

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 135
Feb 17, 2025
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH30057-TQxf-1

Short Title: Misbranding/Cell-Cultured Meat/Env. Assess. (Public)

Sponsors: Representative McNeely.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROHIBIT THE MISBRANDING OF CERTAIN FOOD PRODUCTS; TO
3 PROHIBIT COMMUNITY COLLEGES, UNIVERSITIES, AND PUBLIC SCHOOLS
4 FROM PURCHASING CERTAIN FOOD PRODUCTS; AND TO ESTABLISH AN
5 ENVIRONMENTAL INVESTMENT ASSESSMENT ON CERTAIN MEAT, POULTRY,
6 EGG, AND DAIRY PRODUCTS AND ANALOGOUS PRODUCTS.

7 The General Assembly of North Carolina enacts:

8
9 **REQUIRE LABELING OF MANUFACTURED-PROTEIN PRODUCTS**

10 **SECTION 1.(a)** G.S. 106-549.15 reads as rewritten:

11 **"§ 106-549.15. Definitions.**

12 As used in this Article, except as otherwise specified, the following terms shall have the
13 meanings stated below:

14 ...

15 (1a) "Agricultural food animal" means a domesticated animal belonging to the
16 bovine, caprine, ovine, or porcine species.

17 ...

18 (5a) "Cell-cultured food product" means a food product having one or more
19 sensory attributes that resemble a type of tissue originating from an
20 agricultural food animal but that, in lieu of being derived from meat
21 processing, is derived from manufacturing cells, in which one or more stem
22 cells are initially isolated from an agricultural food animal, are grown in vitro,
23 and may be manipulated, as part of a manufacturing operation.

24 (5b) "Close proximity" means any of the following:

25 a. Immediately before or after the name of the product.

26 b. In the line of the label immediately before or after the line containing
27 the name of the product.

28 c. Within the same phrase or sentence containing the name of the
29 product.

30 ...

31 (9a) "Identifying meat term" means any word or phrase that states, indicates,
32 suggests, or describes a meat product, regardless of whether the word or
33 phrase is used individually, as a portmanteau, or as a compound word. This
34 term includes all of the following:



- 1 a. A common name for the species of the agricultural food animal subject
- 2 to slaughter and processing, including a calf or cow, goat or kid, hog
- 3 or pig, or lamb or sheep.
- 4 b. A common name for a characteristic of a species of the agricultural
- 5 food animal subject to slaughter and processing based on age, breed,
- 6 or sex.
- 7 c. Meat, beef or veal, cabrito or chevon, lamb or mutton, or pork.
- 8 d. A common name used to describe a major cut of a meat of an
- 9 agricultural food animal slaughtered and processed, including a major
- 10 meat cut specified in 9 C.F.R. § 317.344, or the common name of an
- 11 organ or offal, including heart, liver, kidney, or tongue.
- 12 e. Any other common name that a reasonable purchaser would
- 13 immediately and exclusively associate with a meat product prepared
- 14 for sale in normal commercial channels such as bacon, baloney,
- 15 bologna, bone, brat or bratwurst, brisket, burger or hamburger, butt,
- 16 chop, chuck, cold cut, cutlet, filet, flat iron, frank or frankfurter, ham,
- 17 hock, hot dog, jerky, liverwurst, loin, London broil, lunch meat, New
- 18 York strip, pepperoni, porterhouse, ribeye, roast, rib or sparerib,
- 19 salami, sausage, shank, sirloin, tenderloin, or a comparable word or
- 20 phrase.
- 21 (9b) "Insect-protein food product" means a food product having one or more
- 22 sensory attributes that resemble a type of tissue originating from an
- 23 agricultural food animal but that, in lieu of being derived from meat
- 24 processing, is derived from manufacturing insect parts.
- 25 ...
- 26 (12a) "Manufactured-protein food product" means a cell-cultured food product,
- 27 insect-protein food product, or plant-protein food product.
- 28 ...
- 29 (14) "Meat food product" means any product capable of use as human food that is
- 30 made wholly or in part from any meat or other portion of the carcass of any
- 31 cattle, sheep, swine, goats, bison, fallow deer, or red deer, or any cell-cultured
- 32 product made from cells of those animals, excepting products that contain
- 33 meat or other portions of such carcasses only in a relatively small proportion
- 34 or historically have not been considered by consumers as products of the meat
- 35 food industry, and that are exempted from definition as a meat food product
- 36 by the Board under such conditions as it may prescribe to assure that the meat
- 37 or other portions of such carcasses contained in such product are not
- 38 adulterated and that such products are not represented as meat food products.
- 39 This term as applied to food products of equines shall have a meaning
- 40 comparable to that provided in this subdivision with respect to cattle, sheep,
- 41 swine, goats, and bison.
- 42 (15) "Misbranded" shall apply to any carcass, part thereof, meat or meat food
- 43 product under one or more of the following circumstances:
- 44 a. If its labeling is false or misleading in any particular;
- 45 b. If it is offered for sale under the name of another food;
- 46 c. If it is imitation of another food, unless its label bears, in type of
- 47 uniform size and prominence, the word "imitation" and immediately
- 48 thereafter, the name of the food imitated;
- 49 ...
- 50 m. The product is a cell-cultured product, and it is not labeled in
- 51 accordance with G.S. 106-549.28A.

