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Senate Bills 599 through 602 (as introduced 10-2-25)
Sponsor: Senator Dayna Polehanki (S.B. 599 & 602)
Senator Sam Singh (S.B. 600 & 601)
Committee: Regulatory Affairs

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INTRODUCTION

The bills would enact the "Industrial Hemp Processing Act" to require a person to hold a license before processing consumable hemp products from industrial hemp. Industrial hemp is generally cannabis with less than 0.3% Tetrahydrocannabinol (THC), the intoxicant in marihuana. Currently, the licensing of persons engaged in the growing, processing, and handling of industrial hemp is governed by the Industrial Hemp Research and Development Act, which the bills would repeal. The bills would require the Cannabis Regulatory Agency (CRA) to administer the "Industrial Hemp Processing Act's" licensing and regulatory requirements and to promulgate rules. They also would establish licensure fees and qualifications and civil and criminal penalties for violations of the proposed Act.

Senate Bills 600 through 602 are tie-barred to Senate Bill 599, which is tie-barred to Senate Bills 600 through 602.

FISCAL IMPACT

The bill would have a minimal fiscal impact on the CRA in the Department of Licensing and Regulatory Affairs. While the bill would require the CRA to perform certain administrative duties in the licensing and regulation of processing and handling of industrial hemp, the CRA already performs these duties under the Industrial Hemp Research and Development Act.

The bill would have a negative and corresponding positive fiscal impact on the State and local government. A civil fine of not more than \$5,000 for individuals and \$10,000 for licensees could be imposed for a violation of the Act. Additionally, a violation of the Act could result in new misdemeanor arrests and convictions, thereby increasing resource demands on law enforcement, court systems, community supervision, and jails; however, it is unknown how many people would be prosecuted under provisions of the Act. The Act also would impose misdemeanor fines of between \$10,000 and \$25,000, benefiting local libraries. Any additional revenue from imposed fines would go to local and county law libraries.

The bill would not have a significant fiscal impact on the Department of Treasury. Ongoing costs associated with the investment and monitoring of the Consumable Hemp Product Fund likely could be covered by existing appropriations.

MCL 333.27102 et al. (S.B. 600)
333.29103 et al. (S.B. 601)
333.27953 & 333.27958 (S.B. 602)

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CONTENT

Senate Bill 599 would enact the "Industrial Hemp Processing Act" to do the following:

- Establish licensure for the processing, packaging, transporting, distributing, or selling of consumable hemp products and prohibit a person from doing such without a license.**
- Prescribe the qualifications, process, and fees for licensure as a consumable hemp processor.**
- Require the CRA to promulgate rules to regulate the processing of industrial hemp.**
- Allow a person to sell a consumable hemp product in the State with or without a license if the consumable hemp product were processed by and obtained from a consumable hemp processor.**
- Provide for the sampling and testing of consumable hemp products.**
- Establish labeling requirements for consumable hemp products.**
- Prescribe civil fines and misdemeanor penalties for violations of the Act.**
- Create the Consumable Hemp Product Fund in the State Treasury.**
- Repeal the Industrial Hemp Research and Development Act, which currently authorizes the growing and cultivating of industrial hemp for research and development purposes and regulates the growing, processing, and handling of industrial hemp.**

Senate Bills 600, 601, and 602 would respectively amend the Medical Marijuana Facilities Licensing Act, the Industrial Hemp Growers Act, and the Michigan Regulation and Taxation of Marijuana Act to delete references to the Industrial Hemp Research and Development Act and provisions governing industrial hemp in accordance with Senate Bill 599's proposed "Industrial Hemp Processing Act".

Senate Bill 599 is described in further detail below.

Chapter I (General Provisions)

"Process" or "processing" would mean to separate or otherwise prepare parts of an industrial hemp plant and compound, blend, extract, infuse, or otherwise make or prepare a consumable hemp product.

"Consumable hemp product" would mean an edible substance, beverage, infused liquid, or similar product that contains a nonintoxicating cannabinoid and is intended for human or animal consumption, ingestion, or inhalation. The term would not be considered a food under the Food Law and would not include a product that contained industrial hemp seed or an industrial hemp seed-derived ingredient.

