

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

**LS 7117**

**BILL NUMBER: SB 250**

**NOTE PREPARED:** Feb 19, 2026

**BILL AMENDED:** Feb 19, 2026

**SUBJECT:** Regulation of Hemp.

**FIRST AUTHOR:** Sen. Freeman

**FIRST SPONSOR:** Rep. Bascom

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

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

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill defines "hemp" and "hemp derived cannabinoid product" in a manner consistent with the federal law that becomes effective in November 2026, and establishes a regulatory framework for the production and sale of these products. It prohibits the sale of a product containing THC to a minor. It allows the continued sale of certain hemp products exclusively to out of state manufacturers, processors, distributors, and retailers, if certain conditions are met.

**Effective Date:** (Amended) July 1, 2026; November 12, 2026

**Explanation of State Expenditures:** *(Revised) Penalty Provisions:* The bill could impact expenditures indeterminately for the Department of Correction (DOC) for housing offenders by expanding certain alcohol and tobacco offenses to include “products containing THC,” by the establishment of separate offenses related to hemp, and by changing the definition of “smokable hemp.”

*(Revised) Office of the State Chemist (OISC):* The bill will initially increase workload and may increase expenditures for OISC to update its THC testing procedures and carry out additional inspections to ensure compliance with the new total THC requirements. However, 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.]*

*(Revised) Alcohol and Tobacco Commission (ATC):* The ATC would enforce the provisions concerning the sale of products containing THC. This enforcement would be done within current resources.

**(Revised) Additional Information:**

*(Revised) Felony Provisions:* The bill expands some alcohol offenses to include “products containing THC,” only one of which has a Level 6 felony enhancement (IC 7.1-5-7-8, selling to a minor resulting in death). However, if a person is charged under the new statute (IC 35-48-8-8), it would provide a Level 6 felony

enhancement (with prior conviction) and a Level 5 felony enhancement (with prior conviction), if the amount is more than ten pounds or the offense involved a sale to a person under age 18. These penalties would pertain to hemp derived cannabinoid products and to growing or handling hemp without a license from the OISC.

Changes to the definition of “smokable hemp” make it substantially similar to marijuana. Some offenses could be charged under either statute (for substances in a smokable form with more than 0.3% total THC). Offenses for possession or dealing smokable hemp are Class A misdemeanors. Marijuana offenses range from Class B and Class A misdemeanors to Level 6 and Level 5 felonies. 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:** *(Revised) Summary:* The bill could potentially decrease revenue from sales tax and from hemp licenses. Conversely, it could increase revenue from court fees, infraction judgments, ATC civil penalties, criminal fines, and hemp civil penalties.

*(Revised) Additional Information:*

*(Revised) Sales Tax:* The bill could decrease sales tax revenue by an indeterminate, but potentially minimal amount, depending on how the changes in definitions impacts sales. The impact would depend on the portion of current sales that are made up of products that meet the 0.3% limit for delta-9 THC, but do not meet the 0.3% limit for *total* THC, and would depend on the speed and extent to which sellers are able to transition to products that are in compliance.

Annual sales tax on these products is estimated between \$2.3 M to \$4.2 M. Sales tax revenue is distributed to the General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

*(Revised) Court Fee and Fine Revenue:* The bill expands infractions, misdemeanors, and felonies for certain alcohol and tobacco offenses to also include “products containing THC” (possession or consumption by a minor, furnishing to a minor, selling to an intoxicated person, and allowing a minor to enter a retail establishment). It also establishes separate offenses (as Class A misdemeanors under new IC 35-48-8-8) pertaining to hemp derived cannabinoid products and pertaining to the growing or handling of hemp without a license issued from the OISC. This statute provides a Level 6 felony enhancement (with prior conviction) and a Level 5 felony enhancement (with prior conviction), if the amount is more than ten pounds or the offense involved a sale to a person under age 18.

Changes to the definition of “smokable hemp” would allow charge some offenses to be charged under either statute (for substances in a smokable form with more than 0.3% total THC). Offenses for possession or dealing smokable hemp are Class A misdemeanors. Marijuana offenses range from Class B and Class A misdemeanors to Level 6 and Level 5 felonies.

If additional court cases occur and fines are collected, revenue would increase to the state General Fund and the Common School Fund. The maximum criminal fines for misdemeanors range from \$500 to \$5,000 and for all felonies is \$10,000. The maximum judgment for a Class C infraction is \$500. However, certain infractions under IC 35-46-1-11.7 allow for *increased* civil penalties of \$400 to \$2,000, to be deposited into the Richard D. Doyle Tobacco Education and Enforcement Fund. Certain infractions under IC 7.1-5-7-8 allow for *additional* civil judgments of \$200 to \$1,000 to be deposited into the ATC Enforcement and Administration Fund. The following linked document describe the fees and distribution of the revenue: [Court fees imposed in criminal, juvenile, and civil violation cases](#)

*(Revised) OISC Hemp Licenses:* This bill shifts the hemp THC limit from a delta-9 THC cap to a total THC cap, which could potentially decrease the in-state demand for hemp grown by licensed hemp growers, and handled by licensed hemp handlers. There were 25 grower, 25 handler, and 10 grower-handler licenses issued in FY 2025. To the extent that these changes result in a decrease in the number of licenses issued by OISC, revenue from licenses may decrease. [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.]

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; (4) a site change fee of \$50; and (5) 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 licenses.

*(Revised) OISC Civil Penalties:* To the extent that changes in this bill result in additional violations of hemp license requirements, terms, or rules, civil penalty revenue may increase by up to \$2,500 (per violation). Knowing and intentional violations are subject to civil penalties of up to \$10,000. Additionally, violators must reimburse OISC for laboratory testing of material pertaining to the violation. [No civil penalties have been imposed by OISC. Certain civil penalty revenue is required to be transferred to the ISDA for hemp marketing and research.]

**Explanation of Local Expenditures:** *(Revised) Penalty Provisions:* The various changes in the bill, both expanding and establishing several hemp-related offenses (infractions, misdemeanors, and felonies), as well as changing the “smokable hemp” definition could increase or decrease the number of defendants that are detained pretrial and/or the number of days a person is sentenced to be incarcerated in a county jail.

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:** *(Revised)* 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](#)

**State Agencies Affected:** Alcohol and Tobacco Commission, Department of Correction, State Seed Commissioner; Indiana State Department of Agriculture; Purdue University.

**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](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>;  
<https://iar.iga.in.gov/register/20240501-IR-010240159AOA>;  
<https://cbdoracle.com/news/cbd-statistics/>.

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