

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

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HOUSE BILL 563  
Committee Substitute Favorable 6/21/23  
Committee Substitute #2 Favorable 8/16/23  
PROPOSED COMMITTEE SUBSTITUTE H563-PCS30407-SAXf-37

Short Title: Regulate Hemp-Derived Consumables & Kratom.

(Public)

Sponsors:

Referred to:

April 5, 2023

1 A BILL TO BE ENTITLED  
2 AN ACT TO REGULATE THE SALE AND DISTRIBUTION OF HEMP-DERIVED  
3 CONSUMABLE PRODUCTS AND KRATOM PRODUCTS, AND TO BAN THOSE  
4 PRODUCTS FROM SCHOOL GROUNDS.

5 The General Assembly of North Carolina enacts:

6  
7 **PART I. REGULATION OF HEMP-DERIVED CONSUMABLE PRODUCTS AND**  
8 **KRATOM PRODUCTS**

9 **SECTION 1.(a)** The General Statutes are amended by adding a new Chapter to read:

10 **"Chapter 18D.**

11 **"Regulation of Hemp-Derived Consumable Products and Kratom Products.**

12 **"Article 1.**

13 **"Regulation of Hemp-Derived Consumable Products.**

14 **"§ 18D-100. Definitions.**

15 Unless the context requires otherwise, the following definitions apply in this Article:

- 16 (1) ALE Division. – As defined in G.S. 18B-101.  
17 (2) Batch. – The hemp-derived consumable product produced during a period of  
18 time under similar conditions and identified by a specific code that allows  
19 traceability.  
20 (3) Department. – The Department of Revenue.  
21 (4) Distributor. – A person or entity that delivers or sells hemp-derived  
22 consumable products for the purpose of distribution in commerce.  
23 (5) Hemp. – As defined in G.S. 90-87.  
24 (6) Hemp-derived cannabinoid. – Any phytocannabinoid found in hemp,  
25 including delta-9 tetrahydrocannabinol (delta-9 THC), tetrahydrocannabinolic  
26 acid (THCA), cannabidiol (CBD), cannabidiolic acid (CBDA), cannabinol  
27 (CBN), cannabigerol (CBG), cannabichromene (CBC), cannabicyclol (CBL),  
28 cannabivarin (CBV), tetrahydrocannabivarin (THCV), cannabidivarin  
29 (CBDV), cannabicitran (CBT), delta-7 tetrahydrocannabinol (delta-7 THC),  
30 delta-8 tetrahydrocannibinol (delta-8 THC), or delta-10 tetrahydrocannibinol  
31 (delta-10 THC). This term also includes any synthetic cannabinoid derived  
32 from hemp and contained in a hemp-derived consumable product.  
33 (7) Hemp-derived consumable product. – A hemp product intended for human  
34 ingestion or inhalation that contains a delta-9 THC concentration of not more



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1 than three-tenths of one percent (0.3%) on a dry weight basis, but may contain  
2 concentrations of other hemp-derived cannabinoids, including CBD, CBDA,  
3 CBG, CBGA, CBN, THCA, and THCP, in excess of that amount. This term  
4 does not include hemp products intended for topical application, or seeds or  
5 seed derived ingredients that are generally recognized as safe by the United  
6 States Food and Drug Administration (FDA).

7 (8) Hemp product. – As defined in G.S. 90-87.

8 (9) Independent testing laboratory. – A laboratory that meets all of the following  
9 conditions:

10 a. Holds an ISO 17025 accreditation or is registered with the Drug  
11 Enforcement Administration (DEA) in accordance with 21 C.F.R. §  
12 1301.13.

13 b. Does not have a direct or indirect interest in the entity whose product  
14 is being tested.

15 c. Does not have a direct or indirect interest in a facility that cultivates,  
16 processes, distributes, dispenses, or sells hemp-derived consumable  
17 products in this State or any other jurisdiction.

18 d. Has entered into a compliance agreement with the ALE Division to  
19 conduct tetrahydrocannabinol concentration sampling and testing  
20 using the high-performance chromatography (HPLC) testing method.

21 (10) Ingestion. – The process of consuming hemp through the mouth, by  
22 swallowing into the gastrointestinal system or through tissue absorption.

23 (11) Inhalation. – The process of consuming hemp into the respiratory system  
24 through the mouth or nasal passages.

25 (12) License. – A license issued in accordance with this Chapter.

26 (13) Manufacture. – To compound, blend, extract, infuse, cook, or otherwise  
27 manipulate hemp or a hemp-derived cannabinoid to make, prepare, or package  
28 hemp-derived consumable products.

29 (14) Manufacturer. – Any person or entity that engages in the process of  
30 manufacturing, preparing, or packaging of hemp-derived consumable  
31 products.

32 (15) Seller. – Any person who sells a hemp-derived consumable product to the  
33 ultimate consumer of the product, including an online seller.

34 (16) Serving. – A quantity of a hemp-derived consumable product reasonably  
35 suitable for a person's use in a single day.

36 **§ 18D-101. Sales restrictions on hemp-derived consumable products.**

37 (a) Restrictions. – No person shall do any of the following:

38 (1) Knowingly, or having reason to know, sell a hemp-derived consumable  
39 product to a person who is under 18 years of age.

40 (2) Knowingly, or having reason to know, distribute samples of hemp-derived  
41 consumable products in or on a public street, sidewalk, or park.

42 (3) Engage in the business of selling a hemp-derived consumable product without  
43 a valid license issued in accordance with this Chapter.

44 (4) Knowingly, or having reason to know, sell at retail a hemp-derived  
45 consumable product that has a concentration of more than three-tenths of one  
46 percent (0.3%) on a dry weight basis total combined of delta-9  
47 tetrahydrocannabinol.

48 (b) Civil Penalties. – For any violation of this section, the Department may take any of  
49 the following actions against a seller:

50 (1) For the first violation, impose a civil penalty of no more than five hundred  
51 dollars (\$500.00).

- 1           (2)    For the second violation within three years, impose a civil penalty of no more  
2           than seven hundred fifty dollars (\$750.00).
- 3           (3)    For the third violation within three years of the first violation, impose a civil  
4           penalty of no more than one thousand dollars (\$1,000) and suspend the seller's  
5           license for up to 30 days.
- 6           (4)    For a fourth or subsequent violation within three years of the first violation,  
7           impose a civil penalty of no more than two thousand dollars (\$2,000) and  
8           either (i) suspend the seller's license for up to one year or (ii) revoke the seller's  
9           license.
- 10        (c)    Compromise. – In any case in which the Department is entitled to suspend or revoke  
11        a seller's license, the Department may accept from the seller an offer in compromise to pay a  
12        penalty of not more than three thousand dollars (\$3,000). The Department may either accept a  
13        compromise or revoke a license, but not both. The Department may accept a compromise and  
14        suspend the license in the same case.
- 15        (d)    Testing Fee. – In any case in which the Department imposes a penalty pursuant to  
16        subsection (b) of this section, for a violation of subdivision (4) of subsection (a) of this section,  
17        the seller shall also pay to the Department the actual costs paid by the ALE Division for testing  
18        of the samples resulting in the violation. Any fee collected pursuant to this subsection shall be  
19        remitted to the ALE Division.
- 20        (e)    Defenses. – It is a defense to a violation of subdivision (1) of subsection (a) of this  
21        section if the seller does any of the following:
- 22           (1)    Shows that the purchaser produced a drivers license, a special identification  
23           card issued under G.S. 20-37.7 or issued by the state agency of any other state  
24           authorized to issue similar official state special identification cards for that  
25           state, a tribal enrollment card issued by a State or federally recognized Indian  
26           Tribe, a military identification card, or a passport showing the purchaser's age  
27           to be at least the required age for purchase and bearing a physical description  
28           of the person named on the card reasonably describing the purchaser.
- 29           (2)    Produces evidence of other facts that reasonably indicated at the time of sale  
30           that the purchaser was at least the required age.
- 31           (3)    Shows that at the time of purchase, the purchaser utilized a biometric  
32           identification system that demonstrated (i) the purchaser's age to be at least  
33           the required age for the purchase and (ii) the purchaser had previously  
34           registered with the seller or seller's agent a drivers license, a special  
35           identification card issued under G.S. 20-37.7 or issued by the state agency of  
36           any other state authorized to issue similar official state special identification  
37           cards for that state, a military identification card, or a passport showing the  
38           purchaser's date of birth and bearing a physical description of the person  
39           named on the document.
- 40        (f)    Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
41        this section, including any penalty received as an offer in compromise, shall be remitted to the  
42        Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.
- 43        (g)    Forfeiture. – Any product sold in violation of subdivision (4) of subsection (a) of this  
44        section shall be subject to forfeiture pursuant to the procedures set forth in G.S. 18D-401.
- 45        (h)    Criminal Penalty. – Any person against whom a civil penalty has been imposed for  
46        violation of subdivision (3) of subsection (a) of this section, who subsequently violates  
47        subdivision (3) of subsection (a) of this section, is guilty of a Class A1 misdemeanor.
- 48        **§ 18D-102. Offenses involving the purchase, attempted purchase, or possession of**  
49        **hemp-derived consumable products by a person under 18 years of age.**
- 50        (a)    It is unlawful for any person to give a hemp-derived consumable product to anyone  
51        less than 18 years old without the consent of the underaged person's parent or legal guardian.

