

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

LS 6454

BILL NUMBER: SB 185

NOTE PREPARED: Jan 26, 2026

BILL AMENDED: Jan 22, 2026

SUBJECT: Alcohol and Tobacco Matters.

FIRST AUTHOR: Sen. Alting

BILL STATUS: 2nd Reading - 1st House

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Tobacco Sales Certificate* - This bill provides that a person may not sell a tobacco product or electronic cigarette at wholesale without a tobacco sales certificate (certificate). It provides that the Alcohol and Tobacco Commission shall not issue a certificate to a retail location where a certificate was revoked within one year prior to the application. It changes the time a certificate is valid from the date of issuance from three years to one year. It also provides for the suspension of a certificate if the certificate holder's employees violate employee identification requirements three or more times in one year.

Sale and Distribution - The bill establishes various requirements for e-liquid products manufactured, distributed, or sold in Indiana. It prohibits the sale or distribution of an e-liquid or an e-liquid containing an ingredient that is manufactured, sourced, or otherwise imported from a foreign adversary.

E-liquid Manufacturing - The bill amends the requirements for an initial and renewal application to manufacture e-liquids.

Racketeering - The bill adds the sale of alcohol without a permit to the violations which may constitute racketeering activity.

Tobacco Product Violations - The bill changes the infraction of the habitual illegal sale of tobacco products from six violations in a year to three violations in a year.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC)*: The bill would increase the workload and expenditures of the ATC. The ATC would renew tobacco sales certificates every year instead of every three years, create a wholesale tobacco sales certificate, amend the e-liquid manufacturing permit, and enforce the bill's provisions regarding tobacco sales certificates and e-liquids. The expenditures would be offset by the increase in revenue from the yearly renewal of tobacco sales certificates and new wholesale tobacco sales certificates.

Penalty Provision: The bill makes the sale of alcohol without permit a racketeering activity, which is a Level 5 felony. This provision is expected to have a minor impact on the correctional population.

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 \$4,825 annually, or \$13.22 daily, per prisoner. However, any additional expenditures are likely to be small.

Explanation of State Revenues: *Summary* - The bill would increase revenue to the Enforcement and Administration Fund from changing the renewal period of tobacco sales certificates and adding wholesalers to tobacco sales certificates. This provision would increase revenue by an estimated \$0.9 M to \$1.3 M each year starting in FY 2027. There would be an indeterminate but potentially significant decrease in electronic cigarette tax, other tobacco products tax, and sales tax revenue from banning e-liquid manufactured or imported from foreign adversaries. Additionally, there would be an increase in revenue from e-liquid permits, new penalties, upgrades in penalties, and civil penalties imposed by the ATC.

Additional Information -

Tobacco Sales Certificate: The bill would increase revenue to Enforcement and Administration Fund by an estimated \$0.8 M to \$1.2 M each year starting in FY 2027.

Currently, tobacco sales certificates are renewed every three years. The fee is \$200 and is deposited into the Enforcement and Administration Fund. There are 8,281 active tobacco sales certificates as of August 2025. The table below shows the revenue for the past six fiscal years. Revenue fluctuates from year to year due to the three year renewal cycle.

| Tobacco Sales Certificate Revenue | |
|--|----------------|
| Fiscal Year | Revenue |
| 2020 | \$464,355 |
| 2021 | \$816,755 |
| 2022 | \$470,383 |
| 2023 | \$593,740 |
| 2024 | \$730,345 |
| 2025 | \$478,833 |

Wholesale Certificates: The bill would increase revenue to Enforcement and Administration Fund by an estimated \$81,800 starting in FY 2027. The bill requires tobacco wholesalers to obtain a wholesale tobacco sales certificate starting in FY 2027. These wholesalers would follow the same rules as other tobacco sales certificate holders. Currently, the Department of State Revenue licenses cigarette and other tobacco products distributors. As of January 2026, there were 93 cigarette distributors and 316 other tobacco products distributors, for a total of 409 distributors.

