

U.S. Hemp Roundtable Legislative Framework for Direct-to-Consumer (DTC) Sales of Hemp Cannabinoid Products

As the hemp industry continues to grow, establishing clear and responsible regulatory guidelines for direct-to-consumer (DTC) sales is essential. With the vast majority of hemp consumer products being sold online and with over 50% of the revenue of the leading hemp beverage brands coming from online sales, it's essential to our category's success and growth—from farmer to manufacturer, retailer, and brand—that we work together as an industry to protect this channel, and thus a free and competitive hemp market.

Our Board of Directors has developed a comprehensive set of policy recommendations to ensure that hemp cannabinoid products can be sold safely and legally across state lines while maintaining robust consumer protections.

These proposed legislative provisions address key concerns, including age verification for online and remote sales, retailer licensing requirements, appropriate taxation structures, and enforcement mechanisms. By implementing these safeguards, states can effectively regulate the sale and distribution of hemp-derived cannabinoid products, prevent underage access, and ensure industry compliance.

The following framework provides model language that states can adopt to establish a fair, transparent, and enforceable DTC marketplace for hemp cannabinoid products. This approach balances consumer access, public safety, and regulatory oversight, ensuring the responsible growth of the hemp industry. Please reach out to us with any questions, concerns, or further clarifying material:

Remote Sales: Age Verification and Shipping Requirements

A sale of a Hemp Cannabinoid Product* that occurs through means other than a direct, face-to-face exchange between a retailer and a consumer, shall require the age of the purchaser to be verified in order to prevent the sale and distribution of Hemp Cannabinoid Products to individuals under the age of 21.

A Hemp Cannabinoid Product Seller* must confirm a prospective purchaser's age prior to or at delivery by at least one of the following two methods:

- 1. By matching the prospective purchaser's name, birth date, and address against a commercially available third-party database consistently primarily from data from government sources; or
- 2. By obtaining and examining a valid government-issued identification.

The credit/debit card must be in the purchaser's name; cash or money order payments are prohibited;

Purchasers must certify their names, current addresses, and ages; and

The seller must include a conspicuous notice on its website that the products are intended only for adults twenty-one (21) and over.



Retailer Licensing

In-state and out-of-state Hemp Cannabinoid Product Sellers, including e-commerce platforms, selling Hemp Cannabinoid Products directly to consumers in the state must be a registered retailer.

Hemp Product Tax

An in-state and out-of-state Hemp Cannabinoid Product Seller, including e-commerce platforms, selling Hemp Cannabinoid Products directly to consumers in the state must be a registered retailer and are subject to the same tax rate as other retailers, for the privilege of engaging in the business of selling products containing a hemp-derived cannabinoid in this state. This point-of-sale tax applies in addition to the state sales tax rate and the applicable local sales tax rates.

Enforcement

Enforcement of this regulatory regime should be vested in the same agency that regulates retailers. Excise tax enforcement could alternatively be facilitated in applicable states by the Streamlined Sales Tax Governing Board and/or similar bodies.

Importation

Hemp Cannabinoid Products manufactured out of state and shipped directly to consumers shall be overseen for compliance with state regulations by either (1) an independent, third-party certification body, (2) state agency oversight; or (3) to-be-developed federal agency oversight.

* "Hemp Cannabinoid Product" and "Hemp Cannabinoid Product Seller" definitions obviously vary by state, but a "Hemp Cannabinoid Product" is presumptively a product intended for human consumption that contains detectable levels of any tetrahydrocannabinol ("THC"), and a "Hemp Cannabinoid Seller" is a person who engages in the sale of or offering for sale of Hemp Cannabinoid Products and not for resale in any form.



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