1       **(b)**    It is unlawful for a person less than 18 years old to purchase or attempt to purchase a  
2 hemp-derived consumable product.

3       **(c)**    It is unlawful for any person to enter or attempt to enter a place where hemp-derived  
4 consumable products are sold or consumed, or to obtain or attempt to obtain hemp-derived  
5 consumable products, or to obtain or attempt to obtain permission to purchase hemp-derived  
6 consumable products, in violation of subsection (b) of this section, by using or attempting to use  
7 any of the following:

8           **(1)**    A fraudulent or altered drivers license.

9           **(2)**    A fraudulent or altered identification document other than a drivers license.

10          **(3)**    A drivers license issued to another person.

11          **(4)**    An identification document other than a drivers license issued to another  
12 person.

13          **(5)**    Any other form or means of identification that indicates or symbolizes that the  
14 person is not prohibited from purchasing or possessing a hemp-derived  
15 consumable product under this section.

16       **(d)**    It is unlawful for any person to permit the use of the person's drivers license or any  
17 other form of identification of any kind issued or given to the person by any other person who  
18 violates or attempts to violate subsection (b) of this section.

19       **(e)**    Penalties. –

20           **(1)**    Any person less than 18 years old who violates this section is guilty of a Class  
21 2 misdemeanor.

22           **(2)**    Any person at least 18 years old who violates this section is guilty of a Class  
23 1 misdemeanor.

24           **(3)**    Aiding or abetting a violation of this section shall be punished as provided in  
25 subdivisions (1) and (2) of this subsection, and all other provisions of this  
26 section shall apply to that offense.

27       **(f)**    Nothing in this section prohibits an underage person from selling, transporting, or  
28 possessing hemp-derived consumable products in the course of employment, if the employment  
29 of the person for that purpose is lawful under applicable youth employment statutes.

30       **§ 18D-103. Offenses involving the manufacture and distribution of hemp-derived**  
31 **consumable products.**

32       **(a)**    Offenses. – It is unlawful for a manufacturer or distributor to do any of the following:

33           **(1)**    Knowingly, or having reason to know, distribute samples of a hemp-derived  
34 consumable product in or on a public street, sidewalk, or park.

35           **(2)**    Engage in the business of manufacturing or distributing a hemp-derived  
36 consumable product without a valid license issued in accordance with this  
37 Chapter.

38           **(3)**    Knowingly, or having reason to know, manufacture or distribute a  
39 hemp-derived consumable product that has a concentration of more than  
40 three-tenths of one percent (0.3%) on a dry weight basis total combined of  
41 delta-9 tetrahydrocannabinol.

42       **(b)**    Criminal Penalties. – A violation of this section is a Class A1 misdemeanor.

43       **(c)**    Civil Penalties. – In addition to any criminal punishment authorized by this section,  
44 for any violation of this section the Department shall take one or more of the following actions  
45 against the licensee:

46           **(1)**    Suspend the licensee's license for a specified period of time not longer than  
47 three years.

48           **(2)**    Revoke the licensee's license.

49           **(3)**    Impose conditions on the operating hours of the licensee's business.

50           **(4)**    Impose civil penalties as follows:

- 1           a.     For a first violation, impose a civil penalty of no more than one  
2           thousand dollars (\$1,000).  
3           b.     For a second violation within three years, impose a civil penalty of no  
4           more than five thousand dollars (\$5,000).  
5           c.     For a third violation within three years of the first violation, impose a  
6           civil penalty of no more than seven thousand five hundred dollars  
7           (\$7,500).

8           (d)    Compromise. – In any case in which the Department is entitled to suspend or revoke  
9           a manufacturer's or distributor's license, the Department may accept from the manufacturer or  
10          distributor an offer in compromise to pay a penalty of not more than eight thousand dollars  
11          (\$8,000). The Department may either accept a compromise or revoke a license, but not both. The  
12          Department may accept a compromise and suspend the license in the same case.

13          (e)    Testing Fee. – In any case in which the Department imposes a penalty pursuant to  
14          subsection (b) of this section, for a violation of subdivision (3) of subsection (a) of this section,  
15          the manufacturer or distributor shall also pay to the Department the actual costs paid by the  
16          Department or the ALE Division for testing of the samples resulting in the violation. Any fee  
17          collected pursuant to this subsection shall be remitted to the ALE Division.

18          (f)    Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
19          this section, including any penalty received as an offer in compromise, shall be remitted to the  
20          Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

21          (g)    Defense. – It is a defense to a violation of subdivision (3) of subsection (a) of this  
22          section if the manufacturer does all of the following:

- 23           (1)    Recalls all hemp-derived consumable products from the same batch as the  
24           product on which the violation is based.  
25           (2)    Has samples of the batch tested by an independent testing laboratory. The  
26           sample size required for testing pursuant to this subdivision shall be five times  
27           the number of units required pursuant to G.S. 18D-104(e) based on the size of  
28           the batch at production, regardless of the number of units that are able to be  
29           recalled.  
30           (3)    Provides certified results from the independent testing laboratory indicating  
31           that the sample tested does not contain a concentration of more than  
32           three-tenths of one percent (0.3%) on a dry weight basis total combined of  
33           delta-9 tetrahydrocannabinol.

34          (h)    Forfeiture. – Any product sold in violation of subdivision (3) of subsection (a) of this  
35          section shall be subject to forfeiture pursuant to the procedures set forth in G.S. 18D-401.

36          **"§ 18D-104. Testing prior to distribution.**

37          (a)    Requirement. – The manufacturer or distributor shall have a hemp-derived  
38          consumable product tested prior to distribution. The testing shall determine the presence and  
39          amounts of any of the substances listed in subsection (b) of this section. No product that contains  
40          more than the maximum amount indicated for any substance in subsection (b) of this section shall  
41          be distributed or sold in this State.

42          (b)    Substances Tested; Limitations. – Hemp-derived consumable products shall be tested  
43          for the presence of and amount of the following substances and shall not exceed the amounts  
44          indicated:

- 45           (1)    Cannabinoids, not to exceed a concentration of three-tenths of one percent  
46           (0.3%) total combined of delta-9 tetrahydrocannabinol.  
47           (2)    2,3-butanedione (Diacetyl).  
48           (3)    Abamectin, not to exceed 300 parts per billion for ingestion or 100 parts per  
49           billion for inhalation.  
50           (4)    Acephate, not to exceed 3,000 parts per billion for ingestion or 100 parts per  
51           billion for inhalation.