"Converted cannabinoid" would mean a cannabinoid that is converted from a different cannabinoid using a chemical reaction. The term would not include a cannabinoid that was created through decarboxylation of a naturally occurring acidic form of a cannabinoid into the corresponding neutral cannabinoid through the use of heat or light, or both, if the following requirements were met:

- No chemical reagents or catalysts were used to produce the cannabinoid.**
- No other chemical change occurred.**

"Industrial hemp" would mean that term as defined in the Michigan Regulation and Taxation of Marihuana Act: 1) a plant of the genus Cannabis, whether growing or not, with a THC concentration of 0.3% or less on a dry-weight basis; 2) a part of a plant of the genus Cannabis, whether growing or not, with a THC concentration of 0.3% or less on a dry-weight basis; 3) the seeds of a plant of the genus Cannabis with a THC concentration of 0.3% or less on a dry-weight basis; 4) if it has a THC concentration of 0.3% or less on a dry-weight basis, a compound, manufacture, derivative, mixture, preparation, extract, cannabinoid, acid, salt, isomer, or salt of an isomer of a plant of the genus Cannabis; and 5) if intended for human or animal consumption, generally having a THC concentration of 0.3% or less on a dry-weight basis.

"Key participant" would mean a person that has a direct or indirect financial interest in the person or business that produces a consumable hemp product or a person in a corporate entity at an executive level that is regularly responsible for decision making that impacts the production of a consumable hemp product. The term would include the following:

- For a sole proprietorship, a sole proprietor.
- For a partnership, a partner.
- For a corporation, an individual with executive managerial control, including, but not limited to, a chief executive officer, a chief operating officer, or a chief financial officer.

"Person" would mean an individual, partnership, corporation, association, or other legal entity.

Chapter II (Applications and Licenses)

The bill would prohibit a person from processing a consumable hemp product unless the person was granted a license under the Act. To apply for a license, a person would have to submit an application on a form and in a manner as prescribed by the CRA. An applicant would have to include with an application the following information:

- The applicant's full name, date of birth, mailing address, telephone number, Social Security number, and email address.
- If the applicant were not an individual, the application would have to include the employer identification number and the full name of each key participant, including each key participant's date of birth, title, and email address.
- The address and legal description of each building or other location where the applicant would process consumable hemp products.

The CRA would have to grant an applicant a license if the following conditions were met:

- The applicant submitted a completed application.
- The applicant met the qualifications for a license.
- The applicant paid the applicable fee.

A license would be valid for one year beginning on December 1 and expiring at midnight on the following November 30, except that an initial license would expire at midnight on November 30 in the year in which the license was granted.

To renew a license, the licensee would have to submit an application on a form and in a manner prescribed by the CRA no later than November 30. If a licensee did not renew a license by November 30, the licensee could renew the license within 60 days after November 30. A licensee that renewed a license within this 60-day period would have to pay a late fee of \$250 in addition to any other applicable fee required under the Act. The applicant could continue to operate under the license during the 60-day period. If a licensee did not renew a

license within the 60-day period, the license would be void. A late fee collected would be deposited into the Consumable Hemp Product Fund.

Information submitted by an applicant to the CRA would be exempt from disclosure under the Freedom of Information Act. A license would be nontransferable and nonrefundable.

The CRA would have to approve or deny an application for a license within a reasonable amount of time that did not otherwise result in a delay in the processing of an application. It would have to deny an application for a license if any of the following applied:

- The application was incomplete.
- If the applicant were an individual, the applicant was under the age of 18.
- The applicant's buildings or locations disclosed on an application submitted under the Act were dwellings or were not located in the State.
- The applicant had not demonstrated, as determined by the CRA, a willingness to comply with the Act or the rules promulgated under the Act.
- The applicant had unpaid fees or civil fines owed to the State under the Act.
- The applicant had made a false statement or representation, as determined by the CRA, to the CRA or a law enforcement agency.

If the CRA denied an application because the application was incomplete, the CRA would have to notify the applicant of the denial within 120 days after determining the application was incomplete by letter or email. The notice would have to state the deficiency and request additional information.

The CRA would have to issue a document to a licensee that evidenced the granting of a license. A licensee would have to display a copy of that document prominently in all buildings or locations disclosed on an application submitted under the Act.

If the CRA denied an application for a license, the applicant could appeal the denial by submitting a written request for a hearing to the CRA. The applicant would have to submit the request to the Agency within 21 days of the date of the denial. The CRA would have to conduct a requested hearing in accordance with the Administrative Procedures Act.

To modify a site location listed in an application submitted under the Act, the licensee would have to submit a site location modification request on a form and in a manner prescribed by the CRA and pay the required fee.

