

KRATOM CONSUMER PROTECTION AND REGULATORY ACT

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4061 as introduced
Sponsor: Rep. Lori M. Stone
Committee: Regulatory Reform
Complete to 4-11-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4061 would create the Kratom Consumer Protection and Regulatory Act to prohibit, beginning January 1, 2024, a person from distributing, selling, or manufacturing a kratom product in Michigan unless licensed to do so. The bill would also do the following:

- Prohibit the sale of kratom products to individuals under 21 years of age.
- Require an applicant for licensure or license renewal to provide certain information to the Department of Licensing and Regulatory Affairs (LARA), along with an applicable application or renewal fee.
- Require testing of raw materials used in the manufacture of kratom products to be sold or distributed in Michigan.
- Establish labeling requirements for kratom products, including certain health and safety warnings.
- Prohibit the sale or distribution of kratom products that contain certain substances or do not comply with certain labeling requirements.
- Establish administrative sanctions and remedies for a licensee who violates the act.
- Allow LARA to seek declaratory relief or an injunction, or both, against a person who engages in conduct that violates the act.
- Require LARA to promulgate rules to implement the act.

Licensure

Under the bill, beginning January 1, 2024, a person could not manufacture, distribute, or sell a *kratom product* in Michigan unless licensed to do so.

Kratom product would mean a food that contains any part of the leaf of the plant *Mitragyna speciosa*.

A person would have to obtain a license for each location in which the person distributes, sells, or manufactures a kratom product in Michigan. A person also would have to obtain a license to distribute, sell, or offer to distribute or sell a kratom product online. The licensee would have to prominently display the certificate of licensure at each business or location where kratom products are distributed, sold, or manufactured or offered for distribution or sale. As described below, before applying for a license, a potential applicant would be required to have a sample of the raw materials used in the production of the products the applicant intends to manufacture, distribute, or sell tested by a laboratory.

An application would have to be on a form and in a manner prescribed by LARA and would have to include the following information:

- The applicant's full name, date of birth, telephone number, and address. If the applicant is not an individual, the EIN number of the applicant would have to be included.
- The address of each business or location where a kratom product would be distributed, sold, or manufactured or offered for distribution or sale.
- A list of the kratom products that would be distributed, sold, or manufactured or offered for distribution or sale.
- A copy of the certificate of analysis (described below).
- A statement that the information supplied is true to the best of the applicant's knowledge and that the application is signed under the penalty of perjury.

LARA would have to grant a license to an applicant that does all of the following:

- Submits a completed application.
- Submits an application fee of \$200.
- Meets the qualifications for a license under the bill.

[Note: While the bill requires each location where kratom products are manufactured, distributed, or sold to have a license, and requires the license to be displayed at each location, it does not say whether a separate fee would be required for each location or if a single applicant could obtain multiple licenses for a single fee.]

An application would have to be approved or denied no later than 30 business days after LARA receives a completed application. An incomplete application would have to be denied. If an application were denied, LARA would have to notify the applicant in writing not later than 30 business days after the application was received, state the deficiency in the application, and request additional information.

A license would be valid for three years and would not be transferable. To renew a license, a licensee would have to submit a completed application (as described above) and submit a renewal fee of \$125.

Product testing

Before applying for a license, a person that wishes to distribute, sell, manufacture, or offering to distribute or sell a kratom product would have to have a sample of the raw materials used to produce each kratom product tested by a *qualified laboratory* (a laboratory approved by LARA by rule) to certify that the product does not contain any of the prohibited substances described below (under "Additional prohibitions").

If the raw materials did not contain a prohibited substance, the qualified laboratory would have to provide the person with a certificate of analysis stating that the raw materials meet the bill's requirements. The person would have to provide a copy of the analysis to LARA with the license application and upon request. In addition, LARA could request a person have a sample of raw materials retested by a qualified laboratory and provide an updated certificate of analysis. The person would be responsible for the costs of the testing.

