

ORDINANCE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. Title 3 of the Municipal Code of Chicago is hereby amended by inserting a new Chapter 3-57, as follows:

**CHAPTER 3-57
HEMP BEVERAGE TAX**

3-57-010 Title.

This chapter shall be known and cited as the "Chicago Hemp Beverage Tax Ordinance" and the tax herein imposed shall be known and cited as the "Chicago Hemp Beverage Tax."

3-57-020 Definitions.

As used in this chapter:

"Department" means the Department of Finance.

"Hemp beverage" shall have the meaning ascribed in Section 4-4-360.

"Purchaser" means any person who purchases in a retail sale.

"Retailer" means any person who engages in the business of the retail sale of hemp beverages in the City or who otherwise sells hemp beverages to purchasers in the City.

"Retail sale" or "sale at retail" means any sale to a person for use or consumption, and not for resale.

"Sale" or "purchase" means any transfer of ownership or title or both, any exchange or barter, in any manner or by any means whatsoever for a valuable consideration.

"Wholesaler" means any person who engages in the business of selling or supplying hemp beverages to any person for resale in the City.

3-57-030 Tax Imposed.

(a) A tax is hereby imposed on the privilege of purchasing or using, in the City, hemp beverages purchased in a sale at retail. This tax is in addition to any and all other taxes authorized by law, and shall be paid by the purchaser. Nothing in this chapter shall be construed to impose a tax on the occupation of a retailer or wholesaler of hemp beverages.

(b) The tax on hemp beverages shall be levied on to the following schedule:

- (1) Containing more than 70mg and less than 80mg of THC per gallon, a tax at the rate of \$4.275 per gallon;
- (2) Containing more than 60mg and less than 70mg of THC per gallon, a tax at the rate of \$3.74 per gallon;

- (3) Containing more than 50mg and less than 60mg of THC per gallon, a tax at the rate of \$3.205 per gallon;
- (4) Containing more than 40mg and less than 50mg of THC per gallon, a tax at the rate of \$2.67 per gallon;
- (5) Containing less than 40mg of THC per gallon, a tax at the rate of \$2.135 per gallon

3-57-040 Liability for Payment.

The ultimate incidence and liability for payment of the tax herein levied is to be borne by the purchaser of a hemp beverage. It shall be a violation of this chapter for a retailer to fail to include the tax imposed herein in the sale price of the hemp beverage, or to otherwise absorb such tax.

3-57-050 Collection.

(a) Except as otherwise provided herein, the tax levied herein shall be collected by each wholesaler who sells hemp beverages to a retailer located in the City. The wholesaler shall remit the tax and file returns in accordance with Section 3-57-060.

(b) Any wholesaler required to collect the tax levied by this chapter shall collect the tax from each retailer in the City to whom the sale of hemp beverages is made, and any such retailer shall in turn collect the tax from the retail purchasers of hemp beverages.

(c) If any retailer shall receive or otherwise obtain hemp beverages upon which the tax herein applies, but has not been collected by any wholesaler, such retailer shall collect such tax and remit it directly to the Department in accordance with Section 3-57-060.

(d) If a wholesaler sells hemp beverages to a purchaser for use or consumption in the City, and not for resale, such wholesaler shall collect the tax imposed herein from such purchaser and remit it to the Department in the same manner as sales to retailers.

3-57-060 Tax payments and returns.

All tax payments and remittances shall be made in accordance with either Section 3-4-187 (payment of actual tax liabilities) or Section 3-7-188 (payment of estimated taxes). All tax returns shall be filed with the Department on an annual basis on or before August 15 of each year in accordance with Sections 3-4-186 and 3-4-189.

3-57-070 Returns and payments required after a tax increase.

Each retailer who possesses taxable hemp beverages purchased prior to the effective date of an increase to the tax rate under Section 3-57-030, shall file with the Department, on a form prescribed by the Comptroller, a tax return attesting to the quantities of taxable hemp beverages in its possession as of the last day prior to the tax increase and pay to the Department the amount of tax due as a result of each rate increase. Each such tax return and payment due under this section shall be filed and received by the Department by the 24th day following the effective date of each such tax increase. Every retailer required to file a tax return under this section who does not timely file such tax return, does not provide all required information on such tax return, or fails to pay all required tax due computed thereon, shall be subject to a penalty of \$1,000 per business location required to be reported on the tax return, in addition to

all other penalties and interest that may be due under the provisions of the Uniform Revenue Procedures Ordinance, Chapter 3-4.

3-57-080 Report of sales.