The CRA would have to approve a site location modification request only if the following conditions were met:

- The new site or modified site was located within the State.
- The new site or modified site complied with requirements specified in rules promulgated under the Act.
- The licensee paid the site location modification fee under the Act in full.

Chapter III (Consumable Hemp Processors)

Under the Act, a consumable hemp processor could process, package, transport, distribute, or sell consumable hemp products in accordance with the Act. A consumable hemp processor would have to do all the following:

- Comply with all applicable State and Federal laws and regulations.

- Destroy any intoxicating cannabinoid that was created or otherwise resulted from processing a consumable hemp product.
- Test all consumable hemp products in accordance with the Act's rules.
- Provide an invoice for the sale of industrial hemp, maintain that invoice for five years, and make the invoice available to the CRA on request.

The Act would prohibit a consumable hemp processor from purchasing a converted cannabinoid for use in processing a consumable hemp product.

Except as otherwise provided under the Michigan Regulation and Taxation of Marihuana Act, the Medical Marihuana Facilities Licensing Act, and the Michigan Medical Marihuana Act, the proposed Act would prohibit a person from processing, selling, or otherwise transferring any of the following:

- A product that contained an intoxicating or potentially intoxicating cannabinoid, as described below.
- An intoxicating or potentially intoxicating cannabinoid.
- A product that contained a converted cannabinoid.
- A converted cannabinoid.

A person could sell a consumable hemp product in the State with or without a license if the consumable hemp product were processed by and obtained from a consumable hemp processor. A consumable hemp product sold in the State would have to meet the requirements specified in rules promulgated under the Act and have a label that contained the following statements in bold capital letters:

- "THIS PRODUCT HAS NOT BEEN EVALUATED BY THE FOOD AND DRUG ADMINISTRATION AND IS NOT INTENDED TO DIAGNOSE, TREAT, CURE, OR PREVENT ANY DISEASE."
- "KEEP OUT OF REACH OF CHILDREN."

Further, the label would have to meet the following requirements:

- Not be designed in a way that is attractive to minors.
- Not contain any medical claims.
- List the net weight.
- List all of the ingredients.
- List the percentage of nonintoxicating cannabinoids by weight.

Under the Act, nonintoxicating cannabinoids would include all the following:

- Full spectrum industrial hemp extract that contained no more than 1.75 milligrams of THC per serving and contained a ratio of cannabidiol to THC of greater than or equal to 15-1.
- Broad spectrum industrial hemp extract.
- Cannabidiol.
- Tetrahydrocannabivarin.
- Cannabichromene.
- Cannabicitran.
- Cannabicyclol.
- Cannabielsoin.
- Cannabigerol.
- Cannabidivarin.
- Cannabinol.
- Any other cannabinoid that the CRA determined by rule to be nonintoxicating.

Intoxicating cannabinoids would include all the following:

- Delta-9, delta-8, delta-7, delta-10, delta-6a, and delta-10a THC and their isomers.
- Exo-tetrahydrocannabinol.
- Metabolites of THC, including 11-hydroxy-THC, 3-hydroxy-THC, or 7-hydroxy-THC.
- Hydrogenated forms of THC, including hexahydrocannabinol, hexahydrocannabiphorol, and hexahydrocannabihexol.
- Synthetic forms of THC, including dronabinol.
- Ester forms of THC, including delta-8 THC-O-acetate, delta-9 THC-O-acetate, and hexahydrocannabinol-O-acetate.
- Tetrahydrocannabivarin, including delta-8 tetrahydrocannabivarin but excluding delta-9 tetrahydrocannabivarin.
- Analogues of tetrahydrocannabinols with an alkyl chain of four or more carbon atoms, including tetrahydrocannabiphorols, tetrahydrocannabioctyls, tetrahydrocannabihexols, and tetrahydrocannabutols.
- Any combination of the compounds, including hexahydrocannabiphorol-O-ester, listed above.
- Any other cannabinoid that the CRA determined by rule to be intoxicating.

Potentially intoxicating cannabinoids would include all the following:

- Any cannabinoid that had not been assessed by the State or a Federal agency for a safety profile and intoxication profile.
- A cannabinoid that was not a phytocannabinoid.
- Any other cannabinoid that the CRA determined by rule to be potentially intoxicating.

Chapter IV (Administration)

The CRA would have to promulgate rules to implement the Act in accordance with the Administrative Procedures Act. The rules would have to include the following:

- Requirements and procedures for the CRA to request additional sampling and testing of consumable hemp products.
- Processes for determining whether a cannabinoid was nonintoxicating, intoxicating, or potentially intoxicating, and a list of nonintoxicating, intoxicating, and potentially intoxicating cannabinoids.
- Requirements for consumable hemp products sold in the State.