1 ...
 2 (20a) "Plant-protein food product" means a food product having one or more
 3 sensory attributes that resemble a type of tissue originating from an
 4 agricultural food animal but that, in lieu of being derived from meat
 5 processing, is derived from manufacturing plant or fungus parts.

6 ...
 7 (21a) "Qualifying term" means a word, compound word, or phrase that would
 8 clearly disclose to a reasonable purchaser of meat products that a food product
 9 is not a meat product. This includes the following terms: "cell-cultured,"
 10 "fake," "grown in a lab," "insect," "insect-based," "insect-protein,"
 11 "lab-created," "lab-grown," "meat free," "meatless," "plant," "plant-based,"
 12 "vegan," "vegetable," "vegetarian," or "veggie."

13 (21b) "Ratite" means a bird whose breastbone is smooth so that flight muscles
 14 cannot attach, such as an ostrich, an emu, and a rhea. These birds are subject
 15 to the provisions of this Article and Article 49C to the same extent as any other
 16 meat food product.

17"

18 **SECTION 1.(b)** Article 49B of Chapter 106 of the General Statutes is amended by
 19 adding a new section to read:

20 **"§ 106-549.28A. Labeling of manufactured-protein food products.**

21 (a) The label of any manufactured-protein food product that contains an identifying meat
 22 term shall also contain in at least 20-point font or the size of the surrounding type, whichever is
 23 greater, and in close proximity to the name of the product, an appropriate qualifying term.

24 (b) A manufactured-protein food product that does not meet the requirements of this
 25 section shall be deemed misbranded for purposes of this Article."

26 **SECTION 1.(c)** G.S. 106-549.51 reads as rewritten:

27 **"§ 106-549.51. Definitions.**

28 For purposes of this Article, the following terms shall have the meanings stated below:

29 ...
 30 (4a) "Cell-cultured food product" means a food product having one or more
 31 sensory attributes that resemble a type of tissue originating from poultry but
 32 that, in lieu of being derived from meat processing, is derived from
 33 manufacturing cells, in which one or more stem cells are initially isolated from
 34 poultry, are grown in vitro, and may be manipulated, as part of a
 35 manufacturing operation.

36 (4b) "Close proximity" means any of the following:
 37 a. Immediately before or after the name of the product.
 38 b. In the line of the label immediately before or after the line containing
 39 the name of the product.
 40 c. Within the same phrase or sentence containing the name of the
 41 product.