Each wholesaler, or retailer, whenever applicable, of hemp beverages shall file with the Department, a sworn report of sales of hemp beverages, as applicable, in such form as prescribed and furnished by the Department that includes a manifest of the dates, type, quantity and prices of finished hemp beverages sold to retailers. Each such report shall be filed concurrently with the remittance of the appropriate amount of tax applicable to the sale reported under Section 3-57-060.

3-57-090 Payment of tax required.

The failure of any wholesaler or retailer to collect the tax herein imposed shall not relieve the purchaser of their duty to pay it. If the wholesaler or retailer fails to collect the tax, the purchaser shall be required to pay it directly to the Department in the same manner and form as a wholesaler or retailer.

3-57-100 Exemptions.

(a) The tax imposed under this chapter shall not apply to any hemp beverages:

(1) purchased by a passenger on an interstate carrier;

(2) subject to the Cannabis Tax under Chapter 3-51;

(3) subject to the Compassionate Use of Medical Cannabis Program Act, 410 ILCS 130/1, et seq.; or

(4) that have been specifically approved by the United States Food and Drug Administration for medical purposes, where such hemp beverage is marketed and sold solely for such an approved purpose.

(b) This tax shall not apply to the extent it would violate the United States Constitution or the Constitution of the State of Illinois.

(c) It shall be presumed that all sale of hemp products from wholesale or retail hemp dealers are subject to tax under this chapter until the contrary is established. The burden of proving that such is not taxable hereunder shall be upon the person so claiming.

3-57-110 Registration.

Each retailer and wholesaler of hemp beverages in existence on March 1, 2025 shall register with the Department before April 1, 2025. Each retailer or wholesaler commencing business after March 1, 2025 shall register with the Department within 30 days after the date of commencing such business. The fee for such registration is \$2,000 for every two years of registration.

3-57-120 Purchases of hemp beverages for resale.

No retailer of hemp beverages shall purchase any hemp beverages from a person other than a wholesaler of hemp beverages registered with the City in accordance with Section 3-57-110. Any retailer who violates this section shall be subject to a fine of not less than \$100 nor more than \$500 for each hemp beverage purchased from a person other than a registered wholesaler.

3-57-130 Inspections.

The Comptroller, the Commissioner of Business Affairs and Consumer Protection, or any person authorized by either the Comptroller or Commissioner of Business Affairs and Consumer Protection may enter the premises of any wholesaler or retailer of hemp beverages for inspection and examination of property, inventory, books and records for the proper administration of this chapter and enforcement of the collection of the tax herein imposed. It is unlawful for any person to prevent, hinder or interfere with the Comptroller or the Commissioner of Business Affairs and Consumer Protection, or their duly authorized deputy or representative, in the discharge of their duties in the enforcement of this chapter. The penalty for violation of this section shall be not less than \$300 nor more than \$5,000 for each offense.

3-57-140 Supplementary provisions.

Whenever not inconsistent with the provisions of this chapter, or whenever this chapter is silent, the provisions of the Uniform Revenue Procedures Ordinance, Chapter 3-4, as amended, shall apply to and supplement this chapter.

3-57-150 Deposit of funds.

All proceeds resulting from the imposition of this tax, including interest and penalties, shall be deposited in the City's corporate fund.

SECTION 2. Chapter 4-4 of the Municipal Code of Chicago is hereby amended by inserting a new Article 2, as follows:

ARTICLE II. CANNABINOID HEMP PRODUCTS (4-4-360 et seq.)

4-4-360 Definitions.

As used in this article:

"Cannabinoid hemp product" means hemp or any product manufactured or derived from hemp, including hemp derived terpenes, in its final form, that is: (a) used for human consumption, including by ingestion, inhalation, or otherwise; and (b) capable of producing a psychoactive effect in a person who consumes it. "Cannabinoid hemp product" shall not include: (i) beverages containing hemp or any product manufactured or derived from hemp, including hemp derived terpenes, in its final form; or (ii) products intended for topical use.

"Hemp" means the plant *Cannabis sativa* L. and any part of such plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, that is not cannabis regulated under the Compassionate Use Medical

Cannabis Program Act (410 ILCS 130/1 et seq.) or the Cannabis Regulation and Tax Act (410 ILCS 705/1-1 et seq.).

“Hemp beverage” means a liquid cannabinoid hemp product, intended for human consumption as a beverage and that contains: (a) at least 0.5 milligrams, but not more than 80 milligrams, of THC per gallon, within a 10% variance; and (b) does not contain alcohol, or nicotine.

“Prohibited products” means hemp beverages other than those that meet the requirements of this article.

“Regulated products” means hemp beverages that meet the requirements of this article.

