

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

**LS 6454**  
**BILL NUMBER: SB 185**

**NOTE PREPARED: Mar 2, 2026**  
**BILL AMENDED: Feb 27, 2026**

**SUBJECT:** Alcohol and Tobacco Matters.

**FIRST AUTHOR:** Sen. Alting  
**FIRST SPONSOR:** Rep. VanNatter

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Tobacco Sales Certificate:* This bill specifies, with respect to a tobacco sales certificate (certificate), that a permitted premises may not include sleeping or living quarters. The bill provides that a person may not sell a tobacco product or electronic cigarette at wholesale without a certificate. It adds additional information an applicant must provide to the Alcohol and Tobacco Commission (commission) when applying for a certificate. It provides, with one exception, that the commission shall not issue a certificate to a retail location where a certificate was revoked within one year prior to the application. It specifies the circumstances under which the commission must either suspend or revoke a certificate if the certificate holder's employees violate employee identification requirements three or more times in one year. It also makes it a Class C infraction for a certificate holder or employee to violate particular identification requirements.

*E-liquids:* The bill modifies the application of certain statutes concerning vapor pens and e-liquid. It establishes various requirements and penalties applicable to e-liquid, e-liquid products, and vapor devices, including restrictions on the manufacture, sourcing, possession, sale, and distribution of foreign adversary products. It also amends the requirements for an initial and renewal application to manufacture e-liquids or e-liquid products. It specifies that certain provisions concerning vapor pens and e-liquid do not authorize the manufacturing, sale, possession, or use of a controlled substance or any product containing a controlled substance.

*Buydowns:* The bill requires, in a provision concerning the sale of cigarettes, that a buydown be considered in determining the cost to the retailer or cost to the distributor. It specifies an exception.

*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. It also changes the infraction of the habitual illegal entrance by a minor from six violations to three violations in a year.

*Nitrous Oxide:* The bill also specifies that a prohibition on the sale, use, or distribution of flavored nitrous oxide does not apply to a law enforcement agency disposing of flavored nitrous oxide by donation to a nonprofit organization.

**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 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 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 by an estimated \$40,900 starting in FY 2027 by adding a wholesale tobacco sales certificate. 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** -

*Wholesale Certificates:* The bill would increase revenue to the Enforcement and Administration Fund by an estimated \$40,900 starting in FY 2027. The bill requires tobacco wholesalers to obtain a wholesale tobacco sales certificate starting in FY 2027. The wholesale tobacco sales certificate is \$100 and would be renewed every three years. 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. [The revenue estimate assumes all distributors will apply for a certificate in the first year.]

*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, e-liquid containing an ingredient, or e-liquid product manufactured, sourced, or imported from a foreign adversary. It does not include a vapor device or an e-liquid or e-liquid product that has been approved, authorized, or pending approval by the federal Food and Drug Administration. 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 or e-liquid products. 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 six to three) 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/>.

**Fiscal Analyst:** Nate Bodnar, 317-234-9476.