COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1140H.06C
Bill No.: HCS for SS for SB 283
Subject: Business and Commerce; Alcohol; Licenses - Miscellaneous; Banks and Financial Institutions; State Departments; Administrative Rules; Tobacco Products; Drugs and Controlled Substances; Taxation and Revenue - General
Type: Original
Date: May 5, 2021

Bill Summary: This proposal modifies provisions relating to regulated industries.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
General Revenue Fund	More than ($15,064,522)	More than ($29,571,098)	More than ($44,356,647)	More than ($59,142,197)
Total Estimated Net Effect on General Revenue	**More than ($15,064,522)**	**More than ($29,571,098)**	**More than ($44,356,647)**	**More than ($59,142,197)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on FTE	**0**	**0**	**0**	**$0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Local Government	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§49.266 – County regulations

Officials from the **Department of Public Safety's Division of Fire Safety** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight notes this proposal is revising the language in Section 49.266. According to the Revisor of Statutes, changes to Section 49.266 in 2014 were declared unconstitutional. Oversight notes violations of any regulation adopted under subsection 1 would be an infraction. Oversight assumes the adoption of such ordinances would take further action of third class county commissions. Therefore, even though this proposal may eventually and indirectly lead to an increase in fine (and court costs) revenue from violations of such ordinances, Oversight will assumes this revision will not have a direct fiscal impact and will reflect a $0 fiscal impact for the section of the proposal.

§143.121 – Income tax deduction for medical marijuana industry

In response to similar legislation from 2021 (SB 436), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation will reduce Total State Revenues (TSR) and General Revenue (GR) by and unknown, but significant amount. This proposed legislation will impact the calculation under Article X, Section 18(e).

B&P states this proposed legislation would allow medical marijuana related businesses to deduct business expenses from their Missouri Adjusted Gross Income. B&P notes that this proposed legislation would begin August 28, 2021 which is during Tax Year 2021.

Therefore, B&P assumes that this deduction would become available for taxpayers for Tax Year 2021. B&P notes that Tax Year 2021 returns would not be filed until April 2022. Therefore, B&P estimates that this proposed legislation could reduce GR beginning in Fiscal Year 2022.

B&P notes that, typically, businesses are allowed to deduct certain expenses from their Federal Adjusted Gross Income. Those deductions would then flow through to the business's Missouri Adjusted Gross Income allowing for an implicit deduction from Missouri's income tax. However, because marijuana is a controlled substance at the federal level, marijuana-related businesses are not allowed to deduct their business expenses on their federal taxes. This proposal would allow such businesses to receive the business expense deduction at the state level.

B&P was unable to obtain enough revenue, cost, or profit margin data for medical marijuana related businesses to estimate the GR impact from this proposed legislation. Therefore, B&P estimates that this proposal will reduce TSR and GR by an unknown, but significant, amount beginning with Fiscal Year 2022.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation would allow medical marijuana businesses a subtraction from the Federal Adjusted Gross Income equal to the amount that would have been allowed from the computation of the taxpayer's federal taxable income if the income were not disallowed solely from being a medical marijuana business. Under federal law, marijuana is a controlled substance and businesses selling it are not allowed some deductions that other businesses are entitled to. Since marijuana is allowed to be sold in Missouri, this would allow them to adjust their Federal Adjusted Gross Income before calculating their Missouri Adjusted Gross Income.

This would require DOR to make an independent interpretation of federal law on what would or would not be an allowable federal deduction. DOR is unable to calculate the amount of income and deductions that these businesses could possibly be allowed to deduct under this proposed legislation. DOR assumes this could result in an Unknown (**but could be significant**) negative fiscal impact to GR and TSR.

This proposed legislation would become effective August 28, 2021, and with no specific start date it would allow people to start filing for this immediately. Therefore, they will show the impact starting in Fiscal Year 2022.

DOR states this would require a change to the Form(s) MO-A and MO-1120. The Form MO-A has a selection of check boxes for a set of "other" subtractions, so a new line would not necessarily be required. The Form MO-1120 does not currently have this checkbox option, so it would either require a new line or a reformatting of the subtractions reported in "Part 2".