“THC” means tetrahydrocannabinol, whether synthesized by use of additional chemicals, including any material, compound, mixture, preparation, or any other natural or synthetic compound containing tetrahydrocannabinol, generally having a stimulant or intoxicating effect on the central nervous system, regardless of how the product is named by its manufacturer, synthesizer, or distributor. “THC” includes any molecule or other chemical compound containing tetrahydrocannabinol, whether Delta-8 tetrahydrocannabinol or Delta-9 tetrahydrocannabinol.

The terms “adulterated”, “contaminated”, “misbranded”, and “unwholesome” shall have the respective meanings ascribed in Section 4-8-010.

4-4-361 Prohibited products – Exemptions.

(a) *Sale of prohibited products.* No licensee, or their agent or employee shall sell, offer for sale, give away, barter, exchange, or otherwise furnish on the licensed premises, at retail or otherwise, any prohibited product. Notwithstanding the foregoing, nothing in this section shall prohibit any duly licensed cannabis business establishment from making, manufacturing, selling, giving away, bartering, exchanging, distributing, furnishing, marketing, advertising, or otherwise holding out for sale any cannabis or cannabinoid product in accordance with the Compassionate Use of Medical Cannabis Program Act or the Cannabis Regulation and Tax Act.

(b) *Concealment of prohibited products.* No shall any person engage in an act of concealment of any prohibited product on any licensed premises, other than as authorized under this article.

(c) *Seizure of prohibited products.* Any prohibited product that is made, manufactured, sold, given away, bartered, exchanged, distributed, furnished, marketed, advertised, or otherwise held out for sale in violation of this section is subject to forfeiture and may be seized by any peace officer. The seizure and forfeiture shall be made in accordance with rules issued by the Superintendent of Police.

4-4-362 Regulated products - Requirements.

(a) *Sale of regulated products.* No licensee, or their agent or employee shall sell, offer for sale, give away, barter, exchange, or otherwise furnish on the licensed premises, at retail or otherwise, any regulated products, unless such products meet the minimum requirements of this section. In addition to any other penalty or remedy available at law, violations of this section shall be considered a deceptive business practice, subject to the sanctions under Section 2-25-090 or Section 4-4-299, as applicable.

(b) *Labeling requirements.*

(1) Each regulated product sold, offered or sale, or kept with the intention of selling or using, shall conspicuously disclose the potency of such product, expressed as the total amount of milligrams of THC contained in such product within a 10% variance. Such labels shall be at least one-fourth of an inch in height.

(2) Each regulated product shall be labeled with a Quick Response Code (QR Code) linking to a certificate of analysis containing the results of a test for potency within 10% of the total amount of milligrams of THC as defined in this article, as well as results for tests of residual solvents, heavy metals, pesticides, yeast, mold, microbial impurities, and mycotoxins for the applicable batch of regulated products.

(3) No regulated product may be labeled, marketed, or otherwise held out for sale in such a manner as to appeal or be attractive to persons under 21 years of age. There shall be a rebuttable presumption that any labeling or marketing including cartoons or caricatures of any variety violate this provision.

(c) Testing requirements.

(1) No licensee may sell any adulterated, contaminated, misbranded, or unwholesome regulated product.

(2) The certificate of analysis required by this section shall: (i) be completed by an independent laboratory accredited by the International Organization for Standardization (ISO) or other accrediting entity approved by the Department; (ii) state the name, address, and ISO certification number of the independent testing laboratory that conducted the analysis; and (iii) state the name and address of the facility where the batch was processed.

(3) A wholesaler or retailer shall ensure that the manufacturer of a regulated product has submitted representative samples of each batch of the product to an independent, accredited laboratory in order to certify that the product complies with any standards promulgated by the Department or the Chicago Department of Public Health. Testing must be consistent with generally accepted industry standards for herbal and botanical substances, and, at a minimum, the testing must report: (i) the amount or percentage of cannabinoids of the product (ii) the presence and concentration of any microbial pathogen, residual solvent, heavy metal, mycotoxin, and pesticide required by regulations promulgated by the department

(4) Upon the request of the Department or the Chicago Department of Public Health, the wholesaler or retailer shall provide the results of the testing required in this section.

(5) The Department or the Chicago Department of Public Health may determine that any testing laboratory that does not operate formal management systems under the ISO is not an accredited laboratory and require that a representative sample of a batch of the product be retested by a testing laboratory that meets this requirement.

(6) Testing of the hemp from which the nonintoxicating cannabinoid was derived, or possession of a certificate of analysis for such hemp, does not meet the testing requirements of this section.

