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The status of
cannabis banking in 2024



Cannabis-related banking and regulation evolved rapidly in 2024, as legalization at the federal level attracted endorsements from all sides of the political spectrum, banking reform inched toward consensus in Congress, and state-level regulatory regimes expanded their reach to encompass the 80% of U.S. residents that now live in a state with a regulated cannabis market.¹ While state-level legalization efforts failed in Florida, North Dakota and South Dakota in November, the sense of many in the regulated cannabis market was that support toward federal rescheduling of cannabis, and passing the Secure and Fair Enforcement Regulation (SAFER) Banking Act and a benign Farm Bill reauthorization, remained strong with the new administration and Congress, and could bring significant change to the cannabis industry in 2025.

Legalization and rescheduling

State-level legalization of cannabis continues to gain momentum. In July 2024, Ohio became the latest state to launch its recreational cannabis market, with initial sales widely exceeding expectations. Minnesota and Delaware worked toward early 2025 openings of their adult-use markets. This is part of a broader trend of states moving toward legalization, even as federal reforms remain stalled. The expansion of legal cannabis markets at the state level continues to increase pressure on federal government politicians, agencies and regulators to provide clearer guidelines and support for banking, taxation and regulation.

The rescheduling of cannabis remains a central topic in the cannabis industry. In May 2024, U.S. Attorney General Merrick Garland submitted a proposed rule to reclassify cannabis from a Schedule I to a Schedule III substance under the Controlled Substances Act.² This shift, if finalized, could provide significant financial relief to cannabis businesses by eliminating the burdensome tax restrictions under Section 280E of the Internal Revenue Code, which currently prevents these companies from deducting ordinary business expenses like payroll and rent.

Cannabis companies have long faced effective tax rates as high as 60% due to 280E, which prohibits deductions for any business trafficking in Schedule I or II controlled substances.³ If the rescheduling takes effect, businesses could see tax savings beginning immediately or by the following January, depending on the final implementation. However, it remains unclear whether the tax changes would be retroactive, meaning there is little hope for recovering taxes already paid under the previous tax regime.

The rescheduling process, however, is slow. The U.S. Drug Enforcement Agency and other federal agencies are bound by complex rulemaking procedures, including public comment periods and potential hearings that could push the final decision into late 2024 or 2025. In addition, even with reclassification, cannabis would remain federally regulated, and the current state-legal cannabis regime would still operate in contravention of federal drug laws. Furthermore, rescheduling may not open the doors for cannabis businesses to be listed on major U.S. exchanges like Nasdaq or the New York Stock Exchange. Rescheduling is not the panacea that some people expect.

SAFER Banking Act

The SAFER Banking Act has been one of the most anticipated developments in the cannabis industry, promising to ease access to financial services for cannabis businesses. Although access to banking for cannabis businesses has generally improved over the past decade, many cannabis companies still struggle to secure basic banking services due to the conflict between state legalization and federal prohibition. As a result, they still generally operate in cash-heavy environments, increasing the risks of theft, money laundering, tax noncompliance and fraud.

In 2024, suspicious activity reports (SARs) related to cannabis banking reached record levels, reflecting the increase in both the number of state-licensed cannabis businesses and an increase in the number of financial institutions (FIs) serving the industry.⁴ Although these reports indicate that while some FIs are willing to engage with cannabis businesses, the vast majority remain “cannabis cautious.”

On the legislative front, there has been progress. In June 2024, Republicans added cannabis banking protections to a federal funding bill, signaling bipartisan support for addressing the financial challenges facing the cannabis sector.⁵



In late September, the Congressional Budget Office released a scoring report on the budgetary impact of the latest iteration of the Secure and Fair Enforcement (SAFE) bill, known as the SAFER Banking Act. The bill, which would prohibit federal regulatory actions against FIs simply for banking them, had been approved by the Senate Committee on Banking, Housing and Urban Affairs a year ago but had been languishing ever since.

The Congressional Budget Office (CBO) said it expected S. 2860, if passed in 2024, to increase insured bank deposits by about \$1.5 billion in 2026, rising to \$2.9 billion by 2034. Credit union deposits would grow by \$125 million in 2026 and \$475 million by 2034. The CBO said the additional deposits would

increase direct spending by \$7 million to resolve potential bank failures. However, that would be offset by the more than \$16 million that is to be collected in insurance premiums.⁶

Over five years, the bill would result in a total net savings of \$154 million, the CBO estimated.⁷ That is mainly because mortgages guaranteed by the Federal Housing Administration, Government National Mortgage Association and Rural Housing Service would increase, and federal receipts from the loan guarantees exceed their costs. Over 10 years, the direct spending outlays were projected at only \$63 million.⁸

Cannabis industry advocates were critical of the findings, believing the CBO underestimated the positive economic value of providing a safe harbor for FIs to fully service the industry. They suggested that additional economic benefits to downstream affiliated businesses; higher growth rates from a more profitable, fully banked industry; and the additional taxes generated would greatly increase the net benefits to the U.S. Department of the Treasury beyond the CBO's estimates.