- 1           (5)    Acequinocyl, not to exceed 2,000 parts per billion for ingestion or 100 parts  
2           per billion for inhalation.
- 3           (6)    Acetamiprid, not to exceed 3,000 parts per billion for ingestion or 100 parts  
4           per billion for inhalation.
- 5           (7)    Aldicarb, not to exceed 100 parts per billion for ingestion or inhalation.
- 6           (8)    Azoxystrobin, not to exceed 3,000 parts per billion for ingestion or 100 parts  
7           per billion for inhalation.
- 8           (9)    Bifenazate, not to exceed 3,000 parts per billion for ingestion or 100 parts per  
9           billion for inhalation.
- 10          (10)   Bifenthrin, not to exceed 500 parts per billion for ingestion or 100 parts per  
11          billion for inhalation.
- 12          (11)   Boscalid, not to exceed 3,000 parts per billion for ingestion or 100 parts per  
13          billion for inhalation.
- 14          (12)   Captan, not to exceed 3,000 parts per billion for ingestion or 700 parts per  
15          billion for inhalation.
- 16          (13)   Carbaryl, not to exceed 500 parts per billion for ingestion or 500 parts per  
17          billion for inhalation.
- 18          (14)   Carbofuran, not to exceed 100 parts per billion for ingestion or inhalation.
- 19          (15)   Chlorantraniliprole, not to exceed 3,000 parts per billion for ingestion or 1,000  
20          parts per billion for inhalation.
- 21          (16)   Chlordane, not to exceed 100 parts per billion for ingestion or inhalation.
- 22          (17)   Chlorfenapyr, not to exceed 100 parts per billion for ingestion or inhalation.
- 23          (18)   Chlormequat chloride, not to exceed 3,000 parts per billion for ingestion or  
24          1,000 parts per billion for inhalation.
- 25          (19)   Chlorpyrifos, not to exceed 100 parts per billion for ingestion or inhalation.
- 26          (20)   Clofentezine, not to exceed 500 parts per billion for ingestion or 200 parts per  
27          billion for inhalation.
- 28          (21)   Coumaphos, not to exceed 100 parts per billion for ingestion or inhalation.
- 29          (22)   Cyfluthrin, not to exceed 1,000 parts per billion for ingestion or 500 parts per  
30          billion for inhalation.
- 31          (23)   Cypermethrin, not to exceed 1,000 parts per billion for ingestion or 500 parts  
32          per billion for inhalation.
- 33          (24)   Daminozide, not to exceed 100 parts per billion for ingestion or inhalation.
- 34          (25)   DDVP (Dichlorvos), not to exceed 100 parts per billion for ingestion or  
35          inhalation.
- 36          (26)   Diazinon, not to exceed 200 parts per billion for ingestion or 100 parts per  
37          billion for inhalation.
- 38          (27)   Dimethoate, not to exceed 100 parts per billion for ingestion or inhalation.
- 39          (28)   Dimethomorph, not to exceed 3,000 parts per billion for ingestion or 200 parts  
40          per billion for inhalation.
- 41          (29)   Ethoprop(hos), not to exceed 100 parts per billion for ingestion or inhalation.
- 42          (30)   Etofenprox, not to exceed 100 parts per billion for ingestion or inhalation.
- 43          (31)   Etoxazole, not to exceed 1,500 parts per billion for ingestion or 100 parts per  
44          billion for inhalation.
- 45          (32)   Fenhexamid, not to exceed 3,000 parts per billion for ingestion or 100 parts  
46          per billion for inhalation.
- 47          (33)   Fenoxycarb, not to exceed 100 parts per billion for ingestion or inhalation.
- 48          (34)   Fenpyroximate, not to exceed 2,000 parts per billion for ingestion or 100 parts  
49          per billion for inhalation.
- 50          (35)   Fipronil, not to exceed 100 parts per billion for ingestion or inhalation.

- 1           (36) Flonicamid, not to exceed 2,000 parts per billion for ingestion or 100 parts per  
2           billion for inhalation.
- 3           (37) Fludioxonil, not to exceed 3,000 parts per billion for ingestion or 100 parts  
4           per billion for inhalation.
- 5           (38) Hexythiazox, not to exceed 2,000 parts per billion for ingestion or 100 parts  
6           per billion for inhalation.
- 7           (39) Imazalil, not to exceed 100 parts per billion for ingestion or inhalation.
- 8           (40) Imidacloprid, not to exceed 3,000 parts per billion for ingestion or 400 parts  
9           per billion for inhalation.
- 10          (41) Kresoxim-methyl, not to exceed 1,000 parts per billion for ingestion or 100  
11          parts per billion for inhalation.
- 12          (42) Malathion, not to exceed 2,000 parts per billion for ingestion or 200 parts per  
13          billion for inhalation.
- 14          (43) Metalaxyl, not to exceed 3,000 parts per billion for ingestion or 100 parts per  
15          billion for inhalation.
- 16          (44) Methiocarb, not to exceed 100 parts per billion for ingestion or inhalation.
- 17          (45) Methomyl, not to exceed 100 parts per billion for ingestion or inhalation.
- 18          (46) Methyl parathion, not to exceed 100 parts per billion for ingestion or  
19          inhalation.
- 20          (47) Mevinphos, not to exceed 100 parts per billion for ingestion or inhalation.
- 21          (48) Myclobutanil, not to exceed 3,000 parts per billion for ingestion; prohibited at  
22          any concentration for inhalation.
- 23          (49) Naled, not to exceed 500 parts per billion for ingestion or 250 parts per billion  
24          for inhalation.
- 25          (50) Oxamyl, not to exceed 500 parts per billion for ingestion or inhalation.
- 26          (51) Paclobutrazol, not to exceed 100 parts per billion for ingestion or inhalation.
- 27          (52) Pentachloronitrobenzene, not to exceed 200 parts per billion for ingestion or  
28          150 parts per billion for inhalation.
- 29          (53) Permethrin, not to exceed 1,000 parts per billion for ingestion or 100 parts per  
30          billion for inhalation.
- 31          (54) Phosmet, not to exceed 200 parts per billion for ingestion or 100 parts per  
32          billion for inhalation.
- 33          (55) Piperonyl butoxide, not to exceed 3,000 parts per billion for ingestion or  
34          inhalation.
- 35          (56) Prallethrin, not to exceed 400 parts per billion for ingestion or 100 parts per  
36          billion for inhalation.
- 37          (57) Propiconazole, not to exceed 1,000 parts per billion for ingestion or 100 parts  
38          per billion for inhalation.
- 39          (58) Propoxur, not to exceed 100 parts per billion for ingestion or inhalation.
- 40          (59) Pyrethrins, not to exceed 1,000 parts per billion for ingestion or 500 parts per  
41          billion for inhalation.
- 42          (60) Pyridaben, not to exceed 3,000 parts per billion for ingestion or 200 parts per  
43          billion for inhalation.
- 44          (61) Spinetoram, not to exceed 3,000 parts per billion for ingestion or 200 parts per  
45          billion for inhalation.
- 46          (62) Spinosad A & D, not to exceed 3,000 parts per billion for ingestion or 100  
47          parts per billion for inhalation.
- 48          (63) Spiromesifen, not to exceed 3,000 parts per billion for ingestion or 100 parts  
49          per billion for inhalation.
- 50          (64) Spirotetramat, not to exceed 3,000 parts per billion for ingestion or 100 parts  
51          per billion for inhalation.

- 1           (65) Spiroxamine, not to exceed 100 parts per billion for ingestion or inhalation.  
2           (66) Tebuconazole, not to exceed 1,000 parts per billion for ingestion or 100 parts  
3           per billion for inhalation.  
4           (67) Thiocloprid, not to exceed 100 parts per billion for ingestion or 100 parts per  
5           billion for inhalation.  
6           (68) Thiamethoxam, not to exceed 1,000 parts per billion for ingestion or 500 parts  
7           per billion for inhalation.  
8           (69) Trifloxystrobin, not to exceed 3,000 parts per billion for ingestion or 100 parts  
9           per billion for inhalation.  
10          (70) 1,2-Dichloroethane, not to exceed 2 parts per million.  
11          (71) 1,1-Dichloroethene, not to exceed 8 parts per million.  
12          (72) Acetone, not to exceed 750 parts per million.  
13          (73) Acetonitrile, not to exceed 60 parts per million.  
14          (74) Benzene, not to exceed 1 part per million.  
15          (75) Butane, not to exceed 5,000 parts per million.  
16          (76) Chloroform, not to exceed 2 parts per million.  
17          (77) Ethanol, not to exceed 5,000 parts per million.  
18          (78) Ethyl Acetate, not to exceed 400 parts per million.  
19          (79) Ethyl Ether, not to exceed 500 parts per million.  
20          (80) Ethylene Oxide, not to exceed 5 parts per million.  
21          (81) Heptane, not to exceed 5,000 parts per million.  
22          (82) Hexane, not to exceed 250 parts per million.  
23          (83) Isopropyl Alcohol, not to exceed 500 parts per million.  
24          (84) Methanol, not to exceed 250 parts per million.  
25          (85) Methylene Chloride, not to exceed 125 parts per million.  
26          (86) Pentane, not to exceed 750 parts per million.  
27          (87) Propane, not to exceed 5,000 parts per million.  
28          (88) Toluene, not to exceed 150 parts per million.  
29          (89) Trichloroethylene, not to exceed 25 parts per million.  
30          (90) Xylenes, Total (ortho-, meta-, para-), not to exceed 150 parts per million  
31          (91) Cadmium, not to exceed 500 parts per billion for ingestion or 200 parts per  
32          billion for inhalation.  
33          (92) Lead, not to exceed 500 parts per billion for ingestion or inhalation.  
34          (93) Arsenic, not to exceed 1,500 parts per billion for ingestion or 200 parts per  
35          billion for inhalation.  
36          (94) Mercury, not to exceed 3,000 parts per billion for ingestion or 200 parts per  
37          billion for inhalation.  
38          (95) Shiga toxin-producing Escherichia coli (STEC E. coli) and other pathogenic  
39          E. coli, not to exceed 1 CFU per gram.  
40          (96) Salmonella, not to exceed 1 CFU per gram.  
41          (97) Aspergillus niger, Aspergillus fumigatus, Aspergillus flavus, Aspergillus  
42          terreus, not to exceed 1 CFU per gram.  
43          (98) Total Aflatoxin (B1, B2, G1, G2), not to exceed 20 parts per billion for  
44          ingestion or inhalation.  
45          (99) Ochratoxin, not to exceed 20 parts per billion for ingestion or inhalation.  
46          (100) Total combined Yeast and Mold, not to exceed 100,000 CFU per gram for  
47          ingestion and inhalation.  
48          (c) Laboratory Qualifications. – A manufacturer or distributor shall contract with an  
49          independent testing laboratory to provide the testing required under subsection (a) of this section.



