

Client Alert: Cannabis Policy Update at State and Federal Levels

By RIW on December 19, 2025

Two significant regulatory developments, one federal and one state, signal a period of meaningful change for the cannabis industry.

At the federal level, on December 18th, President Trump issued an executive order directing federal agencies to expedite the rescheduling of cannabis from Schedule I to Schedule III under the Controlled Substances Act (CSA). While the order does not itself change federal law, it accelerates an ongoing rule making process that could have substantial implications for cannabis operators, investors, lenders, and researchers.

At the state level, on December 11th, the Massachusetts Cannabis Control Commission (CCC) has unanimously approved long-awaited regulations authorizing on-site cannabis consumption, clearing the way for marijuana cafes, lounges, hospitality partnerships, and certain event-based consumption models. Once promulgated, Massachusetts will become the first New England state to permit regulated social cannabis consumption.

Together, these developments reflect growing regulatory acceptance of cannabis-related business activity, while highlighting the complexity of navigating overlapping federal, state, and local frameworks, particularly for hospitality, event, and real estate-focused businesses.

Federal Update: Executive Order on Cannabis Rescheduling

The executive order directs the Attorney General and relevant federal agencies to move quickly to complete the ongoing rule making process to reschedule cannabis to Schedule III. While the order does not itself change cannabis's legal status, it underscores federal recognition of cannabis's accepted medical use and lower abuse potential relative to Schedule I substances.

If finalized, Schedule III classification could:

- Reduce certain federal tax burdens, including the application of IRC Section 280E
- Facilitate expanded medical and scientific research
- Improve access to financial services and capital

Cannabis would, however, remain federally regulated, and core federal prohibitions would continue absent further legislative action.

Massachusetts Update: Social Cannabis Consumption Regulations

Following a unanimous vote, the CCC approved final regulations authorizing social cannabis

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consumption. The regulations are expected to be filed with the Secretary of the Commonwealth by December 19 and formally promulgated on January 2, 2026. Based on prior licensing rollouts, the Commission estimates it may take up to 18 months before licensed businesses are actively serving cannabis on-site.

The regulations introduce three new Marijuana Establishment license types, representing the first new business models in Massachusetts in five years:

- Supplemental Licenses: For existing cannabis retailers or cultivators seeking to add an adjacent, dedicated consumption area
- Hospitality Licenses: Allowing non-cannabis businesses to partner with licensed operators for on-site consumption
- Event Organizer Licenses: Authorizing temporary cannabis sales and consumption at qualifying events

For the first five years, eligibility will be limited to certain applicants, including minority-owned businesses and participants in the Commonwealth's economic empowerment and social equity programs. To ensure public safety and responsible consumption, the regulations include comprehensive operational safeguards:

- Prohibitions on alcohol, tobacco, and tobacco products within licensed consumption spaces
- Last-call requirements and responsible vendor training
- Transportation planning requirements coordinated with local public safety partners
- Ventilation, air filtration, and cannabis-free "cooling down" areas

Prepared cannabis-infused foods remain prohibited; however, establishments may sell non-infused, pre-packaged food and beverages and pursue additional permits or partnerships for expanded food service.

Municipalities play a critical role in the rollout. Cities and towns must affirmatively opt in before licenses can be issued, and applicants must enter into Host Community Agreements, even if they already operate another licensed cannabis business. Local review and approval will strongly influence timing, feasibility, and scope, and the CCC anticipates working closely with municipalities over the coming months to establish local standards and educate stakeholders.

What This Means for Businesses

Once the regulations are promulgated, the Commission will begin a phased implementation process, including new working groups, the launch of three new license applications in the Massachusetts Cannabis Industry Portal, updated guidance and internal procedures, and a comprehensive public education effort.

Social consumption was originally contemplated in the 2016 ballot initiative legalizing adult-use cannabis and included in early Commission regulations. Legislative changes enacted in 2022 enabled municipal opt-in, allowing the Commission to restart the regulatory process following the removal of a prior pilot program in 2023.

Together, these federal and state developments signal increased regulatory acceptance of cannabis-related activity while maintaining a complex compliance environment. Businesses should begin evaluating:

- Eligibility for new license categories
- Municipal readiness and zoning considerations
- Capital, tax, and operational planning implications

- Partnership and compliance structures

Early preparation will be critical as federal rule making progresses and Massachusetts application processes open, positioning businesses to take advantage of new opportunities while navigating evolving regulatory requirements.

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