(7) The Chicago Department of Public Health may establish standards for microbial, mycotoxin, pesticide residue, solvent residue, or other standards for the presence of possible contaminants, in addition to labeling requirements for contents and potency.

4-4-363 Regulated products - Legal Requirements.

(a) Persons under 21 years of age.

(1) No licensee under this Code or their agent or employee shall sell, offer for sale, give away, barter, exchange, or otherwise furnish on the licensed premises any regulated product, at retail or otherwise, to any individual under 21 years of age.

(2) Persons engaged in the business of selling regulated products may engage, employ, or permit a person under 21 years of age to work on the licensed premises, if the person under 21 years of age has no duties relating to the sale, dispensing, service, or delivery of any regulated product on the premises. A licensee who engages, employs, or permits a person under 21 years of age to work pursuant to this subsection shall not assign or permit that person to perform any duties or acts relating to the sale, dispensing, service, or delivery of any regulated product on the premises. A licensee who engages, employs, or permits persons under 21 years of age to work as allowed in this subsection shall be responsible for ensuring that such person does not consume, obtain, or possess any regulated product on the licensed premises.

(b) Required postings. Any person who sells, gives away, or distributes any regulated product shall display, in accordance with rules promulgated by the Commissioner, a printed card which shall include the following warning:

WARNING

It Is A Violation Of The Law For Any Product Containing Cannabinoid Hemp-Derived THC To Be Sold To Any Person Under The Age Of 21. Any Person Who Violates This Law Is Subject To A Fine And Possible Imprisonment.

(c) Display of regulated products. It shall be unlawful for any licensee to display any regulated product except: (i) behind a retail sales counter; and (ii) accessible only to the licensee or their agents or employees.

4-4-364 Enforcement.

(a) Enforcement. In addition to the authority of the Department of Business Affairs and Consumer Protection to enforce this article, the Department of Public Health is authorized to enforce this article.

(b) Fines. Except as otherwise specified in this subsection, any person who violates this article shall be punished by a fine of not less than \$200 nor more than \$500 for each offense. Any person who violates Section 4-4-361, Section 4-4-362, or subsection (a) of Section 4-4-363 shall be punished by a fine of not less than \$2,000 nor more than \$10,000 for each offense, and any City licensee who violates such sections, or any rules promulgated thereunder, may be subject to license discipline pursuant to Section 4-4-280. Each day that a violation continues shall constitute a separate and distinct offense.

(c) *License Revocation.* In addition to any other penalty provided by law, and subject to the procedures described in this subsection, if a person commits or has committed three or more violations of this article, or any combination thereof, within any 24-month period, the Commissioner shall revoke that person's licenses. For purposes of this subsection: (1) "licenses" includes any and all licenses issued by the City of Chicago to engage in business operations at the location at which the violations occurred; (2) multiple offenses occurring on the same date shall be deemed a single violation while offenses occurring on separate dates shall be deemed separate violations; and (3) a "violation" may include a finding of liability or a finding sustaining the offense or offenses charged in the same or in any contemporaneous proceeding or evidence of any previously resolved final disposition against the licensee on a charge brought pursuant to this article, including but not limited to any finding of liability after adjudication on the merits, any default finding of liability, any uncontested finding of liability, any negotiated pre-hearing settlement of the charge, and any voluntary payment of the fine corresponding to the charge.

A person subject to revocation pursuant to this subsection shall be entitled to the process described in Section 4-4-280, with the condition that any revocation hearing shall be limited to the issue of whether the licensee's record and the resolution of any pending charges in the same or contemporaneous proceedings, if applicable, accurately reflect the existence of a sufficient number of violations to support the revocation decision. The licensee shall not be permitted to challenge the previously resolved violations themselves, nor any underlying facts asserted or determined therein.

(d) *Effect of revocation.* When a license is revoked under this section, no licenses shall be granted to any person for a period of one year thereafter for the premises described in such license, unless such revocation order was entered as to the licensee only. Any person who has a substantial ownership or controlling interest in an entity whose license is revoked pursuant to this section shall, for a period of one year thereafter, be ineligible for the issuance of a license at the same location.

(e) *Liability of licensee for violations.* Every act or omission which constitutes a violation of this article by an officer, director, manager or other agent or employee of any person subject to this article shall be deemed to be the act of such licensee, and such licensee shall be liable for all penalties and sanctions provided by this section in the same manner as if such act or omission had been done or omitted by the licensee personally.

SECTION 3. This ordinance shall take effect on June 1, 2025.

Alderperson Ward 27

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Alderperson Ward 47

Alderperson Ward 48

Alderperson Ward 49

Alderperson Ward 50

Mayor Johnson

Clerk Valencia