

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

LS 6068

BILL NUMBER: SB 478

NOTE PREPARED: Feb 13, 2025

BILL AMENDED: Feb 13, 2025

SUBJECT: Craft Hemp Flower and THC Products.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill establishes certain regulatory testing and packaging requirements for the distribution and sale of craft hemp flower products and specifies penalties applicable to the unlawful possession or distribution of craft hemp flower products. It prohibits the possession of craft hemp flower unless it is being used by a licensee to manufacture a legal hemp product, including a craft hemp flower product.

The bill provides that a food is not considered adulterated for containing low THC hemp extract or craft hemp flower. The bill provides that craft hemp flower product is not included in the definition of "controlled substance analog", "hashish", "low THC hemp extract", or "marijuana".

The bill prohibits the sale of low THC hemp extract to a person less than 21 years of age, if it contains certain elements.

The bill provides that it is a Class C infraction for a person less than 21 years of age to purchase, accept, or possess a product that contains THC.

The bill establishes a regulatory framework for craft hemp, including the regulation of advertising. It provides that certain retailers may not sell craft hemp flower products if the retailer is located near a school.

The bill changes certain references of delta 9 THC to THC.

The bill provides that e-liquid does not include low THC hemp extract for purposes of the vapor pens and e-liquid article.

The bill also defines terms, makes conforming changes, and makes technical corrections.

Effective Date: July 1, 2025.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* The bill would establish a

new regulatory framework for craft hemp under the ATC. It would significantly increase the workload and expenditures to create a new permits for craft hemp retailers, distributors, and manufacturers and enforce the new regulatory framework, including regulating advertising. An additional employee may be needed for the processing of additional permits. The cost would be an estimated \$61,000 to \$78,000 in FY 2026 and \$64,000 to \$81,000 in FY 2027 for salary and benefits for the additional employee. Additional excise officers in each of the six districts will need to be hired to investigate complaints associated with the new regulatory framework. Additional excise officers start at a \$70,000 salary and follow the same pay matrix as State Police. To handle the additional workload, each district may need an additional three excise officers for a total of 18 new officers for a salary total of \$1.26 M in FY 2026. However, there are currently seven vacancies for excise officers and one for an excise corporal as of February 2025, with a minimum salary total of \$566,000. The increase in expenditures would be offset through the permit fees and fines collected and deposited into the Enforcement and Administration Fund under the new regulatory framework for craft hemp.

Office of State Chemist and Seed Commissioner (OISC): The workload of the OISC could increase if allowing the sale of craft hemp flower products directly to the public (to people age 21 and over, after testing and packaging requirements are met) increases the number of hemp license applications to be processed. The OISC is integrated in the Purdue University budget, including regulatory costs of the state hemp program. [Total hemp program expenses were \$202,989 in FY 2024.]

Office of the Attorney General: The administrative expenditures and workload of the Office of the Attorney General could potentially increase to enforce the bill's requirements for packaging and distribution of craft hemp flower products under trade regulation laws. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Craft Hemp Permits:* The bill is likely to significantly increase revenue to the Enforcement and Administration Fund from new permit fees. For retail permits, it is likely the same establishments that apply for a tobacco sales certificates would apply for craft hemp retail permits. If all tobacco sales certificate holders applied for craft hemp retail permits, the fee could generate an estimated maximum of \$8.3 M in permit fee revenue for FY 2026 and thereafter. For distributor and manufacturer craft hemp permits, the increase in revenue is indeterminable but likely to be small. The increase in revenue would depend on the amount of craft hemp retailers, distributors, and manufacturers that apply for a permit. [Currently, as of November 2024, there are 8,298 tobacco sales certificates.]

The bill creates a three tier permit regulatory system for craft hemp products. It creates a retail, distributor, and manufacturer permit of which the initial, renewal, and reinstatement fees are deposited into the Enforcement and Administration Fund. For all the permits, the term lasts for one year. A permit holder is not restricted from holding other craft hemp permits (e.g. a retail permittee may also hold a distributor and manufacturer craft hemp permit). If a permit is revoked and subsequently reinstated, the permittee would need to pay a fee to reinstate the permit. The table below shows fees for the different types of permits.

Permit Type	Initial/Renewal Fee	Reinstatement Fee
Retail	\$1,000	\$1,000
Distributor	\$5,000	\$1,000
Manufacturer	\$5,000	\$1,000

Permit Violations: The bill would increase penalty fine revenue from permit violations. The ATC may impose a civil penalty for up to \$1,000 for a permit violation which is deposited into the Enforcement and Administration Fund. Increases in penalty revenue from permit violations is likely to be small. Additional penalties may be assessed provided by the table below.