1        (d) Testing Method. – A laboratory providing testing required under subsection (a) of this  
2 section shall use high-performance liquid chromatography for any separation and measurement  
3 required in the testing.

4        (e) Batch Testing. – A sample of each batch manufactured shall undergo the testing  
5 required by subsection (a) of this section and shall obtain a certificate of analysis by a third-party  
6 laboratory qualified under subsection (c) of this section. The size of sample required to be tested  
7 shall be determined by the size of the batch as follows:

8            (1) For a batch containing 1 to 999 units, the required sample size is one unit.

9            (2) For a batch containing 1,000 to 4,999 units, the required sample size is two  
10 units.

11           (3) For a batch containing 5,000 to 9,999 units, the required sample size is three  
12 units.

13           (4) For a batch containing 10,000 or more units, the required sample size is five  
14 units.

15        (f) Expiration Date. – A hemp-derived consumable product shall have an expiration date  
16 on the label that conforms with applicable federal law.

17        (g) Civil Penalties. – A violation of this section shall result in the Department taking one  
18 or more of the following actions against the licensee:

19           (1) Suspend the licensee's license for a specified period of time not longer than  
20 three years.

21           (2) Revoke the licensee's license.

22           (3) Impose conditions on the operating hours of the licensee's business.

23           (4) Impose civil penalties as follows:

24            a. For a first violation, impose a civil penalty of no more than one  
25 thousand dollars (\$1,000).

26            b. For a second violation within three years, impose a civil penalty of no  
27 more than five thousand dollars (\$5,000).

28            c. For a third violation within three years of the first violation, impose a  
29 civil penalty of no more than seven thousand five hundred dollars  
30 (\$7,500).

31        (h) Compromise. – In any case in which the Department is entitled to suspend or revoke  
32 a manufacturer's or distributor's license, the Department may accept from the manufacturer or  
33 distributor an offer in compromise to pay a penalty of not more than eight thousand dollars  
34 (\$8,000). The Department may either accept a compromise or revoke a license, but not both. The  
35 Department may accept a compromise and suspend the license in the same case.

36        (i) Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
37 this section, including any penalty received as an offer in compromise, shall be remitted to the  
38 Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

39        (j) Department Duties. – The Department shall do all of the following:

40           (1) Maintain and post on its website a registry of testing laboratories that are  
41 qualified to test intermediate manufactured material and finished  
42 hemp-derived consumable products.

43           (2) Develop an application and process to determine qualifying laboratories to be  
44 listed on the Department's website. The application shall require a potentially  
45 qualifying laboratory to submit a sample certificate of analysis issued by the  
46 applying laboratory.

47 **"§ 18D-105. Additional requirements and restrictions for hemp-derived consumable**  
48 **products.**

49        (a) Packaging Requirements. – A hemp-derived consumable product that is sold in this  
50 State shall meet both of the following requirements:

- 1           (1)    The product shall satisfy the child-resistant effectiveness standards under 16  
2           C.F.R. § 1700.15(b)(1) when tested in accordance with the requirements of 16  
3           C.F.R. § 1700.20.
- 4           (2)    The product shall be labeled with consumer protection warnings in the form  
5           of statements that cover all of the following:
- 6           a.     A list of ingredients and possible allergens and a nutritional fact panel  
7           or have a code that can be scanned that directs consumers to a website  
8           containing the list of ingredients and possible allergens and a  
9           nutritional fact panel.
- 10          b.     A statement that use while pregnant or breastfeeding may be harmful.
- 11          c.     A statement that consumption of certain cannabinoids may impair  
12          your ability to drive and operate heavy machinery.
- 13          d.     A statement that the product is not approved by the United States Food  
14          and Drug Administration.
- 15          e.     A statement to keep out of reach of children.
- 16          f.     A statement to consult your physician before use.
- 17          g.     If the product is ingestible, the amount of hemp-derived cannabinoid  
18          in each serving of the product, measured in milligrams.
- 19          h.     The total amount of hemp-derived cannabinoid in the entire package,  
20          measured in milligrams.
- 21          i.     The net weight of the product.
- 22          j.     A code that can be scanned to access a website providing the product's  
23          batch number, date received, date of completion, and method of  
24          analysis for the testing required under G.S. 18D-106.
- 25          k.     An expiration date in accordance with applicable federal law.
- 26          (b)    Advertising Restrictions. – A manufacturer or distributor of a hemp-derived  
27          consumable product shall not advertise, market, or offer for sale the product by using, in the  
28          labeling or design of the product or product packaging or in advertising or marketing materials  
29          for the product trade dress, trademarks, branding, or other related materials, any imagery or  
30          scenery that depicts or signifies characters or symbols known to appeal primarily to persons under  
31          18 years of age, including, but not limited to, superheroes, comic book characters, video game  
32          characters, television show characters, movie characters, mythical creatures, and unicorns.
- 33          (c)    Ingestible Product Restrictions. – Any hemp-derived consumable product intended  
34          for ingestion shall not do any of the following:
- 35               (1)    Be sold in a serving that contains more than 3 milligrams, in the aggregate, of  
36               one or more of the following hemp-derived cannabinoids:
- 37               a.     Delta-9 tetrahydrocannabinol.
- 38               b.     Delta-7 tetrahydrocannabinol.
- 39               c.     Delta-8 tetrahydrocannabinol.
- 40               d.     Delta-10 tetrahydrocannabinol.
- 41               (2)    Be formed in the shape of an animal or cartoon character.
- 42          (d)    Civil Penalties. – A violation of this section shall result in the Department taking one  
43          or more of the following actions against the licensee:
- 44               (1)    Suspend the licensee's license for a specified period of time not longer than  
45               three years.
- 46               (2)    Revoke the licensee's license.
- 47               (3)    Impose conditions on the operating hours of the licensee's business.
- 48               (4)    Impose civil penalties as follows:
- 49               a.     For a first violation, impose a civil penalty of no more than one  
50               thousand dollars (\$1,000).

- 1                    b. For a second violation within three years, impose a civil penalty of no  
2                    more than five thousand dollars (\$5,000).  
3                    c. For a third violation within three years of the first violation, impose a  
4                    civil penalty of no more than seven thousand five hundred dollars  
5                    (\$7,500).

6                    (e) Compromise. – In any case in which the Department is entitled to suspend or revoke  
7                    a manufacturer's or distributor's license, the Department may accept from the manufacturer or  
8                    distributor an offer in compromise to pay a penalty of not more than eight thousand dollars  
9                    (\$8,000). The Department may either accept a compromise or revoke a license, but not both. The  
10                   Department may accept a compromise and suspend the license in the same case.

11                   (f) Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
12                   this section, including any penalty received as an offer in compromise, shall be remitted to the  
13                   Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

14                   **"§ 18D-106. Construction of Article.**

15                   Nothing in this Article shall be construed to do any of the following:

- 16                   (1) Permit a person to undertake any task under the influence of a hemp-derived  
17                   consumable product when doing so would constitute negligence or  
18                   professional malpractice.  
19                   (2) Permit a person to operate, navigate, or be in actual physical control of a motor  
20                   vehicle, aircraft, motorized watercraft, or any other vehicle while under the  
21                   influence of a hemp-derived consumable product.  
22                   (3) Require an employer to accommodate the use of a hemp-derived consumable  
23                   product in a workplace or an employee working while under the influence of  
24                   a hemp-derived consumable product.  
25                   (4) Require an individual or establishment in lawful possession of property to  
26                   admit a guest, client, customer, or other visitor who is impaired as a result of  
27                   the person's use of a hemp-derived consumable product.  
28                   (5) Exempt a person from prosecution for a criminal offense related to impairment  
29                   or intoxication resulting from the use of a hemp-derived consumable product  
30                   or relieve a person from any requirement under law to submit to a breath,  
31                   blood, urine, or other test to detect the presence of a controlled substance.  
32                   (6) Limit the ability of an employer to establish, continue, or enforce a drug-free  
33                   workplace program or policy.  
34                   (7) Create a cause of action against an employer for wrongful discharge or  
35                   discrimination.  
36                   (8) Allow the possession, sale, manufacture, or distribution of any substance that  
37                   is otherwise prohibited by Article 5 of Chapter 90 of the General Statutes.

38                   "Article 2.

