EARLY ECONOMIC IMPACT ASSESSMENT

Public Chapter 526 – Tennessee Hemp Restrictions

Implementation Date: July 1, 2026 | Assessment Date: July 5, 2026

EXECUTIVE SUMMARY

Four days after the full implementation of Public Chapter 526's THCA and intoxicating hemp restrictions, Tennessee is experiencing measurable economic disruption across retail, wholesale, and agricultural sectors. State revenue projections have already been sharply revised downward, multiple licensed businesses have closed or relocated, and thousands of Tennesseans — including veterans managing chronic pain and PTSD — have lost legal access to previously compliant products. This assessment aggregates early verified impacts and compares outcomes to the alternative regulatory framework proposed in the Tennessee Responsible Hemp Commerce Act.

KEY EARLY FINDINGS (July 1–5, 2026):
• State hemp wholesale tax projections revised from **over $55 million** to **under $10 million** for FY2026.
• TABC received ~2,000 hemp-derived cannabinoid license applications; roughly half approved by enforcement deadline.
• Multiple brick-and-mortar retailers have permanently closed or relocated operations out of state (documented in Knoxville and other markets).
• Pre-ban independent hemp-derived cannabinoid market valued at ~$1.7 billion (Whitney Economics), with THCA and full-spectrum products comprising the majority of retail volume.
• Veteran and chronic pain patients report sudden loss of access, with displacement to unregulated channels.

1. TAX REVENUE IMPACT

Official State Projection Revisions

Tennessee budget officials have already reduced this year's hemp wholesale tax projections from more than **$55 million** to **less than $10 million**. Prior to Public Chapter 526, the state had budgeted more than $185 million in hemp tax revenue over two fiscal years. These downward revisions reflect the elimination of the highest-volume product categories (THCA flower and full-spectrum extracts) that previously drove the majority of retail sales and associated tax collections.

Sources: Tennessee Department of Finance & Administration revenue reports; Tennessee Lookout (April–July 2026 reporting); Times Free Press.

Metric	Pre-PC 526 Projection	Post-July 1 Revision
FY2026 Hemp Wholesale Tax	>$55 million	<$10 million
Two-Year Hemp Tax Budget	>$185 million	Significantly reduced

2. BUSINESS & LICENSING IMPACT

Licensing Bottleneck

The Tennessee Alcoholic Beverage Commission (TABC) received approximately **2,000 applications** for hemp-derived cannabinoid licenses. As of the July 1, 2026 enforcement date, roughly half had been approved. The average processing time reached 29 days, creating immediate supply-chain freezes. Multiple independent retailers reported receiving physical license approvals only days before (or after) total enforcement, rendering them unable to secure compliant inventory in advance.

Source: TABC statements reported by WBIR, WREG, and industry stakeholders (June–July 2026).

Business Closures & Relocations

Early reporting documents permanent closures and operational pivots. Notable examples include long-standing Knoxville retailers that have closed after eight years of operation, citing unsustainable economics under the new restrictions. Other operators have relocated headquarters, online retail, or distribution operations out of state, taking jobs and tax base with them. The elimination of THCA and high-potency full-spectrum products — which represented the majority of retail volume for most independent dispensaries — has compressed revenue projections by an estimated 60%+ for many remaining retailers.

Sources: Knoxville News Sentinel (July 2026); WBIR/WREG reporting; industry statements.

3. CONSUMER & VETERAN IMPACT

Public Chapter 526 has eliminated legal access to products that many Tennesseans — particularly veterans and individuals managing chronic pain, PTSD, Parkinson's, and cancer-related symptoms — had been using under the prior regulatory framework. Veteran advocacy groups, including the Tennessee Veterans Legislative Committee (TNVET) and organized petition efforts, have documented that these products provided meaningful relief for conditions common among former service members. The sudden prohibition has displaced demand into unregulated channels lacking age verification, batch testing, or labeling standards.

Key documented impacts include:

- Loss of legal access for veterans with service-connected conditions (PTSD, chronic pain, TBI).
- Displacement to out-of-state purchases or unregulated markets (higher risk, no consumer protections).
- Economic pressure on small, Tennessee-based retailers that served these communities.
- Contradiction with broader state goals of supporting veteran health and reducing opioid reliance.

Sources: Change.org veteran petitions; TNVET legislative agenda; LocalMemphis/WREG investigative reporting; industry customer statements.

4. FORWARD PROJECTIONS (IF CURRENT TRAJECTORY CONTINUES)

Based on pre-ban Whitney Economics valuation (~$1.7 billion market), the proportion of sales historically driven by now-restricted categories (60–85%), and early post-enforcement signals, Tennessee faces sustained annual losses in the range of **$150–200+ million** in direct economic activity, with corresponding reductions in state and local tax collections. Job losses in retail, cultivation, processing, and ancillary services are expected to compound over the coming months as remaining operators right-size or exit. Capital flight (relocation of businesses and online operations) will further erode the in-state tax base.

5. COMPARISON TO RESPONSIBLE REGULATORY ALTERNATIVE

The Tennessee Responsible Hemp Commerce Act framework (detailed in companion documents) offers a structurally superior path: mandatory individual Hemp Handlers Permits (modeled on alcohol server training), age-gated Specialty Hemp & Vapor Shops for inhalable/high-potency products, and laboratory reciprocity to maintain supply chain integrity without redundant testing burdens. This model preserves small business viability, generates recurring state revenue through permitting and excise structures, ensures robust age verification and product safety, and keeps economic activity — and tax collections — inside Tennessee's borders.

Outcome Contrast: Prohibition has produced immediate revenue collapse, licensing chaos, business closures, and consumer displacement. A regulated model with clear rules, individual accountability, and specialty channels would have maintained oversight while capturing economic value.

CONCLUSION

Four days into enforcement, Public Chapter 526 has delivered measurable economic damage and administrative friction while failing to eliminate consumer demand. The data emerging in real time validates the core arguments advanced by industry stakeholders prior to July 1: prohibition is inferior to smart regulation on every metric that matters to Tennessee — revenue, jobs, small business survival, veteran access, and public safety. The Tennessee Responsible Hemp Commerce Act framework remains the clearest, most implementable path to correcting course.

Primary Sources: *Whitney Economics (via WPLN); Tennessee Department of Finance & Administration; TABC licensing data and statements; Knoxville News Sentinel; WBIR; WREG; Times Free Press; Tennessee Lookout; TNVET; Change.org veteran petitions; LocalMemphis investigative reporting. All data current as of July 5, 2026.*

This assessment is intended for policy discussion and legislative consideration. It aggregates publicly reported data and early implementation signals.