42 ...
 43 (10a) "Identifying poultry term" means any word or phrase that states, indicates,
 44 suggests, or describes a poultry product, regardless of whether the word or
 45 phrase is used individually, as a portmanteau, or as a compound word. This
 46 term includes all of the following:

- 47 a. A common name for the species of the poultry subject to slaughter and
 48 processing, including chicken, poultry, or turkey.
- 49 b. A common name for a characteristic of a species of the poultry subject
 50 to slaughter and processing based on age, breed, or sex.
- 51 c. Meat, broiler, fryer, poulet, or yearling.

- 1 d. A common name used to describe a major cut of poultry slaughtered
- 2 and processed, including a poultry product such as breast, drumstick,
- 3 giblet, thigh, or wing; or the common name of an organ or offal,
- 4 including gizzard, heart, liver, kidney, or tongue.
- 5 e. Any other common name that a reasonable purchaser would
- 6 immediately and exclusively associate with a poultry product prepared
- 7 for sale in normal commercial channels.
- 8 ...
- 9 (11a) "Insect-protein food product" means a food product having one or more
- 10 sensory attributes that resemble a type of tissue originating from poultry but
- 11 that, in lieu of being derived from meat processing, is derived from
- 12 manufacturing insect parts.
- 13 ...
- 14 (16a) "Manufactured-protein food product" means a cell-cultured food product,
- 15 insect-protein food product, or plant-protein food product.
- 16 (17) "Misbranded" shall apply to any poultry product under one or more of the
- 17 following circumstances:
- 18 a. If its labeling is false or misleading in any particular;
- 19 b. If it is offered for sale under the name of another food;
- 20 c. If it is an imitation of another food, unless its label bears, in type of
- 21 uniform size and prominence, the word "imitation" and immediately
- 22 thereafter, the name of the food imitated;
- 23 ...
- 24 m. If it is a manufactured-protein food product and it is not labeled in
- 25 accordance with G.S. 106-549.55(e).
- 26 ...
- 27 (24a) "Plant-protein food product" means a food product having one or more
- 28 sensory attributes that resemble a type of tissue originating from poultry but
- 29 that, in lieu of being derived from meat processing, is derived from
- 30 manufacturing plant or fungus parts.
- 31 ...
- 32 (26) "Poultry product" means any poultry carcass, or part thereof; or any product
- 33 which is made wholly or in part from any poultry carcass or part thereof, or
- 34 any cell-cultured food product made from cells of poultry, excepting products
- 35 which contain poultry ingredients only in a relatively small proportion or
- 36 historically have not been considered by consumers as products of the poultry
- 37 food industry, and which are exempted by the Board from definition as a
- 38 poultry product under such conditions as the Board may prescribe to assure
- 39 that the poultry ingredients in such products are not adulterated and that such
- 40 products are not represented as poultry products.
- 41 ...
- 42 (28a) "Qualifying term" means a word, compound word, or phrase that would
- 43 clearly disclose to a reasonable purchaser of poultry products that a food
- 44 product is not a poultry product. This includes the following terms:
- 45 "cell-cultured," "fake," "grown in a lab," "insect," "insect-based,"
- 46 "insect-protein," "lab-created," "lab-grown," "meat free," "meatless," "plant,"
- 47 "plant-based," "vegan," "vegetable," "vegetarian," or "veggie."
- 48 "

SECTION 1.(d) G.S. 106-549.55 reads as rewritten:

§ 106-549.55. **Labeling standards; false and misleading labels; labeling of manufactured-protein food products.**

1 ...
2 (e) The label of any manufactured-protein food product that contains an identifying
3 poultry term shall also contain in at least 20-point font or the size of the surrounding type,
4 whichever is greater, and in close proximity to the name of the product, an appropriate qualifying
5 term."

6 **SECTION 1.(e)** This section becomes effective October 1, 2025, and applies to
7 products sold or offered for sale on or after that date.