39                   "Regulation of Kratom Products

40                   **"§ 18D-200. Definitions.**

41                   Unless the context requires otherwise, the following definitions apply in this Article:

- 42                   (1) Department. – The Department of Revenue.  
43                   (2) Distributor. – Any person that delivers or sells kratom products for the purpose  
44                   of distribution in commerce.  
45                   (3) Kratom product. – Any consumer commodity containing any quantity of  
46                   mitragynine or 7-hydroxymitragynine or both, extracted from the leaf of the  
47                   plant mitragyna speciosa.  
48                   (4) Manufacturer. – Any person that prepares or manufactures kratom products in  
49                   the State, or advertises, represents, or holds itself out as preparing or  
50                   manufacturing kratom products in the State.

1           (5)   Seller. – Any person who sells a kratom product to consumers, including an  
2           online seller.

3   **"§ 18D-201. Sales restrictions on kratom products.**

4    (a)   Restriction. – No person shall do any of the following:

5           (1)   Knowingly, or having reason to know, sell a kratom product to a person under  
6           18 years of age.

7           (2)   Knowingly, or having reason to know, distribute samples of kratom products  
8           in or on a public street, sidewalk, or park.

9           (3)   Engage in the business of selling a kratom product without a valid license  
10           issued in accordance with this Chapter.

11           (4)   Knowingly, or having reason to know, sell at retail a kratom product that  
12           violates the provisions of G.S. 18D-204.

13   (b)   Civil Penalties. – For any violation of this section, the Department may take any of  
14    the following actions against a seller:

15           (1)   For the first violation, impose a civil penalty of no more than five hundred  
16           dollars (\$500.00).

17           (2)   For the second violation within three years, impose a civil penalty of no more  
18           than seven hundred fifty dollars (\$750.00).

19           (3)   For the third violation within three years of the first violation, impose a civil  
20           penalty of no more than one thousand dollars (\$1,000) and suspend the seller's  
21           license for up to 30 days.

22           (4)   For a fourth or subsequent violation within three years of the first violation,  
23           impose a civil penalty of no more than two thousand dollars (\$2,000) and  
24           either (i) suspend the seller's license for up to one year or (ii) revoke the seller's  
25           license.

26   (c)   In any case in which the Department is entitled to suspend or revoke a seller's license,  
27    the Department may accept from the seller an offer in compromise to pay a penalty of not more  
28    than three thousand dollars (\$3,000). The Department may either accept a compromise or revoke  
29    a license, but not both. The Department may accept a compromise and suspend the license in the  
30    same case.

31   (d)   Testing Fee. – In any case in which the Department imposes a penalty pursuant to  
32    subsection (b) of this section, for a violation of subdivision (4) of subsection (a) of this section,  
33    the seller shall also pay to the Department the actual costs paid by the Department or the ALE  
34    Division for testing of the samples resulting in the violation. Any fee collected pursuant to this  
35    subsection shall be remitted to the ALE Division.

36   (e)   Defenses. – It is a defense to a violation of subdivision (1) of subsection (a) of this  
37    section if the seller does any of the following:

38           (1)   Shows that the purchaser produced a drivers license, a special identification  
39           card issued under G.S. 20-37.7 or issued by the state agency of any other state  
40           authorized to issue similar official state special identification cards for that  
41           state, a tribal enrollment card issued by a State or federally recognized Indian  
42           Tribe, a military identification card, or a passport showing the purchaser's age  
43           to be at least the required age for purchase and bearing a physical description  
44           of the person named on the card reasonably describing the purchaser.

45           (2)   Produces evidence of other facts that reasonably indicated at the time of sale  
46           that the purchaser was at least the required age.

47           (3)   Shows that at the time of purchase, the purchaser utilized a biometric  
48           identification system that demonstrated (i) the purchaser's age to be at least  
49           the required age for the purchase and (ii) the purchaser had previously  
50           registered with the seller or seller's agent a drivers license, a special  
51           identification card issued under G.S. 20-37.7 or issued by the state agency of

1 any other state authorized to issue similar official state special identification  
2 cards for that state, a military identification card, or a passport showing the  
3 purchaser's date of birth and bearing a physical description of the person  
4 named on the document.

5 (f) Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
6 this section, including any penalty received as an offer in compromise, shall be remitted to the  
7 Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

8 (g) Forfeiture. – Any product sold in violation of subdivision (4) of subsection (a) of this  
9 section shall be subject to forfeiture pursuant to the procedures set forth in G.S. 18D-401.

10 (h) Criminal Penalty. – Any person against whom a civil penalty has been imposed for  
11 violation of subdivision (3) of subsection (a) of this section, who subsequently violates  
12 subdivision (3) of subsection (a) of this section, is guilty of a Class A1 misdemeanor.

13 **§ 18D-202. Offenses involving the purchase, attempted purchase, or possession of kratom**  
14 **products by a person under 18 years of age.**

15 (a) It is unlawful for any person to give a kratom product to anyone less than 18 years  
16 old without the consent of the underaged person's parent or legal guardian.

17 (b) It is unlawful for a person less than 18 years old to purchase or attempt to purchase a  
18 kratom product.

19 (c) It is unlawful for any person to enter or attempt to enter a place where kratom products  
20 are sold or consumed, or to obtain or attempt to obtain kratom products, or to obtain or attempt  
21 to obtain permission to purchase kratom products, in violation of subsection (b) of this section,  
22 by using or attempting to use any of the following:

23 (1) A fraudulent or altered drivers license.

24 (2) A fraudulent or altered identification document other than a drivers license.

25 (3) A drivers license issued to another person.

26 (4) An identification document other than a drivers license issued to another  
27 person.

28 (5) Any other form or means of identification that indicates or symbolizes that the  
29 person is not prohibited from purchasing or possessing a kratom product under  
30 this section.

31 (d) It is unlawful for any person to permit the use of the person's drivers license or any  
32 other form of identification of any kind issued or given to the person by any other person who  
33 violates or attempts to violate subsection (b) of this section.

34 (e) Penalties. –

35 (1) Any person less than 18 years old who violates this section is guilty of a Class  
36 2 misdemeanor.

37 (2) Any person at least 18 years old who violates this section is guilty of a Class  
38 1 misdemeanor.

39 (3) Aiding or abetting a violation of this section shall be punished as provided in  
40 subdivisions (1) and (2) of this subsection, and all other provisions of this  
41 section shall apply to that offense.

42 (f) Nothing in this section prohibits an underage person from selling, transporting, or  
43 possessing kratom products in the course of employment, if the employment of the person for  
44 that purpose is lawful under applicable youth employment statutes.

45 **§ 18D-203. Offenses involving the manufacture and distribution of kratom products.**

46 (a) Offenses. – It is unlawful for a manufacturer or distributor to do any of the following:

47 (1) Knowingly, or having reason to know, distribute samples of a kratom product  
48 in or on a public street, sidewalk, or park.

49 (2) Engage in the business of manufacturing or distributing a kratom product  
50 without a valid license issued in accordance with this Chapter.

1           (3) Knowingly, or having reason to know, manufacture or distribute a kratom  
2           product that violates the provisions of G.S. 18D-204.  
3       (b) Criminal Penalties. – A violation of this section is a Class A1 misdemeanor.  
4       (c) Civil Penalties. – In addition to any criminal punishment authorized by this section,  
5 for any violation of this section the Department shall take one or more of the following actions  
6 against the licensee:

7           (1) Suspend the licensee's license for a specified period of time not longer than  
8           three years.

9           (2) Revoke the licensee's license.

10          (3) Impose conditions on the operating hours of the licensee's business.

11          (4) Impose civil penalties as follows:

12           a. For a first violation, impose a civil penalty of no more than one  
13           thousand dollars (\$1,000).

14           b. For a second violation within three years, impose a civil penalty of no  
15           more than five thousand dollars (\$5,000).

16           c. For a third violation within three years of the first violation, impose a  
17           civil penalty of no more than seven thousand five hundred dollars  
18           (\$7,500).

19          (d) Compromise. – In any case in which the Department is entitled to suspend or revoke  
20 a manufacturer's or distributor's license, the Department may accept from the manufacturer or  
21 distributor an offer in compromise to pay a penalty of not more than eight thousand dollars  
22 (\$8,000). The Department may either accept a compromise or revoke a license, but not both. The  
23 Department may accept a compromise and suspend the license in the same case.

24          (e) Testing Fee. – In any case in which the Department imposes a penalty pursuant to  
25 subsection (c) of this section, for a violation of subdivision (3) of subsection (a) of this section,  
26 the manufacturer or distributor shall also pay to the Department the actual costs paid by the  
27 Department or the ALE Division for testing of the samples resulting in the violation. Any fee  
28 collected pursuant to this subsection shall be remitted to the ALE Division.

