

States Reform Act

Section by Section

TITLE I—DECRIMINALIZATION OF CANNABIS AND FEDERAL DEFERENCE TO STATE POWER OVER PROHIBITION

Section 101. Federally decriminalizes cannabis and fully defers to state powers over prohibition and commercial regulation. It performs confirming amendments to relevant statutes to ensure that cannabis products are treated like alcohol by amended statutes in line with Title II of the Act. It further provides opportunities for reentry for non-violent, non-DUI cannabis offenders who had no relation to a foreign drug cartel and pose no further threat to society, consistent with the policies of the Department of Justice under President Trump for clemency for non-violent cannabis offenders.

TITLE II—REGULATION OF CANNABIS PRODUCTS LIKE ALCOHOL

Section 201. specifies that the Food and Drug Administration (FDA) shall have no more role with respect to cannabis than it does with alcohol, except for the designated state medical cannabis product grandfathering program in Title III of the Act. This ensures that cannabis products in interstate commerce will be treated like alcohol and that the regulatory issues harming the industrial hemp-derived CBD industry will not be repeated in the cannabis space.

Sections 202 and 203. clarify that raw cannabis is an agricultural crop subject to regulation by the U.S. Department of Agriculture (USDA). Section 203 also performs confirming amendments to relevant statutes to ensure that raw cannabis is treated the component crops of alcohol beverages in line with Section 201. It specifically treats raw cannabis like crops such as raw barley, hops, and grain, mirrors the treatment of industrial hemp under the 2018 Farm Bill to ensure continuity, and includes dual specialty crop designation for supporting small farming businesses.

Sections 204 and 205. specify that the like with alcohol, the Treasury Department's Tax and Trade Bureau (TTB) will be the primary regulator of cannabis products in interstate commerce and the Alcohol, Tobacco, Firearms, and Explosives Bureau (ATF) will serve as the primary law enforcement agency supporting the TTB's work, exactly as it does in the alcohol space.

Section 206. creates a transitory safe harbor so that patients and businesses currently using and producing state-licensed products are not deemed in violation of this law until the agencies responsible for issuing federal regulations promulgate them within the specified time periods. This will ensure the absence of disruption in the marketplace and predictable continuity.

Section 207. protects children and adults under 21 from cannabis products and cannabis advertising. It imposes a nationwide 21-year age limit for cannabis consumption (with an exception for medical use consistent with state programs and medical recommendations). It further ensures that aiming cannabis product advertising at children is prohibited by law, as well fraudulent advertising.

Section 208. adds a cannabis title (Title III) to the Federal Alcohol Administration Act to ensure consistent treatment by TTB and ATF of cannabis products with alcohol products through replicating applicable alcohol provisions and through technical amendments related to permitting and administrative processes. Mirroring the policy success of Congress' Blaine Act with transitioning alcohol bootleggers to a safe, regulated legal market, the new Federal Alcohol Act provisions regarding cannabis grandfather existing state licensees into the new federal scheme and the barriers to entry for businesses are low to incentivize transition into a legal market.

TITLE III—DESIGNATED STATE MEDICAL CANNABIS PRODUCT SAFETY ACT

Section 301. The Designated State Medical Cannabis Product Safety Act ensures the continued access of medical patients and state medical cannabis programs—that serve millions of Americans with severe conditions such as epilepsy and seizure disorders—without disruption to patient access. It grandfathers “designated state medical cannabis products,” those produced consistent with state law or the official *U.S. Pharmacopeia*, into interstate commerce akin to the Medical Gas Safety Act. The FDA may still prescribe serving sizes, certify designated state medical cannabis products as a ministerial duty, and authorize new drugs or approved news uses of drug applications to create new pharmaceutical grade products, but may not prohibit the use of cannabis or its derivatives in non-drug applications, such as in designated state medical cannabis products, dietary supplements, foods, beverages, non-drug topical solutions, or cosmetics. The suspension of the FDA's preclusion doctrine is also extended to industrial hemp products.

TITLE IV—SMALL BUSINESS ADMINISTRATION PROVISIONS

Sections 401–405. ensure that the Small Business Administration (SBA) treats cannabis businesses like alcohol or similar businesses and no longer as illegal businesses. It specifies that in general and for disaster loan, microloan, small business investment company debenture, and state or local development loan programs, cannabis businesses are now eligible entities.

Sections 406 and 407. ensure that any necessary guidance or processes are carried out expeditiously to ensure small businesses competitiveness.

TITLE V—IMPOSITION OF CANNABIS EXCISE TAX

Section 501. creates the “Law Enforcement Retraining and Successful Second Chances Fund.” The fund sets aside 20% for Crisis Stabilization and Community Reentry Grant Program under the Omnibus Crime Control and Safe Streets Act of 1968, 10% for the Edward Byrne Justice Assistance Grant Program (Byrne JAG), 10% for the Community-Oriented Policing Service Program (COPS), 10% for veterans' mental health, 5% for state opioid epidemic responses, 5% for preventing underage use of cannabis, and 30% for the SBA for supporting newly licensed small businesses through its various programs. The section authorizes appropriations to the fund in amounts determined by Congress for the current year and for ten future years, and makes such funds immediately available for allotment and disbursement.

Section 502. is the Cannabis Revenue Act. It imposes an excise tax of 3% on cannabis products and imposes a ten-year moratorium on excise tax increases to ensure competitive footing in the market. It applies to cannabis the same recordkeeping, liability, reporting, packaging, and

labeling requirement of the alcohol industry in the Internal Revenue Code. However, section 502 ensures lower barriers to entry for new market entrants and imposes civil penalties on violators of the new States Reform Act.

Section 503. performs conforming amendments and requires public reporting of excise rate computation methods.

TITLE VI—VETERANS’ CARE PROVISIONS

Section 601. makes clear that an armed services veteran may not be discriminated against in federal hiring solely because the veteran has consumed or consumes cannabis.

Section 602. ensures that armed services veterans can receive information on, recommendations for use, and prescriptions for use of cannabis for their medical conditions from their Veterans Affairs (VA) doctors, without sacrificing their VA benefits or healthcare.

TITLE VII—MISCELLANEOUS PROVISIONS

Section 701. makes clear that the United States policy for international cannabis trade is to remove unjustified foreign barriers to their importation of American cannabis products and raw agricultural goods.

Section 702. provides that the Executive branch may continue to test for cannabis use in federal hiring as specified by executive policy or federal law.

Section 703. mandates that the Bureau of Labor Statistics (BLS) create a report on the industry within 2 years of the passage of the States Reform Act.

Section 704. is a conforming amendment to harmonize all references to marijuana, cannabis, or marihuana, in federal law to simply “cannabis.”

Section 705. clarifies that except where otherwise specified, the Act is effective upon enactment.