

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

LS 6747

BILL NUMBER: SB 286

NOTE PREPARED: Jan 9, 2026

BILL AMENDED:

SUBJECT: Cannabis Regulation.

FIRST AUTHOR: Sen. Pol

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill permits the use of cannabis by: (1) a person at least 21 years of age; and (2) a person with a serious medical condition as determined by the person's physician.

Adult Use Cannabis Excise Tax: The bill establishes the Adult Use Cannabis Excise Tax, and requires a retailer to transfer the tax to the Department of State Revenue (DOR) for deposit in the state General Fund. The bill also exempts veterans from payment of the sales tax on medical or adult use cannabis.

Program: The bill establishes a cannabis program (program) to permit the cultivation, processing, testing, transportation, and sale of cannabis by holders of a valid permit.

Indiana Cannabis Commission and Advisory Committee: The bill establishes the Indiana Cannabis Commission (ICC) as a state agency to oversee, implement, and enforce the program, and establishes the ICC Advisory Committee to review the effectiveness of the program.

Distribution and Labeling: The bill requires that permit holders take steps to prevent diversion of cannabis to unauthorized persons. It requires that cannabis and cannabis products be properly labeled, placed in child resistant packaging, and tested by an independent testing laboratory before being made available for purchase. The bill also prohibits packaging cannabis in a manner that is appealing to children.

Research: The bill authorizes research on cannabis in accordance with rules set forth by the ICC.

Expungement: The bill establishes a procedure for the expungement of a cannabis related conviction if the act constituting the conviction becomes legal.

The bill makes conforming amendments.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Summary* - The bill could increase state costs between \$1.4 M and \$2.6 M in FY 2027 and between \$741,000 and \$1.5 M in FY 2028 to fulfill duties set forth in the bill for the Indiana Cannabis Commission (ICC) and the Department of Revenue (DOR).

Additional Information - Marijuana is federally classified as a Schedule I substance under the Controlled Substances Act. As of June 2025, 40 states allow or regulate the medical use of cannabis products and 24 states allow or regulate non-medical use of cannabis products. Future federal responses to state cannabis initiatives is unknown.

Indiana Cannabis Commission: The ICC could incur personnel costs between \$579,000 and \$1.1 M in FY 2027 and \$598,000 to \$1.2 M in FY 2028, depending on the size of ICC staff and hiring. LSA assumed 3 to 6 executive and policy staff and a minimum of 5 inspectors. ICC database development cost is estimated at \$300,000 to \$750,000 in FY 2027 while ongoing database maintenance and support was estimated at \$30,000 to \$75,000 in FY 2028 and future years. The bill requires the ICC to contract with the State Chemist for testing of medical and adult use cannabis.

The bill establishes a 3-member ICC Board (non-salaried), whose members are entitled to per diem and reimbursement of travel expenses. The bill also establishes a 12-member ICC Advisory Committee to review rules adopted by the ICC, review ICC legislative proposals, evaluate the cannabis research and development program, and evaluate the operation of the cannabis programs set forth in the bill. The advisory committee will operate under the rules of the Legislative Council. Recently, budgets for committees of similar size are estimated at \$13,500 per interim.

Department of State Revenue (DOR): DOR will incur software-related costs and would need to hire additional staff to collect the new adult use cannabis excise tax. In 2024, the DOR estimated that the expenses for implementing the cannabis excise tax and sales tax on cannabis would include first-year costs between \$540,000 and \$675,000 and ongoing annual costs between \$100,000 and \$200,000.

Penalty Provisions: The bill exempts most individuals or organizations that are substantially in compliance with the requirements of the comprehensive program from criminal penalties concerning marijuana. This would have little or no effect on the future offender population of the Department of Correction (DOC) since there were a total of only 24 individuals committed to DOC facilities for possession of marijuana as a Level 6 felony (listed as the maximum convicted charge) between FY 2021 and 2025.

Individuals committed to the DOC for dealing marijuana as felony convictions were not included since felony enhancements only apply if the person has a prior conviction or has at least 30 grams, and the bill limits an adult cannabis user from possessing more than one ounce (about 28.3 grams) in a 30-day period, so these charges could still be filed.

Explanation of State Revenues: *Summary* - Revenue to the state General Fund, from Sales and Excise Tax, is estimated to increase between \$44.4 M and \$82.2 M in FY 2027 and between \$50.0 M and \$93.1 M in FY 2028. Revenue to the state General Fund will also increase an indeterminate amount from fees required under the new Cannabis Program.

The addition of new infractions, misdemeanors, and felonies, as well as the decriminalization of marijuana (including hash oil and hashish), will have an indeterminate overall impact on the state General Fund (from court fees and infraction judgements) and the Common School Fund (from criminal fines).

Additional Information -

Adult Use Cannabis Excise Tax: The bill establishes the adult use cannabis excise tax beginning FY 2027. The excise tax revenue would be deposited in the state General Fund. The potential excise tax revenue is summarized in the following table.

