

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

LS 7117
BILL NUMBER: SB 250

NOTE PREPARED: Jan 9, 2026
BILL AMENDED:

SUBJECT: Hemp.

FIRST AUTHOR: Sen. Freeman
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Alcohol and Tobacco Penalty Provisions:* The bill defines "THC" for purposes of alcohol and tobacco law. It changes certain crimes concerning alcohol to include products containing THC. It allows certain law enforcement officers to engage certain minors to purchase a THC product as part of a law enforcement action.

Hemp Derived Cannabinoid Products Program, Fund, and Penalties: The bill creates: (1) manufacturer permits; (2) distributor permits; (3) retail permits; and (4) carrier permits; for hemp derived cannabinoid products. It requires the Alcohol and Tobacco Commission (ATC) to enforce and administer the Hemp Derived Cannabinoid Products Law.

It creates the Hemp Derived Cannabinoid Products Fund to provide funding for: (1) the ATC; (2) State Police Department tools and programs; (3) local law enforcement agencies for roadside cannabis and hemp testing; and (4) prosecuting attorneys for training programs and certain court costs.

It prohibits the sale of hemp derived cannabinoid products online. It provides that a person who knowingly or intentionally sells a hemp derived cannabinoid product to a person less than 21 years of age commits a Class A misdemeanor. It provides advertising restrictions for hemp derived cannabinoid products. It requires testing of hemp derived cannabinoid products. It creates a crime regarding transporting of hemp derived cannabinoid products. It creates a crime concerning counterfeit permits. It creates a process to deposit an unused permit.

Hemp-Related Definitions: The bill removes references to "delta-9-tetrahydrocannabinol" in certain crimes. It modifies definitions of "hemp". It modifies the definitions of "marijuana" and "smokable hemp" for purposes of the criminal law code. It repeals the: (1) distribution of low THC hemp extract chapters; and (2) low THC hemp extract sales chapter.

Operating While Intoxicated (OWI) Definitions: The bill provides that for purposes of Title 9, "schedule I drug" includes marijuana, hemp, and tetrahydrocannabinol. It defines "intoxicated" to include being under

the influence of tetrahydrocannabinol.

Office of the State Chemist and State Seed Commissioner (OISC): The bill requires the OISC to develop a portal and make certain reports. It provides that State Industrial Hemp Programs may not operate above federal restrictions or limitations. It provides that the OISC may issue a hemp grower's license and a hemp handler's license.

Additional Penalty Provisions: The bill provides that a retail establishment in which tobacco and products containing THC account for 85% of the establishment's gross sales may not allow an individual under 21 years of age to enter the establishment (current law is limited to tobacco products). It specifies details of the licensure requirements and duties of the licensees. It adds federal definitions of certain hemp terms to Title 35.

The bill provides that nothing in IC 7.1 and IC 15 may be construed under the "inclusio unius, extensio alterius" canon of construction that marijuana has been legalized, and the bill makes an appropriation.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Summary* - The bill would have a minimum estimated salary expenditure for the Alcohol and Tobacco Commission (ATC) of \$551,000 in FY 2027 and \$554,000 in FY 2028 to administer and enforce hemp derived cannabinoid products law. There will be additional expenditures for law enforcement training, purchases, and online databases. These expenditures would be offset from the excise tax, permit fees, miscellaneous fees, and violation fees deposited in the Hemp Derived Cannabinoid Products Fund.

OISC workload and expenditures will increase an indeterminate amount. Indiana State Police (ISP) would have workload and expenditure increases to process background checks and publish a list of laboratories. These increases should be done within current resources. The bill will have an indeterminate, but likely minimal impact on expenditures for the Department of Correction related to the establishment of new Level 6 and Level 5 felonies.

Additional Information-

Alcohol and Tobacco Commission (ATC): Salary and benefits costs for an additional employee to create and process permits and applications 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 ATC will need to hire at least one additional excise officer 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.]

It is possible that the Indiana Office of Technology (IOT) would store the data for the ATC's online database. Currently, IOT charges \$32.68 per database per month for database hosting and \$1.61 per gigabyte (GB) over 1 GB per month for data storage. In addition, IOT has services for business applications that may be used for the online database.

The ATC would have an increase in workload and expenditures to train, purchase oral fluid testing, and other necessary items for Indiana State Police, local law enforcement, and prosecuting attorneys. Increases in expenditures are offset from restricted funds of the Hemp Derived Cannabinoid Products Fund.