8
9 **PROHIBIT COMMUNITY COLLEGES, PUBLIC UNIVERSITIES, AND PUBLIC**
10 **SCHOOLS FROM PURCHASING MISBRANDED PRODUCTS AND**
11 **CELL-CULTURED PRODUCTS**

12 **SECTION 2.(a)** G.S. 115C-12 is amended by adding a new subdivision to read:

13 "(50) Purchases of meat and poultry products. – The State Board of Education shall
14 establish policies to prevent the purchase of a food product that is any of the
15 following:

16 a. Misbranded as a meat or poultry product as prohibited in Articles 49B
17 and 49D of Chapter 106 of the General Statutes.

18 b. A cell-cultured food product as defined in G.S. 106-549.15 or
19 G.S. 106-549.51."

20 **SECTION 2.(b)** Part 2 of Article 17 of Chapter 115C of the General Statutes is
21 amended by adding a new section to read:

22 "**§ 115C-264.6. Purchases of meat and poultry products.**

23 Local boards of education shall establish policies to prevent the purchase of a food product
24 that is any of the following:

25 (1) Misbranded as a meat or poultry product as prohibited in Articles 49B and
26 49D of Chapter 106 of the General Statutes.

27 (2) A cell-cultured food product as defined in G.S. 106-549.15 or
28 G.S. 106-549.51."

29 **SECTION 2.(c)** G.S. 115C-218.75 is amended by adding a new subsection to read:

30 "(p) Purchases of Meat and Poultry Products. – A charter school shall establish policies to
31 prevent the purchase of a food product that is any of the following:

32 (1) Misbranded as a meat or poultry product as prohibited in Articles 49B and
33 49D of Chapter 106 of the General Statutes.

34 (2) A cell-cultured food product as defined in G.S. 106-549.15 or
35 G.S. 106-549.51."

36 **SECTION 2.(d)** G.S. 115C-238.66 is amended by adding a new subdivision to read:

37 "(23) Purchases of meat and poultry products. – A regional school shall establish
38 policies to prevent the purchase of a food product that is any of the following:

39 a. Misbranded as a meat or poultry product as prohibited in Articles 49B
40 and 49D of Chapter 106 of the General Statutes.

41 b. A cell-cultured food product as defined in G.S. 106-549.15 or
42 G.S. 106-549.51."

43 **SECTION 2.(e)** G.S. 116-239.8(b)(4)c. reads as rewritten:

44 "c. Food services. – The laboratory school shall strive to ensure that one
45 hundred percent (100%) muscadine grape juice is made available to
46 students as a part of the school's nutrition program or through the
47 operation of the school's vending facilities. The laboratory school shall
48 establish policies to prevent the purchase of a food product that is (i)
49 misbranded as a meat or poultry product as prohibited in Articles 49B
50 and 49D of Chapter 106 of the General Statutes or (ii) cell-cultured
51 food product as defined in G.S. 106-549.15 or G.S. 106-549.51. Upon

1 request, the local school administrative unit in which the laboratory
2 school is located shall administer the National School Lunch Program
3 for the laboratory school in accordance with G.S. 115C-264."

4 **SECTION 2.(f)** G.S. 115D-20 reads as rewritten:

5 **"§ 115D-20. Powers and duties of trustees.**

6 The trustees of each institution shall constitute the local administrative board of such
7 institution, with such powers and duties as are provided in this Chapter and as are delegated to it
8 by the State Board of Community Colleges. The powers and duties of trustees shall include the
9 following:

10 ...

11 (16) To establish policies to prevent the purchase of a food product that is any of
12 the following:

13 a. Misbranded as a meat or poultry product as prohibited in Articles 49B
14 and 49D of Chapter 106 of the General Statutes.

15 b. A cell-cultured food product as defined in G.S. 106-549.15 or
16 G.S. 106-549.51."

17 **SECTION 2.(g)** Part 5 of Article 1 of Chapter 116 of the General Statutes is amended
18 by adding a new section to read:

19 **"§ 116-43.26. Purchases of meat and poultry products.**

20 Each constituent institution shall establish policies to prevent the purchase of a food product
21 that is any of the following:

22 (1) Misbranded as a meat or poultry product as prohibited in Articles 49B and
23 49D of Chapter 106 of the General Statutes.

