicity.

But courts haven't really looked at this yet. So we're not sure how they would view it.

Now you're also trying to trademark the voice to have another cause of action, where you could say, by using my voice, you're also violating my trademark rights.

Is there something about trademark law that makes it particularly useful in this context?

Trademark law gives you the ability to police against anything that's confusingly similar. So it doesn't even have to be an identical copy, or it doesn't have to actually be Taylor or her voice. It could just be something that's similar to that. So it's arguably a little bit of broader protection.

Why haven't we seen a big lawsuit over celebrity deepfakes yet?

It looks like everybody's kind of setting up. You're going to be testing novel legal theories and you want to make sure that if you're actually going to spend the time and money to litigate it, that you have a really good chance of setting a good precedent.

Because the last thing you want to do is lose and set a bad precedent, where then it just becomes kind of open season on your intellectual property.

Are your clients worried about this?

Even brand owners are starting to pay attention, because you could use A.I. to create fake advertisements that say something that's untrue or derogatory about a brand.

Quiz: Palantir's new merch

This question comes from a recent Times article. Click an answer to see if you're right. (The link will be free.)

On Thursday, the technology company Palantir added a new product to its online store that Eliano Younes, the company's head of strategic engagement, told The Times was intended to demonstrate a commitment to "re-industrializing America." What was it?

- A construction helmet
- An app for manufacturing companies
- T-shirts featuring an American flag
- A French chore coat

Ashley Southall writes about cannabis legalization in New York.

A version of this article appears in print on , Section B, Page 5 of the New York edition with the headline: Despite Trump Warming to Industry, Obstacles Remain for Pot Businesses