ATC will have an increased workload to collect tax on wholesale hemp derived cannabinoid products. This workload increase should be done within current resources.

Office of the State Chemist (OISC): The bill will initially increase workload and may increase expenditures for the OISC to implement updated hemp regulations, develop an information sharing portal for the ISP, and comply with federal reporting requirements as prescribed in the bill. To the extent that the OISC can use its hemp licensing and crop management software to meet this requirement, any increase in expenditures can be mitigated.

Additionally, it is unclear whether licensed hemp growers can grow non-industrial hemp. If growers are limited to growing industrial hemp, the total number of hemp licenses issued is expected to decrease. The long term impact will depend on how the bill ultimately affects the number of licenses issued and inspections conducted. In FY 2025, the OISC expended \$167,988 to implement and enforce state hemp regulations [*The OISC is housed within Purdue University. State educational institutions receive state funding through General Fund appropriations.*]

Penalty Provisions: A Level 6 felony is punishable by a prison term ranging between 6 to 30 months, with an advisory sentence of 1 year. A Level 5 felony is punishable by a prison term ranging between 1 to 6 years, with an advisory sentence of 3 year. The incremental cost to house an adult offender is \$4,825 annually per prisoner (or \$13.22 daily) for medical care, food, and clothing. The incremental cost for juvenile facilities was \$8,986 annually (or \$24.62 daily).

Explanation of State Revenues: *Summary:* The bill would increase revenue by an estimated \$6.7 M in FY 2027 and \$4.6 M thereafter to the Hemp Derived Cannabinoid Products Fund from permit fees, an excise tax, miscellaneous fees, and violations.

The bill will also increase revenue indeterminately to the state General Fund (court fees and infraction judgments), the Common School Fund (criminal fines), and the Richard D. Doyle Tobacco Education and Enforcement Fund (tobacco infractions) for new and expanded infractions, misdemeanors, and felonies.

The bill also will have an indeterminable impact on fee and penalty revenue collected by the OISC. [*All hemp fees collected by the OISC are paid to the Purdue University Treasurer, and authorized to be expended by the Purdue University Board of Trustees to cover certain expenses.*]

Additional Information-

Hemp Program Fees: A majority of the estimated revenue would come from retail permit fees and application fees in the first year of the program. Assuming all tobacco sales certificate holders apply for a retail permit, the application fee would generate an estimated \$2.1 M and if all applicants are approved, the retail permit would generate \$4.6 M. [As of August 2025, there were 8,281 tobacco sales certificates.] All permits are annually renewed. A person may only hold one type of permit and will need an additional permit of that type if the business has multiple locations. All other fees, permits, and violations are expected to have a small impact on revenue for Hemp Derived Cannabinoid Products Fund. Below is a table indicating the fees and civil penalty for the program.

Permit/Fee/Penalty	Amount
Manufacturing Permit	\$1,000
Distributing Permit	\$750
Retail Permit	\$550
Carrier Permit*	\$250
Application Fee	\$250
Product Testing Fee	\$250
Reinstatement Fee	\$250
Advertising Violation**	\$2,000
Civil Penalty***	\$5,000
<i>*minimum \$5,000 surety bond payable to the state</i> <i>**Per day violation</i> <i>***may not exceed the greater of 500% of retail value of product sold or distributed or \$5,000</i>	

Hemp Derived Cannabinoid Products Excise Tax: The bill imposes a tax on the distribution of hemp derived cannabinoid products equal to 5% of the wholesale price. The hemp distributor must remit the tax to the ATC. All collections are deposited into the Hemp Derived Cannabinoid Products Fund. A precise estimate for this tax is unknown, but an analysis of the estimated sales tax collected from low THC products indicates the revenue could be less than \$2 M annually.

Hemp Derived Cannabinoid Products Fund: The bill establishes the Hemp Derived Cannabinoid Products Fund to administer provisions regarding hemp derived cannabinoid products. It is funded through wholesale hemp excise taxes, permit fees, and application fees. The ATC is responsible for the administration of the fund. Funds are distributed at the end of the fiscal year in the following way: 70% for administering hemp derived cannabinoid products; 20% for hemp derived cannabinoid products law enforcement program, which may include the ISP; 5% for the Division of Mental Health and Addiction for 988 suicide and crisis hotline; and 5% for the state General Fund.