24 (2) A cell-cultured food product as defined in G.S. 106-549.15 or
25 G.S. 106-549.51."

26 **SECTION 2.(h)** This section becomes effective October 1, 2025. Subsections (a),
27 (b), (c), (d), and (e) of this section apply beginning with the 2026-2027 school year. Subsections
28 (f) and (g) of this section apply beginning with the 2026-2027 academic year.

29
30 **ESTABLISH AN ENVIRONMENTAL INVESTMENT ASSESSMENT ON CERTAIN**
31 **MEAT, POULTRY, EGG, AND DAIRY PRODUCTS AND ANALOGOUS PRODUCTS**

32 **SECTION 3.(a)** Subchapter I of Chapter 105 of the General Statutes is amended by
33 adding a new Article to read:

34 "Article 5K.

35 "Animal Agriculture and Analogues Environmental Investment Assessment.

36 **"§ 105-187.100. Definitions.**

37 The following definitions apply in this Article:

38 (1) Agricultural food animal. – A domesticated animal belonging to the bovine,
39 caprine, ovine, or porcine species; a domesticated animal belonging to the
40 cervid species limited to fallow deer or red deer; and domestic fowl limited to
41 chickens or turkeys.

42 (2) Analogue product. – A food product derived by combining processed plant
43 products, insects, or fungi with food additives to approximate the texture,
44 flavor, appearance, or other aesthetic qualities or the chemical characteristics
45 of any specific type of animal agriculture product. This term includes
46 cell-cultured products.

47 (3) Animal agriculture product. – A food product that is a dairy product, egg, egg
48 product, meat, meat food product, poultry, or poultry product. This term does
49 not include an analogue product.

- 1 (4) Cell-cultured product. – A food product derived by harvesting animal cells
2 and artificially replicating those cells in a growth medium in a laboratory or
3 similar setting to produce tissue.
- 4 (5) Dairy product. – A product manufactured for human consumption that is
5 derived from the processing of milk. The term includes a fluid milk product.
- 6 (6) Dietary supplement. – As defined in G.S. 105-164.3(55).
- 7 (7) Egg. – As defined in 21 U.S.C. § 1033(g).
- 8 (8) Egg product. – As defined in 21 U.S.C. § 1033(f).
- 9 (9) Environmental improvement project. – A project that is intended to improve
10 water quality, increase soil health, reduce flood risks, reduce chemical inputs,
11 increase biodiversity, preserve farmland, or achieve similar ecological goals.
- 12 (10) Fluid milk product. – A milk product normally consumed in liquid form as a
13 beverage.
- 14 (11) Food product. – A perishable or nonperishable product that is fit for human
15 consumption. This term does not include dietary supplements.
- 16 (12) Identifying term. – Any word or phrase that states, indicates, or describes an
17 animal agriculture product, regardless of whether the word is used
18 individually, as a compound word, or as a portmanteau.
- 19 a. An "identifying term" includes all of the following:
- 20 1. A common name for the species of an agricultural food animal
21 subject to slaughter and processing, including a calf or cow,
22 chicken, goat or kid, hog or pig, poultry, lamb or sheep, or
23 turkey.
- 24 2. A common name for a characteristic of a species of an
25 agricultural food animal subject to slaughter and processing,
26 based on age, breed, or sex.
- 27 3. Any of the terms: beef or veal; egg; broiler, fryer, poulet, or
28 yearling; cabrito or chevon; lamb or mutton; meat; milk; or
29 pork.
- 30 4. A common name used to describe a major cut of a meat of an
31 agricultural food animal slaughtered and processed, including
32 a major meat cut specified in 9 C.F.R. § 317.344; a poultry
33 product such as breast, drumstick, gible, thigh, or wing; or the
34 common name of an organ or offal, including gizzard, heart,
35 liver, kidney, or tongue.
- 36 5. Any other common name that a reasonable purchaser would
37 immediately associate with a dairy, egg, meat, or poultry
38 product prepared for sale in normal commercial channels, such
39 as bacon, baloney, bologna, bone, brat or bratwurst, brisket,
40 burger or hamburger, butt, butter, cheese, chop, chuck, cold
41 cut, cream, cutlet, filet, flat iron, frank or frankfurter,
42 half-and-half, ham, hock, hot dog, ice cream, jerky, liverwurst,
43 loin, London broil, lunch meat or lunchmeat, New York strip,
44 pepperoni, porterhouse, ribeye, roast, rib or sparerib, salami,
45 sausage, scramble, shank, sirloin, tenderloin, yogurt, or a
46 comparable word or phrase.
- 47 b. An "identifying term" shall not include a product name that is
48 understood by consumers not to be a term for an animal agriculture
49 product or an analogue product.
- 50 (13) Label. – A display of written, printed, or graphic matter placed upon any
51 container storing a food product that is offered for sale or sold at retail,