29          (f) Proceeds of Civil Penalty. – The clear proceeds of any civil penalty imposed under  
30 this section, including any penalty received as an offer in compromise, shall be remitted to the  
31 Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

32          (g) Forfeiture. – Any product sold in violation of subdivision (3) of subsection (a) of this  
33 section shall be subject to forfeiture pursuant to the procedures set forth in G.S. 18D-401.

34 **"§ 18D-204. Kratom product limitations.**

35       A kratom manufacturer, distributor, or seller shall not prepare, manufacture, distribute, or  
36 offer for sale any of the following:

37           (1) A kratom product that is adulterated with a dangerous non-kratom substance.  
38           A kratom product is adulterated with a dangerous non-kratom substance if the  
39           kratom product is mixed or packed with a non-kratom substance and that  
40           substance affects the quality or strength of the kratom product to such a degree  
41           as to render the kratom product injurious to a consumer.

42           (2) A kratom product that is contaminated with a dangerous non-kratom  
43           substance. A kratom product is contaminated with a dangerous non-kratom  
44           substance if the kratom product contains a poisonous or otherwise deleterious  
45           non-kratom ingredient, including any controlled substance regulated by  
46           Article 5 of Chapter 90 of the General Statutes.

47           (3) A kratom extract that contains levels of residual solvents higher than is  
48           allowed in the U.S. Pharmacopeia 467.

49           (4) A kratom product containing a level of 7-hydroxymitragynine in the alkaloid  
50           fraction that is greater than one percent (1%) of the overall alkaloid  
51           composition of the product.

1           (5) A kratom product containing any synthetic alkaloids, including synthetic  
2 mitragynine, synthetic 7-hydroxymitragynine, or any other synthetically  
3 derived compounds of the kratom plant.

4           (6) A kratom product that does not provide adequate labeling directions necessary  
5 for safe use by consumers, including a recommended serving size, the  
6 recommended number of servings per day, and the number of servings in the  
7 package that is sold.

8 **"§ 18D-205. Additional requirements for manufacturers and distributors.**

9           (a) Registration of Products. – All manufacturers and distributors shall register with the  
10 Department all kratom products offered for sale in this State by the manufacturer or distributor.  
11 The registration shall include any information that the Department deems necessary to ensure  
12 compliance with the provisions of this Chapter.

13           (b) Adverse Event Reports. – A manufacturer or distributor, upon receipt of any adverse  
14 event report related to a product manufactured or distributed by that manufacturer or distributor,  
15 shall submit a copy of the adverse event report, as required under 21 U.S.C. § 379aa-1, to the  
16 Department within 30 days. If the manufacturer or distributor does not submit a copy of the  
17 adverse event report within the time allotted, the registration for that product shall be revoked  
18 and the license for that manufacturer or distributor shall be suspended or revoked, at the  
19 discretion of the Department.

20 **"§ 18D-206. Construction of Article.**

21 Nothing in this Article shall be construed to do any of the following:

22           (1) Permit a person to undertake any task under the influence of a kratom product  
23 when doing so would constitute negligence or professional malpractice.

24           (2) Permit a person to operate, navigate, or be in actual physical control of a motor  
25 vehicle, aircraft, motorized watercraft, or any other vehicle while under the  
26 influence of a kratom product.

27           (3) Require an employer to accommodate the use of a kratom product in a  
28 workplace or an employee working while under the influence of a kratom  
29 product.

30           (4) Require an individual or establishment in lawful possession of property to  
31 admit a guest, client, customer, or other visitor who is impaired as a result of  
32 the person's use of a kratom product.

33           (5) Exempt a person from prosecution for a criminal offense related to impairment  
34 or intoxication resulting from the use of a kratom product or relieve a person  
35 from any requirement under law to submit to a breath, blood, urine, or other  
36 test to detect the presence of a controlled substance.

37           (6) Limit the ability of an employer to establish, continue, or enforce a drug-free  
38 workplace program or policy.

39           (7) Create a cause of action against an employer for wrongful discharge or  
40 discrimination.

41           (8) Allow the possession, sale, manufacture, or distribution of any substance that  
42 is otherwise prohibited by Article 5 of Chapter 90 of the General Statutes."

43                                   "Article 3.

44                                   "Licensing.

45 **"§ 18D-300. Definitions.**

46 The definitions contained in Articles 1 and 2 of this Chapter apply to this Article as  
47 appropriate.

48 **"§ 18D-301. Licensing requirements; qualifications; duration.**

49           (a) Requirement. – Prior to the commencement of business or by July 1, 2024, whichever  
50 is later, a person or entity engaged in this State in any business regulated by this Chapter and  
51 listed in this subsection shall obtain a license to engage in that business from the Department.

1 Businesses engaging in one or more of the following are required to obtain a license pursuant to  
2 this section:

- 3 (1) Manufacturing hemp-derived consumable products.
- 4 (2) Distributing hemp-derived consumable products.
- 5 (3) Selling hemp-derived consumable products.
- 6 (4) Manufacturing kratom products.
- 7 (5) Distributing kratom products.
- 8 (6) Selling kratom products.

9 (b) Qualifications. – In order to obtain and maintain a license under subsection (a) of this  
10 section, a person shall meet all of the following criteria:

- 11 (1) Be at least 18 years old.
- 12 (2) Submit to the Department any information determined by the Department to  
13 be necessary for the efficient enforcement of this Chapter.
- 14 (3) Have not been convicted of a felony relating to a controlled substance within  
15 10 years in any state or federal jurisdiction.
- 16 (4) Consent to reasonable inspection by the ALE Division of the inventory of  
17 products regulated by this Chapter to ensure compliance with this Chapter,  
18 and the taking of samples found to not be in compliance with the packaging,  
19 labeling, and testing requirements of this section.
- 20 (5) Be current in filing all applicable tax returns to the State and in payment of all  
21 taxes, interest, and penalties collectable pursuant to G.S. 105-241.22.

22 (c) Single License Required. – A person or entity engaged in more than one of the  
23 businesses listed in subsection (a) of this section shall only be required to obtain a single license.  
24 Upon application for a license, the person or entity engaged in more than one type of business  
25 regulated by this Chapter must indicate on the license application all of the businesses listed in  
26 subsection (a) of this section in which the business engages, or intends to engage. A person or  
27 entity applying for a license for more than one type of business listed in subsection (a) of this  
28 section shall pay a single fee as provided in G.S. 18D-302(c).

29 (d) Duration. – A license issued pursuant to this Article is valid for a period of one year  
30 and may be renewed annually.

31 **"§ 18D-302. Fees.**

32 (a) Application Fee. – The application fee for a license required pursuant to this Article  
33 shall be as follows:

- 34 (1) For a license to manufacture hemp-derived consumable products or  
35 manufacture kratom products, a fee of five thousand dollars (\$5,000).  
36 However, if an applicant submits proof that the applicant's gross income for  
37 the calendar year prior to application was less than one hundred thousand  
38 dollars (\$100,000), the fee shall be one thousand dollars (\$1,000).
- 39 (2) For a license to distribute hemp-derived consumable products or kratom  
40 products, a fee of two thousand five hundred dollars (\$2,500). However, if an  
41 applicant submits proof that the applicant's gross income for the calendar year  
42 prior to application was less than one hundred thousand dollars (\$100,000),  
43 the fee shall be seven hundred fifty dollars (\$750.00).
- 44 (3) For a license to sell hemp-derived consumable products or kratom products at  
45 a retail location, or online for delivery to a person within this State, a fee of  
46 one hundred dollars (\$100.00) for each location or each internet website  
47 offering delivery in this State. However, a single entity with more than 25  
48 locations, internet websites offering delivery in this State, or combination of  
49 the two shall not pay more than two thousand five hundred dollars (\$2,500)  
50 and shall submit a list of all locations and all internet websites offering  
51 delivery in this State to the Department.



1 (b) Renewal Fee. – The renewal fee for a license issued pursuant to this Article shall be  
2 as follows:

- 3 (1) For a license to manufacture hemp-derived consumable products or  
4 manufacture kratom products, a renewal fee of one thousand dollars (\$1,000).
- 5 (2) For a license to distribute hemp-derived consumable products or kratom  
6 products, a renewal fee of seven hundred fifty dollars (\$750.00).
- 7 (3) For a license to sell hemp-derived consumable products or kratom products at  
8 a retail location or online for delivery to a person within this State, a renewal  
9 fee in the same amount as the initial licensing fees established under  
10 subsection (a) of this section.

11 (c) For an application for or renewal of a license to engage in more than one business  
12 listed in subsection (a) of G.S. 18D-301, the fee shall be the highest fee of those prescribed for  
13 the types of business indicated on the application or renewal, as applied to that applicant or  
14 licensee.