OISC Hemp Licenses: This bill alters the definitions of hemp handlers and growers and modifies and codifies licensing requirements regulated by the OISC, potentially impacting the total number of licenses issued annually. It also codifies: (1) a nonrefundable fee of \$500 from all hemp license applications; (2) an optional \$100 background check fee collected on behalf of the ISP; (3) an annual fee of \$10,000 for each hemp licensee; and (4) a \$1,000 fee for a negligent violation of IC 15-15-13.

[Currently, the OISC collects: (1) a hemp grower license fee of \$750; (2) a hemp handler license fee of \$750; (3) a hemp grower-handler license fee of \$1,500; (3) a site change fee of \$50; and (4) a remediation testing fee of \$325. Total revenue from the existing fees totaled \$55,050 in FY 2025, with \$52,500 of the revenue coming from the 25 grower, 25 handler, and 10 grower-handler licenses issued.].

The bill also requires that certain civil penalties assessed for violations of hemp licensing requirements, license terms, or hemp related rules be retained by the OISC to fund the costs of implementing hemp regulations. Under current law, those penalties are transferred to the ISDA for hemp marketing and research, so the change would shift potential revenue from ISDA to the OISC. However, no civil penalties were

assessed in FY 2025.

Background Checks: Revenue to the General Fund would increase from an increase of national criminal history checks done for hemp permit applicants. The increase in revenue from the national criminal history checks fees would depend on the number of applicants for a hemp permit. The current total fee for the background check is \$39.20.

Penalty Provisions: The bill could increase court cases as it establishes numerous new infractions, misdemeanors, and felonies related to hemp derived cannabinoid products such as operating, transporting, or dealing without a required license or permit; selling over the internet; selling a recalled product; and selling marijuana packaged as a hemp-derived cannabinoid product.

The bill also expands infractions, misdemeanors, and felonies for certain alcohol offenses to include products containing THC (possession or consumption by a minor, furnishing to a minor, selling to an intoxicated person). It also expands infractions for allowing a minor to enter a tobacco retail establishment to include retail establishments that sell tobacco products or products containing THC.

If additional court cases occur and fines are collected, revenue would increase to the Common School Fund, the state General Fund, the Richard D. Doyle Tobacco Education and Enforcement Fund, and/or the ATC Enforcement and Administration Fund. These fines and judgments range from \$200 to \$10,000. The bill is unclear regarding the deposit of some infraction judgments. The following linked document describes the fees and distribution of the revenue: [Court fees imposed in criminal, juvenile, and civil violation cases.](#)

[The bill's changes should not impact OWI offenses as marijuana and THC are already Schedule I controlled substances and the definition of "intoxicated" still requires impairment.]

Explanation of Local Expenditures: A Class C misdemeanor is punishable by up to 60 days in jail, a Class B misdemeanor is punishable by up to 180 days, and a Class A misdemeanor by up to one year. The Gateway reports show that in CY 2023, housing offenders in 33 Indiana county jails cost an average of \$56 to \$79 per day.

Explanation of Local Revenues: The bill may increase revenue to local law enforcement agencies for roadside cannabis and hemp testing and to prosecuting attorneys for training programs and court costs, as the bill allows the ATC to distribute funds from the Hemp Derived Cannabinoid Products Fund to these entities.

If additional court actions occur and guilty verdicts are entered, more revenue will be collected by certain local units. If the case is filed in a court of record, the county general fund will receive \$47.40 and qualifying municipalities will receive a share of \$3.60. If the case is filed in a municipal court, the county receives \$30, and the municipality will receive \$46. 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, Governor, State Seed Commissioner; Indiana State Department of Agriculture; Purdue University.

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

Information Sources: <https://oisc.purdue.edu/hemp/index.html>;

https://oisc.purdue.edu/hemp/pdf/2024_hemp_report.pdf; Department of Corrections;
Indiana Sheriffs' Association, Indiana Supreme Court, Indiana Trial Court Fee Manual;
Indiana Gateway for Government Units, 2023 Annual Financial Reports,
<https://gateway.ifonline.org/public/download.aspx>;
Bureau of Justice Statistics, 2023 Annual Survey of Jails Data Series,
<https://www.icpsr.umich.edu/web/NACJD/series/7>.

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