Labeling

A kratom product would have to be labeled with the following information:

- A statement, as specified in the bill, that *Mitragyna speciosa* is an unapproved dietary ingredient and that ingesting it may be dangerous, that a person should consult their physician as to its suitability, use, safety, and possible complications, among other things, and inform the physician of the product's alkaloid content as listed on the label.
- A statement, as specified in the bill, warning to keep the product out of reach of children and to avoid using it if pregnant, planning to become pregnant, or while breastfeeding, as well as a statement that the product is not for sale to minors.
- The product's alkaloid content.
- The amount of mitragynine and 7-hydroxymitragynine in the product.

Additional prohibitions

A licensee, whether in person or through an online website, could not distribute, sell, or offer for distribution or sale a kratom product to an individual under 21 years of age.

A person, whether in person or through an online website, could not sell, distribute, manufacture, or offer for distribution or sale any of the following:

- A kratom product adulterated with a dangerous non-kratom substance. (This would be a kratom product that is mixed or packed with a substance affecting the quality or strength of the kratom product to such a degree as to render it injurious to a consumer.)
- A kratom product contaminated with a dangerous non-kratom substance. (This would be a kratom product that contains a poisonous or otherwise deleterious non-kratom ingredient, including, but not limited to, any Schedule 1 substances.)
- A kratom product containing a level of 7-hydroxymitragynine in the alkaloid fraction that is greater than 2% of the alkaloid composition of the product.
- A kratom product that contains a synthetic alkaloid, including, but not limited to, synthetic mitragynine, synthetic 7-hydroxymitragynine, or any other synthetically derived compound of the plant *Mitragyna speciosa*.
- A kratom product that does not include on its package or label the amount of mitragynine and 7-hydroxymitragynine contained in the kratom product.

In addition, a person could not purchase a kratom product over the internet in Michigan if the product did not comply with the above.

Sanctions

A person that manufactures, distributes, or sells a kratom product without a license could be ordered to pay a civil fine of up to \$500 for the first offense and up to \$1,000 for any subsequent offense.

After notice and an opportunity for an administrative hearing, a licensee that violates section 7 (labeling requirements), section 9 (prohibited kratom products) or section 11 (distribution or sale of kratom product to minor or internet purchase of prohibited kratom products) could be subject to an administrative fine of up to \$500 for a first offense and up to \$1,000 for any subsequent offense. In addition to the administrative fine, or for any other violation of the act or a departmental rule, the licensee could be subject to license denial, limitation, suspension, or revocation.

[Note: The bill does not provide a penalty for a person who is not a licensee but who violates the prohibition against purchasing online a product prohibited under section 9.]

In addition to any other action authorized by the bill, the director of LARA could bring an action to do either or both of the following:

- Obtain a declaratory judgment that a method, act, or practice is in violation of the bill.
- Obtain an injunction against a person who is engaging, or about to engage, in a method, act, or practice that violates the bill.

Rules

LARA would have to promulgate rules to implement the act by January 1, 2024.

FISCAL IMPACT:

House Bill 4061 would have an indeterminate net fiscal impact on LARA, though the bill would necessitate additional expenditures and authorize new revenues. The department would experience cost increases resulting from new responsibilities related to kratom licensure; these responsibilities would include intaking and processing licensure applications, enforcement activities, and rules promulgation. The magnitude of the costs would depend on the volume of licenses and the degree to which existing department personnel and infrastructure could accommodate the new regulatory activity. The bill would establish a license application fee of \$200 and a triennial renewal fee of \$125. It is unclear whether this fee revenue would be sufficient to offset LARA's regulatory costs. The bill would establish administrative fines of up to \$500 for a first offense and up to \$1,000 for a second or subsequent offense, though the bill is silent as to where this revenue and licensure revenue would be deposited or how it could be used (presumably any revenue would be deposited to the state's general fund).

In addition, the bill would have an indeterminate fiscal impact on the state and on local units of government that would depend on the number of individuals ordered to pay a civil fine. The majority of civil fine revenue would increase funding for public and county law libraries. A small portion of the revenue would be deposited into the state Justice System Fund, which supports various justice-related endeavors in the judicial and legislative branches of government and the Departments of State Police, Corrections, Health and Human Services, and Treasury. There could also be a fiscal impact on local courts. The impact would be directly related to how provisions of the bill affected court caseloads and related administrative costs.

Legislative Analysts: Alex Stegbauer
Susan Stutzky
Fiscal Analysts: Marcus Coffin
Robin Risko

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.