1 regardless of whether the written, printed, or graphic matter is printed on the
2 container's packaging or a sticker affixed to the container. This does not
3 include a nutrition facts panel or ingredients list required by the United States
4 Food and Drug Administration.

5 (14) Meat. – As defined in 9 C.F.R. § 301.2.

6 (15) Meat food product. – Any product capable of use as human food that is made
7 wholly or in part from any meat or other portion of the carcass of any cattle,
8 sheep, swine, goat, bison, fallow deer, or red deer. For purposes of this section,
9 the following are considered meat food products:

10 a. Primal and subprimal cuts of meat.

11 b. Ground meat.

12 c. Sliced deli meat.

13 d. Sausage.

14 e. Bacon.

15 f. Ham.

16 g. Jerky.

17 h. Corned beef.

18 i. Smoked parts.

19 j. Rendered fats.

20 k. Edible offal.

21 (16) Milk. – The lacteal secretion practically free from colostrum obtained by the
22 milking of one or more cows, goats, or other lactating animals.

23 (17) Poultry. – As defined in 21 U.S.C. § 453(e).

24 (18) Poultry product. – As defined in 21 U.S.C. § 453(f). For purposes of this
25 section, the following are considered poultry products:

26 a. Whole poultry.

27 b. Primal cuts of poultry.

28 c. Ground poultry.

29 d. Sliced deli poultry.

30 e. Sausage.

31 f. Bacon.

32 g. Jerky.

33 h. Smoked parts.

34 i. Rendered fats.

35 j. Edible offal.

36 (19) Prepared food. – As defined in G.S. 105-164.4L.

37 (20) Protein group. – The type of protein from which an animal agriculture product
38 was derived or which an analogue product approximates or is intended to
39 approximate. A meat food product or poultry product shall be classified based
40 on the animal from which the meat was derived, and an analogue to a meat
41 food product or poultry product shall be classified based on the specific animal
42 protein approximated or intended to be approximated.

43 (21) Trade associations. – All of the following organizations:

44 a. North Carolina Cattleman's Association.

45 b. North Carolina Dairy Producers Association.

46 c. North Carolina Deer and Elk Farmers Association.

47 d. North Carolina Egg Association.

48 e. North Carolina Pork Council.

49 f. North Carolina Poultry Federation.

50 g. North Carolina Sheep Producers Association.

51 **§ 105-187.101. Environmental investment assessment imposed.**

1 (a) Levy and Rate. – An environmental investment assessment (EIA) of five cents (5¢)
2 is imposed on each item of an animal agriculture product or an analogue product sold at retail if
3 the article bears an identifying term on the product's label. For purposes of this Article, the term
4 "item" refers to an item that is identified by a universal product code or other identifier
5 representing the item and that is used to retrieve the sales price of the item.