However, as the year ended, SAFE banking continued to languish without strong enough support from Republicans in the Senate to move the bill on to the House, where it faced still more hurdles in a contentious and shortened election season.

Farm Bill update

The 2018 Farm Bill, which governs hemp and other agricultural commodities, was poised to see significant changes impacting federal cannabis regulation and banking as Congress negotiated to reauthorize it in late 2024. Hemp producers, along with regulators, have called for more clarity regarding cannabinoids such as delta-8 THC and delta-10 THC, which are derived from hemp but have psychoactive effects similar to marijuana-derived delta-9 THC. These calls for regulatory updates reflect the growing importance of differentiating between hemp, which is federally legal, and marijuana, which remains a controlled substance.


Throughout 2024, legislative battles and litigation have intensified as states work to clarify regulations regarding hemp and cannabinoids. While some states have made strides in implementing clear policies, others are awaiting federal guidance from the Farm Bill and several conflicting legal challenges to both the hemp industry and new state-level hemp regulations winding their way through the federal courts.


The hemp challenge

The hemp industry is facing significant regulatory challenges, particularly as states attempt to regulate competing hemp and cannabis markets. In 2024, several states passed new laws governing hemp production and sales, while others continue to grapple with lawsuits and legislative uncertainty.

One of the biggest challenges has been the distinction between hemp-derived cannabinoids like delta-8 THC, which many in the hemp industry believe were federally legalized under the 2018 Farm Bill, and state-regulated cannabis products. Some states have sought to regulate or ban delta-8, citing safety concerns, while others have embraced its sale as part of the broader cannabis market.

Several states, including North Carolina and Texas, are at the forefront of litigation, with industry stakeholders seeking clearer guidelines on how hemp can be legally produced, marketed and sold. Moreover, the battle between federal and state regulations continues to create uncertainty for businesses operating in the hemp and cannabis sectors. In the first half of 2024, six states passed new hemp laws, with more expected to follow suit.

In conclusion, the landscape for cannabis legalization, regulation and banking continues to evolve. Rescheduling, the SAFER Banking Act, the Farm Bill reauthorization and ongoing state-level legalization efforts represent significant shifts for the industry. However, cannabis businesses continue to face complex regulatory challenges at both the state and federal levels, with rescheduling and banking reform offering a glimpse of potential relief on the horizon. 

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The landscape
for cannabis
legalization,
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- ¹ Athena Chapekis and Sono Shah, "Most Americans now live in a legal marijuana state—and most have at least one dispensary in their county," *Pew Research Center*, February 29, 2024, <https://pewrsr.ch/3uJfBR>
- ² Maria Brosnan, "AG Garland Submits Proposed Rule to Reschedule Cannabis," *CRB Monitor*, <https://news.crbmonitor.com/2024/05/ag-garland-submits-proposed-rule-to-reschedule-cannabis/>
- ³ "Despite Operating Legally in Many States, Marijuana-Related Businesses Face Significant Federal Income Tax Law Challenges," *Taxpayer Advocate*, May 10, 2022, <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-despite-operating-legally-in-many-states-marijuana-related-businesses-face-significant-federal-income-tax-law-challenges/2022/05/>
- ⁴ Maria Brosnan, "MJ-Related SARs Hit Highest Level in First Quarter," *CRB Monitor*, <https://news.crbmonitor.com/2024/07/mj-related-sars-hit-highest-level-in-first-quarter/>
- ⁵ Maria Brosnan, "Republicans Add Cannabis Banking Protection to Federal Funding Bill," *CRB Monitor*, <https://news.crbmonitor.com/2024/06/republicans-add-cannabis-banking-protection-to-federal-funding-bill/>
- ⁶ Maria Brosnan, "SAFER Act Could Bring \$3.4B in Bank Deposits Over 10 Years," *CRB Monitor*, <https://news.crbmonitor.com/2024/10/safer-act-could-bring-3-4b-in-bank-deposits-over-10-years/>
- ⁷ *Ibid.*
- ⁸ *Ibid.*