15 **"§ 18D-303. Department authority to deny or revoke.**

16 The Department may revoke or refuse to issue any license for any of the following:

- 17 (1) Failure to comply with or meet any of the qualifications required by  
18 G.S. 18D-301(b).
- 19 (2) Submission of false or misleading information in an application for licensure  
20 or renewal.
- 21 (3) Submission of false or misleading information in any report or information  
22 required by this Chapter to be submitted to the Department.
- 23 (4) Failure to comply with civil penalties authorized by this Chapter.

24 **"§ 18D-304. Civil penalties; procedure.**

25 Proceedings for the assessment of civil penalties authorized in Articles 1 and 2 of this Chapter  
26 shall be governed by Chapter 150B of the General Statutes. If the person or entity assessed a civil  
27 penalty fails to pay the penalty to the Department, the Department may institute an action in the  
28 superior court of the county in which the person resides or has their principal place of business  
29 to recover the unpaid amount of the penalty. An action to recover a civil penalty under this  
30 Chapter shall not relieve any party from any other penalty prescribed by law.

31 **"§ 18D-305. Department to develop application, adopt rules, remit revenue.**

32 (a) License application. – The Department shall develop and make available online an  
33 application for the license required by this Article.

34 (b) Rules. – The Department shall have authority to adopt, amend, and repeal rules to  
35 carry out the provisions of this Chapter.

36 (c) Distribution of Revenue. – The revenue collected from fees established under this  
37 Chapter shall be remitted to the ALE Division, on a monthly basis, to be used to cover costs  
38 incurred by the ALE Division in enforcing the provisions of this Chapter. To the extent the funds  
39 described in this subsection are deemed unappropriated, the funds are hereby appropriated for  
40 the purpose set forth in this subsection.

41 "Article 4.

42 "Enforcement.

43 **"§ 18D-400. ALE Division.**

44 (a) Authority. – The Alcohol Law Enforcement Division of the Department of Public  
45 Safety shall enforce the provisions of this Chapter in a manner that is reasonable to reduce the  
46 extent to which hemp-derived consumable products and kratom products are sold or distributed  
47 to persons under 18 years of age and shall conduct random, unannounced inspections at locations  
48 where hemp-derived consumable products or kratom products are sold or distributed to ensure  
49 compliance with the provisions of this Chapter. If, upon reasonable inspection, the Division  
50 determines a licensee's inventory may consist of products not in compliance with the packaging,  
51 labeling, and testing requirements of this Chapter, the Division is authorized to only take samples

1 of a licensee's inventory of hemp-derived consumable products and kratom products considered  
2 noncompliant to be submitted for testing in order to determine compliance with the provisions of  
3 this Chapter.

4 (b) The ALE Division shall report to the Department of Revenue any violation of this  
5 Chapter for which civil penalties are authorized, regardless of whether criminal charges have  
6 been filed.

7 (c) Report. – Beginning January 1, 2025, the ALE Division shall submit an annual report  
8 to the General Assembly describing in detail the ALE Division's enforcement efforts under this  
9 Chapter. The ALE Division shall also make the report required under this subsection available  
10 on the ALE Division's website.

11 **"§ 18D-401. Forfeiture of property.**

12 (a) Seizure of Product. – For any hemp-derived consumable product or kratom product  
13 subject to forfeiture that has not previously been seized pursuant to an arrest or search, a law  
14 enforcement officer may apply to the court for an order authorizing seizure of that product. An  
15 order for seizure may be issued only after criminal process has been issued for a violation of  
16 G.S. 18D-101(a)(4), 18D-103(a)(3), 18D-201(a)(4), or 18D-203(a)(3), in connection with that  
17 product. The order shall describe the product to be seized and shall state the facts establishing  
18 probable cause to believe that the product is subject to forfeiture.

19 (b) Custody until Trial. – A law enforcement officer seizing a product subject to forfeiture  
20 shall provide for its safe storage until trial.

21 (c) Disposition after Trial. – The presiding judge in a criminal proceeding for violation  
22 of G.S. 18D-101(a)(4) or G.S. 18D-103(a)(3) may take the following actions after resolution of  
23 a charge against the owner or possessor of products subject to forfeiture under this section:

24 (1) If the owner or possessor of the product is found guilty of a violation of  
25 G.S. 18D-101(a)(4), 18D-103(a)(3), 18D-201(a)(4), or 18D-203(a)(3), the  
26 judge shall order the product forfeited.

27 (2) If the owner or possessor of the product is found not guilty, or if the charge is  
28 dismissed or otherwise resolved in favor of the owner or possessor, the judge  
29 shall order the product returned to the owner or possessor.

30 (3) If the product is also needed as evidence at an administrative hearing, the  
31 judge shall provide that the order does not go into effect until the Department  
32 determines that the product is no longer needed for the administrative  
33 proceeding.

34 (d) Disposition of Forfeited Product. – A judge ordering forfeiture of property shall order  
35 the product destroyed.

36 (e) When No Charge is Made. – Any owner of products seized for forfeiture may apply  
37 to a judge to have the products returned to the owner if no criminal charge has been made in  
38 connection with that product within a reasonable time after seizure. The judge may not order the  
39 return of the product if possession by the owner would be unlawful."

40 **SECTION 1.(b)** G.S. 18B-500(b) reads as rewritten:

41 "(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an  
42 alcohol law-enforcement agent shall have authority to arrest and take other investigatory and  
43 enforcement actions for any criminal offense:

44 (1) Occurring, encountered, or otherwise discovered on the premises of, or  
45 elsewhere when the conduct relates to, a location under application for or  
46 holding a permit issued by the North Carolina Alcoholic Beverage Control  
47 Commission or the North Carolina Education Lottery Commission.

48 (1a) Occurring, encountered, or otherwise discovered on the premises of, or  
49 elsewhere when the conduct relates to, a location holding a license issued  
50 pursuant to Chapter 18D of the General Statutes.

51 ...."

1           **SECTION 1.(c)** G.S. 7A-304(a) reads as rewritten:

2           "(a) In every criminal case in the superior or district court, wherein the defendant is  
3 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
4 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
5 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
6 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
7 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a),  
8 (11), (12), or (13) of this section. No court may waive or remit all or part of any court fines or  
9 costs without providing notice and opportunity to be heard by all government entities directly  
10 affected. The court shall provide notice to the government entities directly affected of (i) the date  
11 and time of the hearing and (ii) the right to be heard and make an objection to the remission or  
12 waiver of all or part of the order of court costs at least 15 days prior to hearing. Notice shall be  
13 made to the government entities affected by first-class mail to the address provided for receipt of  
14 court costs paid pursuant to the order. The costs referenced in this subsection are listed below:

15           ...  
16           (14) For the services of any laboratory facility, the district or superior court judge  
17 shall, upon conviction, order payment of the sum of six hundred dollars  
18 (\$600.00) to be remitted to the Alcohol Law Enforcement Division of the  
19 Department of Public Safety (ALE Division) or agency that paid for the  
20 laboratory services. The cost shall be assessed only in cases in which (i) the  
21 defendant is convicted of a violation of G.S. 18D-103(a)(3) or  
22 G.S. 18D-203(a)(3), and (ii), as part of the investigation leading to the  
23 defendant's conviction, testing was conducted at a laboratory on products  
24 regulated under Chapter 18D of the General Statutes."

25           **SECTION 1.(d)** This section becomes effective July 1, 2024, and applies to all  
26 hemp-derived consumable products possessed, sold, distributed, or manufactured on or after that  
27 date, to all kratom products possessed, sold, distributed, or manufactured on or after that date,  
28 and to all offenses committed on or after that date.

## 29 30 **PART II. TECHNICAL CHANGES**

31           **SECTION 2.(a)** G.S. 90-94.1 is repealed.

32           **SECTION 2.(b)** This section becomes effective December 1, 2023, and applies to  
33 offenses committed on or after that date.

## 34 35 **PART III. APPROPRIATION**

36           **SECTION 3.(a)** The following sums are appropriated from the General Fund to the  
37 Department of Public Safety in nonrecurring funds for the 2023-2024 fiscal year:

- 38           (1) Two million dollars (\$2,000,000) to be used to hire 20 full-time equivalent  
39 positions in the Alcohol Law Enforcement Division of the Department of  
40 Public Safety (ALE Division) to serve as Special Agents and assist in  
41 implementing the provisions of this act. Upon exhaustion of these funds, the  
42 fees remitted to the ALE Division pursuant to Chapter 18D of the General  
43 Statutes, as enacted by this act, shall be used to support the positions on a  
44 recurring basis.
- 45           (2) Three hundred seventy-five thousand dollars (\$375,000) to be used for any  
46 other costs incurred by the Department of Revenue in implementing the  
47 provisions of this act.
- 48           (3) One hundred twenty-five thousand dollars (\$125,000) to be used for any other  
49 costs incurred by the ALE Division in implementing the provisions of this act.