The CRA also would have to promulgate requirements and procedures for testing consumable hemp products. All consumable hemp products would have to be tested before being sold or offered for sale in this state. Testing would have to be conducted by one of the following:

- A marihuana safety compliance facility that was licensed under and met the requirements of the Michigan Regulation and Taxation of Marihuana Act or the Medical Marihuana Facilities Licensing Act.
- A regulatory testing facility that complied with the Industrial Hemp Growers Act.
- A laboratory in another state that substantially met the requirements of an entity described above.

The CRA could promulgate an emergency rule in accordance with the Administrative Procedures Act if it determined that a cannabinoid was an intoxicating cannabinoid or potentially intoxicating cannabinoid and that consumption of the cannabinoid posed a risk to public health and safety.

The CRA would have to create an application for hemp processor licenses under the Act. The CRA would have to maintain a submitted application for at least five years.

A licensee would have to pay the following fees, as applicable:

- A State license fee of \$1,350.
- A site location modification fee of \$50 for each location modification requested.

A licensee would have to pay the required fees at the time an application was submitted. Fees would have to be paid with a check or money order payable to the CRA. Fees collected under the Act would have to be deposited into the Consumable Hemp Product Fund. The required fees would be nonrefundable and nontransferable.

The Act would create the Consumable Hemp Product Fund within the State Treasury. The State Treasurer could receive fees or a late fee collected under the Act for deposit into the Fund. The State Treasurer could also receive money or other assets from any other source for deposit into the Fund and would have to credit to the Fund interest and earnings from fund investments. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund. The CRA would be the administrator of the Consumable Hemp Product Fund for auditing purposes. The CRA would have to spend money from the Fund to administer and enforce the Act and the rules promulgated under the Act.

A political subdivision of the State could not adopt a rule, regulation, code, or ordinance that was contrary to the Act.

Chapter X (Violations and Penalties)

If a licensee violated a provision of the Act or a rule promulgated under the Act, the CRA could suspend, revoke, or restrict the licensee's license. If the CRA suspended, revoked, or restricted a license, the CRA would have to notify the licensee in writing of such. If a license were suspended, revoked, or restricted, the licensee could not obtain, process, package, transport, or distribute a consumable hemp product but as authorized in writing by the CRA.

The CRA could impose a civil fine of up to \$5,000 against an individual and up to \$10,000 against a licensee for a violation of the Act or a rule promulgated under the Act. Assessment of a civil fine under Chapter X would not bar the investigation, arrest, charging, or prosecution of an individual or licensee for any other violation of the Act or a rule promulgated under the Act and would not be grounds to suppress evidence in any criminal prosecution that arose under the Act or any other law of the State.

The CRA would have to schedule a hearing on a suspension, revocation, or restriction of a license or the imposition of a civil fine for a date as soon as practicable and within 60 days after the date of notification of a license suspension, revocation, or restriction or the imposition of the civil fine. The CRA would have to conduct the required hearing in accordance with the Administrative Procedures Act.

The CRA could suspend a license without notice or hearing on a determination that the public health, safety, or welfare was jeopardized by allowing the licensee to continue to obtain, process, package, transport, or distribute a consumable hemp product. If the CRA suspended a license without notice or hearing, a prompt postsuspension hearing would have to be held to determine if the suspension should remain in effect. The suspension could remain in effect until the CRA determined that the cause for suspension had abated. The CRA could revoke the license on a determination that the licensee had not made satisfactory progress toward abating the hazard.

The CRA could conduct investigative and contested case hearings; issue subpoenas for the attendance of witnesses; issue subpoenas *duces tecum* for the production of books, ledgers, records, memoranda, electronically retrievable data, and other pertinent documents; and administer oaths and affirmations to witnesses as appropriate to exercise and discharge the powers and duties of the CRA under the Act. The CRA's authorized representative could issue subpoenas and administer oaths and affirmations to witnesses.

A person that violated the Act by processing, selling, or otherwise transferring a product that contained an intoxicating or potentially intoxicating cannabinoid would be guilty as follows:

- For a first violation, a misdemeanor punishable by a fine of between \$10,000 and \$25,000 or imprisonment for up to 93 days, or both.
- For a second or subsequent violation, a misdemeanor punishable by a fine of between \$10,000 and \$25,000 or imprisonment for up to one year, or both.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.