DOR states this proposed legislation would require mirroring programming changes. DOR anticipate the programming changes to cost approximately $2,000.

Oversight assumes the estimated programming cost(s) of $2,000 to be minimal and assumes DOR can absorb the programming cost(s) with existing resources. Should the cost(s) prove to be significant, DOR may seek additional equipment and expense funding through the appropriation process.

Oversight is unable to determine what might qualify as a deduction under this proposed legislation. As mentioned by DOR, Oversight assumes such allowance will be at the discretion of DOR.

For purposes of this fiscal note, Oversight will report a revenue reduction to GR equal to a negative "Unknown, but could be significant" beginning in Fiscal Year 2022.

<u>§143.1405 – Income tax deductions</u>

In response to a previous version, officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation will reduce Total State Revenue (TSR) by $75,540,920 once SB 509 (2014) has been fully implemented. B&P states this proposed legislation will impact the calculation under Article X, Section 18(e).

B&P states Section B contains an emergency clause for this proposed legislation. For the purpose of this fiscal note, B&P will assume that, if passed, this proposed legislation would become effective July 1, 2021.

Beginning with Tax Year 2021, "members of the patrol" and "peace officers shall be granted an income tax deduction for their salary or compensation as a member of the patrol or peace officer. B&P notes that members of the patrol include the State Highway Patrol. Peace officers include sheriffs, police officers, and other peace officers.

The deduction percentage shall increase by 25% from Tax Year 2021 through Tax Year 2024. Beginning with Tax Year 2024, all compensation for a peace officer shall be exempt from Missouri income tax. B&P notes that while the deduction will begin for Tax Year 2021, the impact to TSR and General Revenue (GR) will not occur until taxpayers file their annual return in Fiscal Year 2022.

Based on data published by the Bureau of Labor Statistics during 2019, there were approximately 29,500 individuals who may qualify for this deduction with an average salary of $46,235. Therefore, B&P estimates that up to $1,481,194,500 in individual income may qualify for this deduction. However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014).

	Tax Year / Deduction Allowance			
Tax Rate	2021 (FY22)	2022 (FY23)	2023 (FY24)	2024 (FY25)
	25%	50%	75%	100%
5.40%	$19,996,126	$39,992,252	$59,988,377	$79,984,503
5.30%		$39,251,654	$58,877,481	$78,503,309
5.20%			$57,766,586	$77,022,114
5.10%				$75,540,920

B&P estimates that this proposed legislation may reduce TSR and GR by $19,996,126 (top tax rate 5.4%) in Fiscal Year 2022. Once this proposed legislation and SB 509 (2014) have both fully phased-in, this proposed legislation may reduce TSR and GR by up to $75,540,920 annually.

Officials from the **Missouri Department of Revenue (DOR)** state, for all tax years beginning on or after January 1, 2021, a member of the Missouri Highway Patrol and peace officers in this state (as defined in 43.010), may deduct from their taxpayer's Missouri Adjusted Gross Income a portion of the salary they receive for serving as a peace officer. This deduction is 25% in Calendar Year 2021, 50% in Calendar Year 2022, 75% in Calendar Year 2023 and 100% of their income in Calendar Year 2024 and each year thereafter.

DOR contacted the Missouri Highway Patrol and found the Missouri Highway Patrol is budgeted for 1,138 officers at an average of $80,945. Additionally, the Gaming Commission has 124 officers with an average salary of $72,623.