50           **SECTION 3.(b)** Any nonrecurring funds appropriated by this section for the  
51 2023-2024 fiscal year that remain unexpended at the end of the 2023-2024 fiscal year shall not

1 revert at the end of the 2023-2024 fiscal year and shall remain available for expenditure for the  
2 purpose for which the funds were appropriated until the funds are expended.

3 **SECTION 3.(c)** This section is effective July 1, 2023.  
4

5 **PART IV. PROHIBIT USE OF HEMP-DERIVED CONSUMABLE PRODUCTS AND**  
6 **KRATOM PRODUCTS ON SCHOOL GROUNDS**

7 **SECTION 4.(a)** The title of Article 29A of Chapter 115C of the General Statutes  
8 reads as rewritten:

9 "Article 29A.

10 "Policy Prohibiting Use Of ~~Tobacco~~ Tobacco, Hemp-Derived Consumable, and Kratom  
11 Products."

12 **SECTION 4.(b)** G.S. 115C-407 reads as rewritten:

13 **"§ 115C-407. Policy prohibiting tobacco use in school buildings, grounds, and at**  
14 **school-sponsored events.**

15 (a) ~~Not later than August 1, 2008, local boards of education~~ Governing bodies of public  
16 school units shall adopt, implement, and enforce ~~adopt~~ a written policy prohibiting at all times  
17 the use of any tobacco product by any person in school buildings, in school facilities, on school  
18 campuses, and in or on any other school property owned or operated by the ~~local school~~  
19 ~~administrative~~ public school unit. The policy shall further prohibit the use of all tobacco products  
20 by persons attending a school-sponsored event at a location not listed in this subsection when in  
21 the presence of students or school personnel or in an area where smoking is otherwise prohibited  
22 by law.

23 (b) The policy shall include at least all of the following elements:

- 24 (1) Adequate notice to students, parents, the public, and school personnel of the  
25 policy.  
26 (2) Posting of signs prohibiting at all times the use of tobacco products by any  
27 person in and on school property.  
28 (3) Requirements that school personnel enforce the policy.

29 (c) The policy may permit tobacco products to be included in instructional or research  
30 activities in public school buildings if the activity is conducted or supervised by the faculty  
31 member overseeing the instruction or research and the activity does not include smoking,  
32 chewing, or otherwise ingesting the tobacco product.

33 (d) ~~The North Carolina Health and Wellness Trust Fund Commission shall work with~~  
34 ~~local boards of education to provide assistance with the implementation of this policy including~~  
35 ~~providing information regarding smoking cessation and prevention resources.~~ Nothing in this  
36 section, G.S. 143-595 through G.S. 143-601, or any other section prohibits a ~~local board of~~  
37 ~~education~~ governing body of a public school unit from adopting and enforcing a more restrictive  
38 policy on the use of tobacco in school buildings, in school facilities, on school campuses, or at  
39 school-related or school-sponsored events, and in or on other school property."

40 **SECTION 4.(c)** Article 29A of Chapter 115C of the General Statutes is amended by  
41 adding a new section to read:

42 **"§ 115C-407.1. Policy prohibiting use of hemp-derived consumable products and kratom**  
43 **products in school buildings, grounds, and at school-sponsored events.**

44 (a) For purposes of this section, the following definitions apply:

- 45 (1) Hemp-derived consumable product. – As defined in G.S. 18D-100.  
46 (2) Kratom product. – As defined in G.S. 18D-200.

47 (b) Governing bodies of public school units shall adopt a written policy prohibiting at all  
48 times the use of any hemp-derived consumable product or any kratom product by any person in  
49 school buildings, in school facilities, on school campuses, and in or on any other school property  
50 owned or operated by the public school unit. The policy shall further prohibit the use of all  
51 hemp-derived consumable products and kratom products by persons attending a

1 school-sponsored event at a location not listed in this subsection when in the presence of students  
2 or school personnel or in an area where the use of hemp-derived consumable products or kratom  
3 products is otherwise prohibited by law.

4 (c) The policy shall include at least all of the following elements:

5 (1) Adequate notice to students, parents, the public, and school personnel of the  
6 policy.

7 (2) Posting of signs prohibiting at all times the use of hemp-derived consumable  
8 products and kratom products by any person in and on school property.

9 (3) Requirements that school personnel enforce the policy.

10 (d) The policy may permit hemp-derived consumable products and kratom products to  
11 be included in instructional or research activities in public school buildings if the activity is  
12 conducted or supervised by the faculty member overseeing the instruction or research and the  
13 activity does not include smoking, chewing, or otherwise ingesting or inhaling the hemp-derived  
14 consumable product or kratom product.

15 (e) Nothing in this section, G.S. 143-595 through G.S. 143-601, or any other section  
16 prohibits a governing body of a public school unit from adopting and enforcing a more restrictive  
17 policy on the use of hemp-derived consumable products and kratom products in school buildings,  
18 in school facilities, on school campuses, or at school-related or school-sponsored events, and in  
19 or on other school property."

20 **SECTION 4.(d)** G.S. 115C-218.75 is amended by adding a new subsection to read:

21 "(a1) Policies Prohibiting Use of Tobacco, Hemp-Derived Consumable, and Kratom  
22 Products. – A charter school shall adopt policies prohibiting use of tobacco, hemp-derived  
23 consumable, and kratom products in school buildings, grounds, and at school-sponsored events  
24 in accordance with Article 29A of this Chapter."

25 **SECTION 4.(e)** G.S. 115C-238.66 is amended by adding a new subdivision to read:

26 "(7h) Policies prohibiting use of tobacco, hemp-derived consumable, and kratom  
27 products. – A regional school shall adopt policies prohibiting use of tobacco,  
28 hemp-derived consumable, and kratom products in school buildings, grounds,  
29 and at school-sponsored events in accordance with Article 29A of this  
30 Chapter."

31 **SECTION 4.(f)** G.S. 115C-150.12C is amended by adding a new subdivision to

32 read:

33 "(15a) Policies prohibiting use of tobacco, hemp-derived consumable, and kratom  
34 products. – The board of trustees shall adopt policies prohibiting use of  
35 tobacco, hemp-derived consumable, and kratom products in school buildings,  
36 grounds, and at school-sponsored events in accordance with Article 29A of  
37 this Chapter."

38 **SECTION 4.(g)** G.S. 116-239.8(b) is amended by adding a new subdivision to read:

39 "(9a) Policies prohibiting use of tobacco, hemp-derived consumable, and kratom  
40 products. – The chancellor shall adopt policies prohibiting use of tobacco,  
41 hemp-derived consumable, and kratom products in school buildings, grounds,  
42 and at school-sponsored events in accordance with Article 29A of Chapter  
43 115C of the General Statutes."

44 **SECTION 4.(h)** Subdivision (21) of Section 6(d) of S.L. 2018-32 reads as rewritten:

45 "(21) Article 29A, Policy Prohibiting Use of ~~Tobacco~~-Tobacco, Hemp-Derived  
46 Consumable, and Kratom Products."

47 **SECTION 4.(i)** This section is effective when it becomes law and applies beginning  
48 with the 2024-2025 school year.

49  
50 **PART V. MISCELLANEOUS**

1           **SECTION 5.(a)** The Department of Revenue shall establish guidance to parties  
2 regulated by the provisions of Chapter 18D of the General Statutes, as enacted by this act. The  
3 Department shall adopt and amend rules prior to July 1, 2024, however, no rule may become  
4 effective until on or after that date. The Department shall provide and accept applications for  
5 licensure, and issue licenses in accordance with Chapter 18D of the General Statutes, as enacted  
6 by this act, prior to July 1, 2024, in order that licensees may be in compliance with the provisions  
7 of Chapter 18D of the General Statutes on July 1, 2024. No license issued by the Department  
8 shall become effective prior to July 1, 2024. The Department of Revenue may use the procedure  
9 set forth in G.S. 150B-21.1 to adopt or amend any rules as required under this section.

10           **SECTION 5.(b)** The Department of Public Safety shall adopt rules, or amend their  
11 rules, consistent with the provisions of this act. The Department of Public Safety may use the  
12 procedure set forth in G.S. 150B-21.1 to adopt or amend any rules as required under this section.

13           **SECTION 5.(c)** Prosecutions for offenses committed before the effective date of this  
14 act are not abated or affected by this act, and the statutes that would be applicable but for this act  
15 remain applicable to those prosecutions.

16           **SECTION 5.(d)** If any provision of this act or its application is held invalid, the  
17 invalidity does not affect other provisions or applications of this act that can be given effect  
18 without the invalid provisions or application and, to this end, the provisions of this act are  
19 severable.

20           **SECTION 5.(e)** Except as otherwise provided, this act is effective when it becomes  
21 law.