6 (b) Environmental Investment Assessment – The EIA imposed by this Article is intended
7 to be passed on to the purchaser of an item to which the EIA is imposed and borne by the
8 purchaser instead of by the retailer. A retailer must collect the EIA due on an item when sold at
9 retail. A retailer must record the protein group to which any animal agriculture product or
10 analogue product belongs and report this information to the Department of Revenue when it
11 remits the collected EIAs to the Department. If the retailer cannot determine the protein group to
12 which an animal agriculture product or analogue product belongs, the retailer shall consult with
13 the trade association with which the product would be most closely identified. The trade
14 association shall make the determination of whether the product should be subject to the
15 assessment and notify the Department.

16 (c) The retailer may retain one percent (1%) of the gross proceeds of the EIAs it collects
17 for the retailer's administrative costs. The EIA is a debt from the purchaser to the retailer until
18 paid and is recoverable at law by the retailer in the same manner as other debts. A retailer is
19 considered to act as a trustee on behalf of the State when it collects the EIA from the purchaser
20 on an applicable sale. The EIA must be stated and charged separately on the invoices or other
21 documents of the retailer given to the purchaser at the time of the sale except for either of the
22 following:

23 (1) Vending machine sales.

24 (2) Where a retailer displays a statement indicating the sales price includes the
25 tax.

26 **"§ 105-187.102. Administration.**

27 Except as otherwise provided in this Article, the EIA imposed by this Article shall be
28 collected and administered in the same manner as the State sales and use taxes imposed by Article
29 5 of this Chapter. The provisions of Article 9 of this Chapter that are not inconsistent with this
30 Article, including administration, auditing, making returns, promulgation of rules and regulations
31 by the Secretary, additional taxes, assessments and assessment procedure, imposition and
32 collection of taxes and the lien thereof, and penalties, are made a part of this Article and shall be
33 applicable thereto.

34 **"§ 105-187.103. Exemptions and refunds.**

35 (a) The EIA imposed by this Article does not apply to any of the following:

36 (1) Sales the State cannot constitutionally tax.

37 (2) Products of a farm sold in their original state by the producer of the products
38 if the producer is not primarily a retail merchant.

39 (3) Prepared food.

40 (4) Products containing ingredients from more than one protein group.

41 (5) Meat food products or poultry products with a nonmeat or nonpoultry
42 component other than seasoning, brine solution, or vinegar, or analogue
43 products to such meat food products or poultry products.

44 (b) Except as otherwise provided in this section, the exemptions and refunds allowed in
45 Article 5 of this Chapter do not apply to sales of items subject to assessment under this Article.

46 **"§ 105-187.104. Use of EIA proceeds.**

47 (a) Two percent (2%) of the net proceeds of the EIAs shall be retained by the Department
48 of Revenue for its administrative costs.

49 (b) Of the remaining funds, each quarter, the Secretary shall credit the net proceeds of
50 the EIAs collected under this Article to the trade associations proportionate to the amount of
51 funds collected from the sale of products in each protein group.

1 (c) Two percent (2%) of the funds credited to each trade association pursuant to this
2 section shall be used for the costs of administering the grant program authorized by this section.
3 The remainder of the funds credited to the trade associations may be used only to implement
4 environmental improvement projects on the farms of constituent members of the trade
5 associations. Each trade association shall develop (i) an application process by which constituent
6 members may apply for funds for environmental improvement projects and (ii) a process for
7 evaluating applications. In developing their processes, the trade associations shall consider the
8 size of the operations applying for funds and strive to award equal amounts of funding to small
9 and large operations. Any funds credited to the trade associations that are not awarded by a trade
10 association for 18 months shall be remitted to the Agricultural Development and Farmland
11 Preservation Trust Fund."

12 **SECTION 3.(b)** This section becomes effective October 1, 2025, and applies to
13 products sold on or after that date.

14
15 **SEVERABILITY CLAUSE AND EFFECTIVE DATE**

16 **SECTION 4.(a)** If any section or provision of this act is declared unconstitutional or
17 invalid by the courts, it does not affect the validity of this act as a whole or any part other than
18 the part declared to be unconstitutional or invalid.

19 **SECTION 4.(b)** Except as otherwise provided, this act becomes effective October
20 1, 2025.