

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3126-01
Bill No.: SB 822
Subject: Taxation and Revenue - General and Sales; Law Enforcement Officers and Agencies; Drugs and Controlled Substances
Type: Original
Date: February 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown to (\$307,766)	Unknown to (\$56,680)	Unknown to (\$60,153)
Total Estimated Net Effect on General Revenue Fund	UNKNOWN to (\$307,766)	UNKNOWN to (\$56,680)	UNKNOWN to (\$60,153)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
State School Money	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation requires DOR to create tax stamps for controlled substances. It also requires DOR to assess taxpayers who fail to pay the tax due. The ongoing work with various law enforcement agencies will consume most of the one FTE's time.

The selling of the stamps for controlled substances can be handled with existing resources. The administrative impact for the Division of Taxation and Collection will be the assessment of the tax when DOR becomes aware of a dealer not paying tax. DOR assumes Business Tax will need two Tax Processing Technicians to handle the assessments, the inquiries, the follow up and tracking, as well as continually work with law enforcement agencies.

A complete new system will need to be developed to track the tax due, produce assessments, age the delinquency, etc, and a complete system test. DOR estimates that the above changes will require 6,228 hours of programming at an estimated cost of \$207,766. The State Data Center cost to implement the proposed legislation will be \$40,530.

ASSUMPTION (continued)

Officials of the **Office of Administration, Division of Budget and Planning, Department of Health and Senior Services, Attorney General's Office, Department of Public Safety, Missouri State Water Patrol, Missouri State Highway Patrol, Capitol Police, State Treasurer, Department of Mental Health, Missouri National Guard and the Office of Prosecution Services** assume this legislation would not fiscally impact their agencies or any costs can be absorbed.

Officials of the **Office of the State Public Defender** assume existing staff could provide representation for those few cases rising from this legislation or the additional cases that may go to trial, especially if prosecutors were to use this as a plea-bargaining chip.

Passage of more than one bill increasing penalties on existing crimes or creating new crimes would require the State Public Defender System to request increased appropriations to cover the cumulative cost of representing indigent persons accused in the now more serious cases or in the new additional cases.

Secretary of State (SOS) officials state this bill creates a stamp tax on controlled substances. The Department of Revenue will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as 12 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated to be \$738 for FY05. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Sheriff Offices of Boone, Greene and Jackson; and the St. Louis County Police Department** did not respond to our fiscal note request.

This proposal could increase Total State Revenues.

FISCAL IMPACT - State Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

GENERAL REVENUE

Income - General Revenue Fund

Controlled Substances Stamp Tax

Unknown

Unknown

Unknown

Cost - Department of Revenue

Personal Service (2 FTE)

(\$33,067)

(\$40,672)

(\$41,689)

Fringe Benefits

(\$13,690)

(\$16,838)

(\$17,259)

Expense and Equipment

(\$12,713)

(\$1,170)

(\$1,205)

Programming

(\$248,296)

\$0

\$0

Total Costs - DOR

(\$307,766)

(\$58,680)

(\$60,153)

Transfer Out - Schools Money Fund

50% of Stamp Tax Revenue

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

UNKNOWN to
(\$307,766)

UNKNOWN to
(\$56,680)

UNKNOWN to
(\$60,153)

STATE SCHOOL MONEY FUND

Transfer In - School Money Fund

50% of Stamp Tax Revenue

Unknown

Unknown

Unknown

Transfer Out - to Local School Districts

50% of Stamp Tax Revenue

(Unknown)

(Unknown)

(Unknown)

**TOTAL ESTIMATED NET EFFECT
ON STATE SCHOOL MONEY FUND**

\$0

\$0

\$0

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Income - Local Schools</u>			
50% of Stamp Tax Revenue	Unknown	Unknown	Unknown
<u>Income - Local Law Enforcement</u>			
Controlled Substances Stamp Tax	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires all controlled substances present in the state to have tax stamps affixed. The Director of the Department of Revenue shall issue these stamps. The person purchasing the stamps may do so anonymously. The value of the stamp that must be affixed varies among the type and form of the controlled substance. Neither the Director of Revenue may reveal any information gathered in the assessment process, nor may that information be used in a criminal proceeding.

Anyone in possession of a controlled substance that does not have a stamp affixed will be subject to an assessment and applicable penalties and statutory interest. Failure to pay an assessment may result in seizure and sale of property by the Department of Revenue.

Half of all revenue gained from the tax stamps will be deposited in the General Revenue Fund, with one-half of that amount to be appropriated to fund the Foundation Formula. The other half of the revenue raised through assessment and delinquent taxes will be sent to the law enforcement agencies that participated in the investigation.

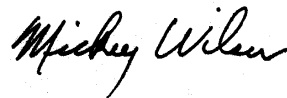
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 Division of Budget and Planning
Attorney General's Office
Department of Public Safety
 Missouri State Water Patrol
 Missouri State Highway Patrol
 Capitol Police
State Treasurer
Secretary of State
Department of Mental Health
State Public Defender
Office of Prosecution Services
Missouri National Guard
Department of Health and Senior Services

NOT RESPONDING:

Sheriff Offices of Boone, Greene, Jackson
St. Louis County Police Dept.



Mickey Wilson, CPA
Director
February 2, 2004