

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6594

BILL NUMBER: HB 1130

NOTE PREPARED: Dec 16, 2025

BILL AMENDED:

SUBJECT: Craft Hemp.

FIRST AUTHOR: Rep. Bartels

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a regulatory framework for hemp and craft hemp. It prohibits the sale of specified products to a person less than 21 years of age. It also makes conforming changes.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* The ATC would need to hire an additional employee and excise officers for the increase in workload to create new permits for craft hemp retailers, distributors, and manufacturers and enforce the new regulatory framework. Salary and benefits costs for an additional employee to process permits are estimated at \$61,000 to \$78,000 in FY 2027 and \$64,000 to \$81,000 in FY 2028. Excise officers would have a total minimum estimated salary cost of \$490,000 starting in FY 2027. The expenditures would be offset by the permit fees and fines deposited into the Enforcement and Administration Fund under the new regulatory framework.

[The ATC will need to hire additional excise officers in each of the six districts plus Marion County to investigate complaints associated with the new regulatory framework. Excise officers start at a \$70,000 salary and follow the same pay matrix as State Police.]

Office of State Chemist and Seed Commissioner (OISC): The workload of the OISC could increase if allowing the sale of craft hemp flower products directly to the public (to people age 21 and over, after testing and packaging requirements are met) increases the number of hemp license applications to be processed. The OISC is integrated in the Purdue University budget, including regulatory costs of the state hemp program. [Total hemp program expenses were \$167,998 in FY 2025.]

Office of the Attorney General: The administrative expenditures and workload of the Office of the Attorney General could potentially increase to enforce the bill's requirements for packaging and distribution of craft hemp flower products under trade regulation laws. The workload increase should be done within current resources.

Penalty Provision: The penalty for selling craft hemp product or a product containing THC to a minor is

enhanced to a Level 6 felony if the person has prior convictions or a Level 5 felony if the minor's use of the product causes serious bodily injury or death.

A Level 6 felony is punishable by a prison term ranging from 6 to 30 months, with an advisory sentence of 1 year. A Level 5 felony is punishable by a prison term ranging from 1 to 6 years, with an advisory sentence of 3 years. The sentence depends on mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$4,719 annually, or \$12.93 daily, per prisoner. However, any additional expenditures are likely to be small.

Explanation of State Revenues: *Craft Hemp Permits:* The bill is likely to significantly increase revenue to the Enforcement and Administration Fund from new permit fees. The bill allows the ATC to issue up to 20,000 retail permits. If all the retail permits are filled, the fee could generate an estimated maximum of \$20 M in permit fee revenue for FY 2027 and thereafter. For distributor, out-of-state supplier, and manufacturer craft hemp permits, the increase in revenue is indeterminable but likely to be small. The increase in revenue would depend on the number of craft hemp retailers, distributors, and manufacturers that apply for a permit.

The bill creates a retail, distributor, out-of-state supplier, and manufacturer permit. The initial, renewal, and reinstatement fees are deposited into the Enforcement and Administration Fund. For all the permits, the term lasts for two years. A permit holder is not restricted from holding other craft hemp permits (e.g. a retail permittee may also hold a distributor and manufacturer craft hemp permit). If a permit is revoked and subsequently reinstated, the permittee would need to pay a fee to reinstate the permit. The table below shows fees for the different types of permits.

Permit Type	Initial/Renewal Fee	Reinstatement Fee
Retail	\$1,000	\$1,000
Distributor	\$5,000	\$1,000
Manufacturer	\$5,000	\$1,000

Sales Tax: The bill prohibits the sale of low THC hemp extract to people under the age of 21. This provision could decrease sales tax revenue by an indeterminate, but potentially minimal amount. The impact would depend on the number of people under 21 years old that would have purchased low THC hemp extract products.

Sales tax revenue is distributed to the General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

ATC Imposed Violations: The bill would increase penalty fine revenue from permit and criminal violations. The ATC may impose a civil penalty up to \$1,000 for a permit violation, which is deposited into the Enforcement and Administration Fund. Increases in penalty revenue from permit and criminal violations could potentially be significant. Penalties that may be assessed are listed in the table below.

Violation	Penalty	Maximum Judgment/Fine
Failure to pay civil penalty issued by the ATC	Class B infraction	\$1,000
Failure to show to hearing	N/A	\$1,000
Knowingly selling/giving craft hemp product to intoxicated person	Class B misdemeanor	\$1,000
Knowingly taking certain actions involving craft hemp product without a permit*	Class B misdemeanor	\$1,000
Acquiring craft hemp product from person that does not hold an appropriate permit*	Class B misdemeanor	\$1,000
Selling craft hemp product or product containing THC to a minor; failing to use an online age verification system for online sales	Class A misdemeanor; Level 6 felony if prior unrelated conviction; Level 5 felony if serious bodily injury	\$1,000 (first offense) \$5,000 - \$10,000 (repeat offenses)
Possession of craft hemp product or product containing THC by a minor*	Class B misdemeanor	\$1,000
Knowingly or intentionally selling adulterated craft hemp flower product	Class B misdemeanor	\$1,000

*Does not apply to permit holders.

