Tennessee's New Hemp Laws: Protecting Your Business in a Changing Landscape

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The regulation of hemp-derived cannabinoid products (HDCPs) in Tennessee has entered a new era with the enactment of Public Chapter No. 526. This landmark legislation, effective January 1, 2026, establishes a completely new legal framework, and it's crucial for businesses to understand and adapt to these changes to ensure compliance and continued success.

Key Changes and Impacts

This new law, which defines HDCPs as products containing any cannabinoid other than delta-9 THC that is derived from hemp in a concentration of more than 0.1 percent, significantly alters the regulatory landscape, impacting everything from licensing and distribution to taxation and advertising. Here are the key changes you need to be aware of:

- **Shift in oversight:** The Tennessee Alcoholic Beverage Commission (ABC) now takes the reins from the Tennessee Department of Agriculture, signaling a more stringent regulatory approach, similar to that of the alcohol industry.
- **New licensing requirements:** Anyone involved in the manufacture, distribution, or sale of HDCPs must obtain a valid license, underscoring the importance of early application and adherence to evolving regulations.
- **Wholesale tax implications:** A new wholesale tax of two cents per milligram of hemp-derived cannabinoid will be imposed, requiring careful financial planning and accurate product testing.
- **Restricted distribution:** Direct-to-consumer shipping and delivery are now prohibited, mandating face-to-face transactions at licensed retail locations. This may require a re-evaluation of your current distribution model.

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- **Stricter safety and advertising rules:** Child-resistant packaging and clear warnings are mandatory, and advertising restrictions target appeals to underage individuals and health-related claims.

Compliance is Key – and Time Is of the Essence

Penalties for non-compliance, including selling to underage individuals, are severe. While most provisions take effect on January 1, 2026, the time to prepare is now. Staying ahead of the curve and understanding upcoming rules from the ABC and Tennessee Department of Revenue are critical.

How We Can Help

Navigating this complex legal landscape can be daunting. Frost Brown Todd's Consumable Goods Team is here to provide the legal guidance and support you need to:

- Understand the specific requirements of the new law and how they apply to your business.
- Ensure full compliance with licensing, tax, and distribution regulations.
- Develop effective strategies for adapting to the changing market.
- Mitigate potential risks and avoid costly penalties.
- Prepare strong licensing applications.

Contact the authors or any of the experienced attorneys on our Consumable Goods Team to discuss your specific needs and ensure your business is well-positioned to secure long-term success in Tennessee's regulated HDCPs market.

**Kyler Cliffman, a first-year law student at Vanderbilt Law School, contributed to this article while working as a summer associate at Frost Brown Todd.*

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