Estimated Adult Use Cannabis Excise Tax Revenue Upon Full Implementation (\$ Millions)			
	Adult Use Cannabis Excise Tax Rate	<u>Low Estimate</u>	<u>High Estimate</u>
FY 2027	1%	\$4.3	\$8.4
FY 2028	2%	\$8.9	\$17.3
FY 2029	3%	\$13.5	\$26.4

Permits, Fees, and Fines: An identification card for a patient or caregiver is \$50 for issuance or renewal. Demonstrated financial hardship may reduce or waive the fee. The bill also requires the commission to conduct a national criminal history background check of each applicant for a caregiver identification card and requires the applicant to pay for the associated \$15 State Police fee.

Permit fees and civil penalties imposed by the commission will increase revenue to the state General Fund. Resulting revenue may resemble new programs in other states, although NCSL data confirms that each state's cannabis permitting model is unique. Kentucky launched a medical cannabis program in 2025, which collected \$27.5 M in permit application fees in its initial year. Indiana permit fee revenue will increase as the program matures. Cannabis organization permit fees set forth in the bill are listed in the following table.

Permit Fees by Type				
Fee Type	Grower	Processor	Qualified Retailer	Testing Laboratory
Application (nonrefundable)	\$500	\$2,500	\$200	\$1,000
Permit (refundable)	\$2,500	\$10,000	\$1,000/location	\$2,500/location
Permit Renewal (refundable)	\$1,000	\$5,000	\$750/location	\$2,000/location
Permit Amendment (nonrefundable)	\$250	\$250	\$250	\$250

Controlled Substance Excise Tax (CSET) Repeal: CSET collections are \$4,013 per year on average between FY 2021 and FY 2025, and the revenue is deposited in the Controlled Substance Tax Fund. The tax is collected on the delivery, possession, or manufacture of controlled substances in violation of state or federal law, and the money in the CSET Fund is used to cover administrative and enforcement costs of the DOR.

Penalty Provisions and Expungements: The bill will reduce revenue to the state General Fund (from court fees) and the Common School Fund (from criminal fines). There are about 2,700 misdemeanor marijuana possession convictions each year. About 1,900 of these have only one convicted charge, although they may have other dismissed charges. There would be fewer court cases by limiting marijuana offenses to individuals

noncompliant with the program, as well as provisions requiring a minimum concentration of THC in a person's blood for the person to be violation of operating a vehicle, motorboat, or other equipment while under the influence of THC and provisions establishing a new category for expungements that do not require filing fees (this provision would reduce revenue, not cases). The bill maintains the limit of one expungement petition during a person's lifetime.

The total fee revenue per case ranges between \$113 and \$138, depending on whether the case is filed in a court of record or a municipal court. Revenue could also be reduced if there are fewer fees imposed for drug-related convictions. 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: *Penalty Provisions:* Limiting certain marijuana offenses to individuals noncompliant with the program and adding the requirement regarding a minimum THC concentration in a person's blood for operating-a-vehicle-while-intoxicated offenses could reduce local jail populations. The bill could also reduce costs to counties for public defense expenses and the pre- and post-trial jail confinement for persons who are charged with marijuana offenses. The bill could also reduce the supervisory burden on community corrections agencies and probation departments. However, some cases that include these offenses also include other offenses which may still be prosecuted.

Expungements: Court workload could minimally increase to process expungement petitions that are not yet eligible for expungement under current law. Since the majority expungements are disposed with a bench disposition, which generally do not require witnesses to be sworn in or evidence to be introduced, the court proceedings should be relatively brief. Courts take an average of 23 minutes to complete an expungement petition. The bill maintains the limit of one expungement petition during a person's lifetime.

Explanation of Local Revenues: *Penalty Provisions and Expungements:* Revenue could minimally decrease for the new category of expungements that do not require filing fees. Local governments would also receive less revenue from court fees if there are fewer criminal prosecutions. For cases filed in a court of record, the county general fund receives \$47.40 and qualifying municipalities receive a share of \$3.60. For cases filed in a municipal court, the county receives \$30, and the municipality receives \$46.

Revenue would also be reduced if there are fewer fees imposed for drug-related convictions. 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: Governor's Office; General Assembly; Department of Revenue; State Department of Agriculture; Indiana Department of Health, State Chemist.

Local Agencies Affected: Prosecuting attorneys; law enforcement agencies; courts with certain criminal jurisdiction; community corrections agencies, trial courts, city and town courts.

Information Sources:

Budget data for Indiana Gaming ICC and Alcohol and Tobacco ICC;
U.S. Census Bureau, Annual Estimates of the Resident Population by Single Year of Age and Sex;
<https://www.in.gov/ai/appfiles/isp-lch/>
<https://www.ncsl.org/health/state-medical-cannabis-laws>;
<https://www.ncsl.org/fiscal/states-can-nabis-collect-millions>;
<https://kymedcan.ky.gov/About/Pages/default.aspx>

Graig Lubsen, Indiana Office of Technology; Indiana Trial Court Fee Manual; Odyssey Case Management System maintained by the Indiana Supreme Court, Office of Judicial Administration; Indiana Judicial Service Report: Judicial Year in Review-
<https://www.in.gov/courts/iocs/statistics/trial-probation>;
<https://www.in.gov/courts/iocs/files/pubs-trial-court-courtmgmt-expungement-detailed.pdf>;
[2024 Indiana Weighted Caseload Study](#);
State program websites and contacts available from LSA upon request.

Fiscal Analyst: Heather Puletz, 317-234-9484; Dhiann Kinsworthy-Blye, 317-234-3106; Qian Li, 317-232-967.