Hemp Licensing Revenue: By allowing sales of craft hemp flower products directly to the public, revenue to the OISC could increase from hemp grower and handler license applications and other hemp fees and penalties. The bill would allow craft hemp flower products to be distributed to the public after the product:

- has passed independent laboratory testing;
- has been packaged in tamper evident packaging; and
- is in the form of a gummy, an edible, a tincture, or an e-liquid.

The amount of the revenue increase is indeterminate. Hemp fee revenue is used for hemp administrative expenses, and hemp penalty revenue is transferred to the Indiana State Department of Agriculture to be used for hemp marketing and research purposes. [In FY 2025, the OISC collected \$55,050 in revenue. No penalties were assessed.]

Craft Hemp Flower Product Violations: The bill includes craft hemp flower in the definition of smokable hemp for purposes of the Class A misdemeanor penalties for possessing or dealing smokable hemp (maximum judgment \$5,000). It also allows for the possession and distribution of craft hemp flower products, subject to packaging requirements, and creates penalties for violations related to craft hemp flower products and counterfeit hemp substances. These penalties are listed in the following table. Infraction judgments are

deposited in the General Fund, and fines for misdemeanors are deposited in the Common School Fund.

Craft Hemp Flower Product Violation	Penalty	Maximum Judgment/Fine
Distribution and sale	Class B misdemeanor Class A misdemeanor (with prior)	\$1,000 \$5,000
Creates, delivers, or finances a counterfeit hemp substance	Class A misdemeanor	\$5,000
Minors prohibited from entering retail establishment that primarily sells tobacco, electronic cigarettes, e-liquids, and craft hemp product	Class C infraction Class B infraction (with 6 prior offenses)	\$400* \$800-\$2,000* (repeat offenses)

*Deposited in the Richard D. Doyle Tobacco Education and Enforcement Fund.

Low THC Hemp Extract Violations: The bill prohibits the sale of low THC hemp extract containing certain ingredients to a person under 21 years of age. The bill sets the following maximum civil penalties for violations:

- (1) \$1,000 for a first violation.
- (2) \$5,000 for a second violation that occurs within two years after a first violation, and suspension of the retail dealer's certificate for up to six months.
- (3) \$10,000 for each subsequent violation that occurs within two years of the preceding violation, and revocation of the retail dealer's certificate, with a one year waiting period for re-application.

In addition, the bill makes changes to packaging requirements for low THC hemp products. A violation of the packaging requirements is a Class B infraction or a Class A infraction with prior violations. The maximum judgment for a Class B infraction is \$1,000, and the maximum judgment for a Class A infraction is \$10,000, which would be deposited in the state General Fund.

Court Fee Revenue: If additional court cases occur, revenue to the state General Fund (from court fees) would increase. The total fee revenue per case would range between \$113 and \$138 for misdemeanors and felonies and between \$85.50 and \$103 for infractions. The amount of court fees deposited will vary depending on whether the case is filed in a court of record or a municipal court. The following linked document describes the fees and distribution of the revenue: [Court fees imposed in criminal, juvenile, and civil violation cases.](#)

Explanation of Local Expenditures: *Criminal Violations:* A Class A misdemeanor is punishable by up to one year in jail. A Class B misdemeanor is punishable by up to 180 days in jail.

If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

Explanation of Local Revenues: *Court Fee Revenue:* If additional court actions occur and a guilty verdict or judgment is entered, more revenue will be collected by certain local units. The following linked document describes the fees and distribution of the revenue: [Court fees imposed in criminal, juvenile, and civil violation cases.](#)

State Agencies Affected: Alcohol and Tobacco Commission; Office of the Attorney General; Office of the Indiana State Chemist; Indiana State Department of Agriculture; Department of Correction.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Office of Indiana State Chemist, Annual Hemp Regulatory and Research Reports, https://oisc.purdue.edu/hemp/annual_reports.html. Blaine Brown, Office of Indiana State Chemist. Indiana Supreme Court, Indiana Trial Court Fee Manual. SPD Staffing Data, December 2025. Trooper Matrix effective January 7, 2023, https://www.in.gov/atc/ise/sep/files/Excise-Police-Pay-Matrix_2023-07-01.pdf.

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