E-Liquid Manufacturer: The bill will increase revenue from e-liquid permits by a small amount. It changes the time frame of a permit from five years to two years. It also increases the initial fee from \$1,000 to \$3,000 and the renewal fee from \$500 to \$1,000. In FY 2025, no revenue was collected from the permit fee. In FY 2024, the permit fee collection was \$4,000.

Foreign E-liquid: The bill would have an indeterminate but potentially significant decrease in electronic cigarette tax, other tobacco products tax, and sales tax revenue from banning e-liquid manufactured, sourced, or imported from a foreign adversary. The decrease in revenue will depend on the following:

- The amount of e-liquid made in or imported from foreign adversaries;
- Whether there is a shift in manufacturing to other countries;
- The extent to which businesses and consumers shift their purchases to different tobacco products and products that do not contain e-liquid from those countries.

Foreign adversaries include China, Cuba, Iran, North Korea, Russia, and Venezuela.

Of the tax on closed system cartridges, 19.41% is deposited in the Affordable Housing and Community Development Fund. The remaining 80.59% is distributed to the following funds: General Fund for Medicaid-Current Obligations (59.38%), General Fund (23.67%), Healthy Indiana Plan Trust Fund (11.26%), Pension Relief Fund (2.26%), Cigarette Tax Fund (1.76%), and State Retiree Health Benefit Trust Fund (1.67%).

Revenue from the electronic cigarette tax is deposited in the General Fund (60.81%) and General Fund for Medicaid-Current Obligations (39.19%).

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

ATC Penalty: The bill could increase penalties for violations of tobacco sales certificate holders. Any increase would be small. The ATC may impose up to a \$1,000 fine for each violation, which is deposited in the Enforcement and Administration Fund.

E-liquid Penalty: The bill may increase civil penalties for manufacturers, wholesalers, and retailers who deal with e-liquids. Manufacturers, wholesalers, and retailers who violate the regulations of the article on vapor pens and e-liquids (IC 7.1-7) may be assessed a \$10,000 civil penalty. Revenue from this civil penalty is expected to be small.

Racketeering: The bill makes the sale of alcohol without permit a racketeering activity, which is a Level 5 felony. Any penalty revenue is expected to be small.

If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Level 5 felony is \$10,000. The total fee revenue per case would range between \$113 and \$138. The amount of court fees deposited will vary depending on whether the case is filed in a court of record or a municipal court.

Penalty Provision: The bill makes it a Class C infraction if a tobacco sales certificate holder does not check the identification of a person who appears to be under 40. Also, it reduces the violations per year (from 6 to 3) of selling tobacco products to a person under 21 to upgrade the violation from a Class C infraction to a Class B infraction. Penalty revenue from these violations is expected to be small.

The maximum judgment for a Class C infraction is \$500 and a Class B infraction is \$1,000, which would be deposited in the state General Fund. Fee revenue per case ranges from \$85.50 and \$103, 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: *Immunity:* Local law enforcement agencies would have immunity in disposing nitrous oxide from a donating nonprofit. The reduction of any court related expenses is expected to be minimal.

Penalty Provision: 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: *Penalty Provision:* If additional court actions result in a guilty verdict, certain local units will collect more revenue. 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; Department of Correction.

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

Information Sources: Indiana Sheriffs' Association, Indiana Supreme Court, Indiana Trial Court Fee Manual; Department of Corrections; Indiana Gateway for Government Units, 2023 Annual Financial Reports, <https://gateway.ifionline.org/public/download.aspx> Bureau of Justice Statistics, 2023 Annual Survey of Jails Data Series, <https://www.icpsr.umich.edu/web/NACJD/series/7>.

Legislative Services Agency. *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2025.
LSA Alcohol Violation Database.

<https://www.in.gov/dor/i-am-a/business-corp/cigarette-and-tobacco-product-distributors/>.

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