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

LS 7117 | **NOTE PREPARED:** Jan 26, 2026
BILL NUMBER: SB 250 | **BILL AMENDED:** Jan 22, 2026

SUBJECT: Hemp.

FIRST AUTHOR: Sen. Freeman | **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

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 Indiana alcohol and tobacco law. It expands certain crimes concerning alcohol and tobacco, including crimes regarding possession by minors and sales to minors, to include products containing THC. It provides that a violation of the hemp derived cannabinoid products chapter is a deceptive act. It provides that the offense of aiding unlawful possession includes unlawful possession of a product containing THC.

It provides that the Alcohol and Tobacco Commission (ATC) shall conduct random inspections of locations where products containing THC are sold. It allows law enforcement officers to engage minors who are at least 16 years of age to purchase THC products as part of a law enforcement action.

Hemp Derived Cannabinoid Products Program, Fund, and Penalties: The bill enacts provisions regulating the manufacture, distribution, sale, and transportation of Hemp Derived Cannabinoid Products (Hemp Derived Cannabinoid Products Law). It requires the ATC to enforce and administer the Hemp Derived Cannabinoid Products Law. It provides for issuance of: (1) manufacturer permits; (2) distributor permits; (3) retail permits; and (4) carrier permits; for hemp derived cannabinoid products.

It prohibits the sale of hemp derived cannabinoid products online or by delivery. It provides that a person issued a manufacturer permit may manufacture hemp derived cannabinoid products only in Indiana. It imposes packaging and labeling requirements for hemp derived cannabinoid products. It requires testing of hemp derived cannabinoid products and provides that the ATC may spot test hemp derived cannabinoid products for compliance with the hemp derived cannabinoid products law.

It specifies circumstances under which a hemp derived cannabinoid product shall be treated as if it is marijuana. It creates the Hemp Derived Cannabinoid Products Fund and specifies purposes for which money in the fund shall be used. It imposes restrictions on advertising of hemp derived cannabinoid products. It imposes criminal penalties for violations of the Hemp Derived Cannabinoid Products Law, and provides that a violation of the Hemp Derived Cannabinoid Products Law is a deceptive act for purposes of Indiana law regarding deceptive consumer sales.

Operating While Intoxicated (OWI) Definitions: The bill provides that for purposes of Indiana motor vehicle law: (1) "intoxicated" includes being under the influence of tetrahydrocannabinol; and (2) "schedule I drug" includes marijuana, hemp, and tetrahydrocannabinol.

Office of the State Chemist and State Seed Commissioner (OISC): The bill provides that the OISC may issue hemp grower's licenses and hemp handler's licenses, and specifies licensure requirements and duties of licensees. It provides that the OISC: (1) shall share information with the State Police Department regarding the commissioner's licensure of hemp growers and handlers; and (2) shall report specified information to the United States Secretary of Agriculture. It provides that Indiana's hemp growing programs may not operate above federal restrictions or limitations.

Additional Penalty Provisions: The bill repeals chapters regarding: (1) distribution of low THC hemp extract; and (2) sale of low THC hemp extract. It provides that a retail establishment in which tobacco products and products containing THC (rather than tobacco products alone, under current law) account for 85% of the establishment's gross sales may not allow an individual under 21 years of age to enter the establishment.

The bill adds federal definitions of certain hemp terms to the Indiana criminal code. It modifies definitions of "marijuana" and "smokable hemp" for purposes of the Indiana criminal code. It removes references to "delta-9-tetrahydrocannabinol" and "low THC hemp extract" in certain crimes.

The bill provides that nothing in Indiana: (1) alcohol and tobacco law; or (2) agriculture law; may be construed under the "inclusio unius, exclusio alterius" canon of construction as legalizing marijuana. It specifies situations in which a product shall be treated as if it is marijuana. 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 permit fees, miscellaneous fees, and violation fees deposited in the Hemp Derived Cannabinoid Products Fund.

The bill will have an indeterminate impact on expenditures for the Department of Correction (DOC). It establishes new Level 6 and Level 5 felonies related to unlicensed dealing of hemp derived cannabinoid products. Conversely, it changes the definition of “smokable hemp,” making it substantially similar to marijuana, which may reduce some penalties, if the Rule of Lenity applies. This could reduce state General Fund expenditures roughly $121,000 to $135,000 each year.

OISC workload is expected to initially increase an indeterminate amount, but the long term impact is currently unknown and depends on the change in total licenses issued.

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.

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.

State Budget Agency: The State Budget Agency will have a workload increase to administer the Hemp Derived Cannabinoid Products Fund. This workload increase should be done within current resources.

Attorney General: This bill may increase unfair and deceptive acts that are actionable by the Attorney General. Agency workload could increase to investigate and prosecute allegations. The Attorney General should be able to enforce the bill's provisions within existing resource levels.

Office of the State Chemist (OISC): The bill will initially increase workload and may increase expenditures for the OISC to implement updated hemp regulations, share information with 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 these requirements, any increase in expenditures can be mitigated.

Additionally, some entities previously licensed as handlers may now choose to obtain a permit under the hemp program in IC 7.1. 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: Changes to the definition of "smokable hemp" make it substantially similar to marijuana. Based on judicial precedent, if a criminal statute is ambiguous, the Rule of Lenity applies, which requires interpreting the statute in favor of the defendant and strictly construed against the State. This may result in some marijuana dealing offences (basic offense is a Class A misdemeanor) being disposed as dealing in smokable hemp (also a Class A misdemeanor), with no felony enhancements. There are about 25 people each year (out of 297 convictions) who are committed to the DOC (annual average of 8 DOC commitments as Level 6 felonies and 17 DOC commitments as Level 5 felonies).

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, 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), the ATC Enforcement and Administration Fund (certain alcohol infractions), and the Richard D. Doyle Tobacco Education and Enforcement Fund (certain 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.]*

<u>*Additional Information-*</u>

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 the 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
**Minimum $5,000 surety bond payable to the state **Per day violation ***May not exceed the greater of 500% of retail value of product sold or distributed or $5,000*	

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 permit fees and application fees. The State Budget Agency 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 the 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.]

Although annual revenue per license is projected to increase by nearly $10,000, the bill's uncertain effect on the number of licenses issued means the final revenue impact currently indeterminable.

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 the 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. Applicants are required to pay $100 to offset the costs.

Deceptive Acts: If the bill increases the number of deceptive acts discovered, General Fund revenue will increase. Actual increases in revenue are unknown but expected to be small. Deceptive acts discovered by the Attorney General carry a civil penalty up to $5,000.

Penalty Provisions and Deceptive Acts: 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. It also provides that a violation of the hemp derived cannabinoid products law is a deceptive act, which could increase civil cases filed.

The bill 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 documents describe the fees and distribution of the revenue: Court fees imposed in criminal, juvenile, and civil violation cases and Court fees imposed in civil, probate, and small claims 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 State Budget Agency 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. The amount of revenue will vary depending on whether the case is filed in a court of record or a municipal court. The following linked documents describe the fees and distribution of the revenue: Court fees imposed in criminal, juvenile, and civil violation cases and Court fees imposed in civil, probate, and small claims cases.

State Agencies Affected: Alcohol and Tobacco Commission, Department of Correction, Governor, State Seed Commissioner; Indiana State Department of Agriculture; Purdue University; Indiana State Police; State Budget Agency; Office of the Attorney General.

Local Agencies Affected: Trial courts, city and town 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.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.

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