SIDE-BY-SIDE COMPARISON

Tennessee Hemp-Derived Cannabinoid Regulation

Public Chapter 423 (2023) — Old Framework vs Public Chapter 526 (2025) — Current Framework

This comparison highlights the major structural changes between Tennessee’s 2023 hemp-derived cannabinoid regulatory framework (Public Chapter 423, primarily under the Department of Agriculture) and the 2025 overhaul (Public Chapter 526 / HB 1376, which shifted authority to the Tennessee Alcoholic Beverage Commission and imposed significantly stricter product, testing, tax, and licensing rules). The 2025 changes are the primary driver of current business closures, licensing backlogs, and revenue loss in the independent hemp sector.

Category	Public Chapter 423 (2023) Old Framework (TDA)	Public Chapter 526 (2025) New Framework (TABC)
Regulatory Authority	Primarily Tennessee Department of Agriculture (TDA) for licensing, testing, inspections, and rulemaking. Department of Revenue handled tax compliance.	Shifted to Tennessee Alcoholic Beverage Commission (TABC) for most retail licensing, enforcement, and oversight. TDA retains limited role in cultivation. Created major transition friction and backlog.
Covered Products & THCA Legality	Broadly legalized hemp-derived cannabinoids including THCa, Delta-8, Delta-10, HHC, THCp, etc., as long as Delta-9 THC ≤ 0.3% on dry weight basis. Explicitly included THCa and other intoxicating hemp products.	Strict post-decarboxylation Total THC testing: Total THC = Δ9-THC + (0.877 × THCA). Effectively bans most raw THCA flower and high-potency full-spectrum products. Many previously legal products reclassified as marijuana.
Licensing Structure	TDA-issued licenses for Suppliers ($500) and Retailers ($250 per location). Annual renewal. Background checks required. School proximity restrictions with grandfathering.	New TABC licensing system. ~2,000 applications received; only ~50% approved by July 1, 2026 enforcement date. Average 29-day processing time caused supply chain freeze. Many operators received licenses too late to prepare inventory.
Age Restrictions	Sales restricted to 21+. Valid government-issued photo ID required. Class A misdemeanor for violations. No public sampling.	Maintained 21+ age limit but enforcement shifted to TABC. New individual 'Hemp Handlers Permit' concept proposed by industry as stronger alternative (not adopted in PC 526).
Product Testing	Required full-panel testing + potency verification by third-party labs for each batch. TDA maintained registry of qualified labs. Certificate of Analysis (COA) required.	Retained testing requirements but added upstream wholesale tax structure and strict Total THC calculation. Created supply chain bottlenecks for compliant product sourcing under new limits.
Taxation	6% additional retail sales tax on HDCP products (on top of standard sales tax). Revenue split 50/50 between Dept. of Revenue and Dept. of Agriculture.	Replaced retail tax with aggressive upstream wholesale excise tax: $50 per ounce on raw flower/plant material + $0.02 per milligram on total cannabinoids. Major cost increase before products even reach retail.
Retail Display & Sales Rules	Products required to be stored behind the counter (inaccessible to customers). Original packaging required. No public sampling or distribution.	Similar display rules retained, but combined with product bans and new tax structure. Many retailers lost ability to sell their highest-volume items, making compliance economically unsustainable.
Potency & Serving Limits	Ingestible products limited to 25 mg total hemp-derived cannabinoids per serving. No broad Total THC post-decarb calculation applied to flower/extracts.	Much stricter: Edibles capped at 15 mg THC per serving / 300 mg per package. Inhalable vapes limited to 500 mg total cannabinoids per cartridge and max 40 servings. Effectively eliminates standard 1g/2g vape hardware.
Enforcement & Penalties	Civil penalties ($1k–$5k escalating), license revocation, product seizure/forfeiture. Class A misdemeanors for unlicensed activity or age violations. Shared TDA + Revenue enforcement.	Enforcement consolidated under TABC with new licensing regime. Violations can result in license denial/revocation and product seizure. Transition created period of regulatory uncertainty and uneven enforcement readiness.
Business Impact	Created a regulated but functional marketplace. Allowed growth of independent hemp retailers, cultivators, and processors under clear (if evolving) rules aligned with 2018 Farm Bill.	Caused immediate and severe disruption: widespread business closures, capital flight out of state, major downward revision of state tax revenue projections ($55M+ → <$10M), and loss of legal access for many consumers including veterans.

KEY TAKEAWAY: Public Chapter 423 (2023) created a regulated but workable framework that allowed the independent hemp industry to develop under TDA oversight with clear licensing, testing, and modest taxation. Public Chapter 526 (2025) fundamentally altered the market by imposing a de facto ban on the highest-volume products (via Total THC testing), shifting regulation to a new agency (TABC) with implementation challenges, replacing retail tax with heavy upstream excise taxes, and adding strict serving/hardware caps. The result has been immediate business closures, major state revenue shortfalls, and consumer displacement — outcomes the industry warned would occur.

Sources: Public Chapter 423 (2023) — https://publications.tnsosfiles.com/acts/113/pub/pc0423.pdf; Public Chapter 526 (2025) — Tennessee General Assembly; TABC licensing data and statements (June–July 2026); Tennessee Department of Finance & Administration revenue reports; Whitney Economics market analysis; contemporaneous news reporting (Knoxville News Sentinel, WBIR, WREG, Tennessee Lookout). Comparison current as of July 2026.