Permit Violation	Penalty	Maximum Judgment/Fine
Sell, distribute, or manufacture without a permit	Class A infraction	\$10,000
Failure to pay civil penalty issued by the ATC	Class B infraction	\$1,000
Failure to show to hearing	N/A	\$1,000

Hemp Licensing Revenue: By allowing sales of craft hemp flower products directly to the public, revenue to the OISC could increase from hemp grower and handler license applications and other hemp fees and penalties. The bill would allow craft hemp flower products to be distributed to the public after the product has passed independent laboratory testing; has been packaged in tamper evident packaging; and is in the form of a gummy, an edible, a tincture, or an e-liquid. The amount of the revenue increase is indeterminate. Hemp fee revenue is used for hemp administrative expenses, and hemp penalty revenue is transferred to the Indiana State Department of Agriculture to be used for hemp marketing and research purposes. [In FY 2024, the OISC issued 52 grower and handler licenses and collected \$45,050 in revenue. No penalties were assessed.]

(Revised) Craft Hemp Flower Product Violations: The bill includes craft hemp flower in the definition of smokable hemp for purposes of the Class A misdemeanor penalties for possessing or dealing smokable hemp (maximum judgment \$5,000). It also allows for the possession and distribution of craft hemp flower products, subject to packaging requirements, and creates penalties for violations related to craft hemp flower products and counterfeit hemp substances, which are listed in the following table. Infraction judgments are deposited in the General Fund, and fines for misdemeanors are deposited in the Common School Fund.

Craft Hemp Flower Product Violation	Penalty	Maximum Judgment/Fine
Distribution and sale	Class B misdemeanor Class A misdemeanor (with prior)	\$1,000 \$5,000
Selling/distributing to a person under 21	Class C infraction	\$500*
Retail establishment selling/distributing to a person under 21	Class C infraction	\$400* \$800-\$2,000* (repeat offenses)
Purchasing, accepting, or possessing a product that contains THC by a person under 21	Class C infraction	\$500
Possessing (with broken seal) while motor vehicle is in operation or on right- of-way of public highway	Class C misdemeanor	\$500
Creates, delivers, or finances a counterfeit hemp substance	Class A misdemeanor	\$5,000

*Deposited in the Richard D. Doyle Youth Tobacco Education and Enforcement Fund

Low THC Hemp Extract Violations: The bill prohibits the sale of low THC hemp extract containing certain ingredients to a person under 21 years of age. The bill sets the following maximum civil penalties for violations:

- (1) \$1,000 for a first violation.
- (2) \$5,000 for a second violation that occurs within two years after a first violation, and suspension of the retail dealer's certificate for up to six months.
- (3) \$10,000 for each subsequent violation that occurs within two years of the preceding violation, and revocation of the retail dealer's certificate, with a one year waiting period for reapplication.

In addition, the bill makes changes to packaging requirements for low THC hemp products, the penalty for a violation of which is a Class B infraction or a Class A infraction with prior violations. The maximum judgment for a Class B infraction is \$1,000, and the maximum judgment for a Class A infraction is \$10,000, which would be deposited in the state General Fund.

Court Fee Revenue: If additional court cases occur, revenue to the state General Fund (from court fees) would increase. The total fee revenue per case would range between \$113 and \$135 for misdemeanors and between \$85.50 and \$103 for infractions. The amount of court fees deposited will vary 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: *Craft Hemp Flower Product Violations:* A Class A misdemeanor is punishable by up to one year in jail, a Class B misdemeanor is punishable by up to 180 days in jail, and a Class C misdemeanor is punishable by up to 60 days in jail.

Local Boards: The bill would result in an increase in workload to change local alcoholic beverage board

names to include craft hemp and provide training to board members on Indiana craft hemp laws. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of Local Revenues: *Court Fee Revenue:* If additional court actions occur and a guilty verdict or judgment is 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 for misdemeanors or \$33.90 for infractions, and qualifying municipalities will receive a share of \$3.60 for misdemeanors or \$2.10 for infractions. If the case is filed in a municipal court, the county receives \$30 for misdemeanors or \$20 for infractions, and the municipality will receive \$46 for misdemeanors or \$33.50 for infractions. 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; Office of the Attorney General; Office of the Indiana State Chemist; Indiana State Department of Agriculture.

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

Information Sources: Office of Indiana State Chemist, Annual Hemp Regulatory and Research Reports, https://oisc.purdue.edu/hemp/annual_reports.html. Blaine Brown, Office of Indiana State Chemist. Indiana Supreme Court, Indiana Trial Court Fee Manual. SPD Staffing Data, February 2025. Trooper Matrix effective January 7, 2023, https://www.in.gov/atc/ise/sep/files/Excise-Police-Pay-Matrix_2023-07-01.pdf.

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