DOR contacted the Missouri Department of Public Safety who stated that records show full time peace officers work 30 or more hours per week on a regular basis, while reserve peace officers work less than 30 hours a week on a regular basis. The Missouri Department of Public Safety's records show there are:

Full-time peace officers	15,077
Reserve peace officers	1,885
Officers not working and not expired	7,282
Active Agencies	623

According to the U.S. Bureau of Labor Statistics, the state has the following number of officers that could potentially qualify for this deduction and their average salary is:

Occ. Title	Tot. Emp.	A. Mean	Total Salary
First-Line Supervisors of Correctional Officers	600	50,050	$30,030,000
First-Line Supervisors of Police and Detectives	2,460	82,090	$201,941,400
Miscellaneous First-Line Supervisors, Protective Service Workers	1,140	55,160	$62,882,400
Fire Inspectors and Investigators	160	51,470	$8,235,200
Bailiffs	300	35,040	$10,512,000
Correctional Officers and Jailers	8,390	33,380	$280,058,200
Detectives and Criminal Investigators	1,820	73,480	$133,733,600
Fish and Game Wardens	210	46,250	$9,712,500
Police and Sheriff's Patrol Officers	14,170	51,860	$734,856,200
Gambling Surveillance Officers and Gambling Investigators	210	36,420	$7,648,200
	29,460		$1,479,609,700

DOR notes that while this proposed legislation begins in January 2021 with the adoption of the emergency clause, it will impact state revenue beginning January 2022 when the first tax returns are filed claiming the deduction. Additionally, deductions do not reduce revenue on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, using the U.S. Bureau of Labor Statistics numbers and salary estimates, DOR calculated the estimated impacts.

Tax Year Impact

	TY 2021	TY 2022	TY 2023	TY 2024	TY 2025
Deduction %	0.25	0.50	0.75	1.00	1.00
Tax Rate	5.40%	5.30%	5.30%	5.30%	5.20%
Amount	19,974,730.95	39,209,657.05	58,814,485.58	78,419,314.10	76,939,704.40

Fiscal Year Impact

FY 2022	FY 2023	FY 2024	FY 2025
$19,974,731	39,209,657	58,814,486	78,419,314

DOR states this proposed legislation will result in an unknown increase in errors and correspondence generated. If the increase is significant, DOR will request additional FTE through the appropriation process based on the following: one (1) FTE Associate Customer Service Representative for every 14,700 errors generated, one (1) FTE Associate Customer Service Representative for every 5,700 pieces of correspondence generated, one (1) temporary employee for the new line item, and additional equipment and expense for form and programming changes.

Oversight assumes the Missouri Department of Revenue can absorb the responsibilities of the tax deduction created with existing resources. However, should the responsibilities of the tax deduction created prove to be significant, the Missouri Department of Revenue will seek additional FTE and equipment and expense through the appropriation process.

In response to a previous version, officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** stated if enacted, this proposed legislation would authorize an income tax deduction for law enforcement officers.

The deduction will be phased-in starting in the 2021 tax year. For the 2021 tax year, twenty-five percent (25%) of their income will be deducted. For the 2022 tax year, fifty percent (50%) of their income. For the 2023 tax year, seventy-five percent (75%) of their income. For 2024, one hundred percent (100%) of such income.

FBI 2018 data indicates there are 14,428 police officers in Missouri. Salary.com data indicates police officers in Missouri have a mean salary of $55,000; $48,122 at the 10th percentile, $51,400 at the 25%, $55,000 at the 50th percentile, $59,900 at the 75th percentile and $64,361 at the 90th percentile.

If EPARC multiplies 14,428 by $55,000, EPARC gets $793,540,000. This amount is the estimated Gross Salary paid to all Missouri police officers. If EPARC multiplies this entire amount by the top income tax rate of 5.4%, EPARC can estimate the amount of Missouri Income Tax paid by police officers annually, $42,851,160. EPARC can use this figure to calculate the impact of this bill, a police officer income deduction as it is phased-in.

Due to the 25% percent deduction in police officers' income for the 2021 tax year, in Fiscal Year 2022, EPARC estimates this bill will reduce Net General Revenue by $10,712,790. Due to the 50% percent deduction in police officers' income for the 2022 tax year, in Fiscal Year 2023, EPARC estimates this bill will reduce Net General Revenue by $21,425,580. Due to the 75% percent deduction in police officers' income for the 2023 tax year, in Fiscal Year 2024, EPARC estimates this bill will reduce Net General Revenue by $32,138,370. Due to the 100% percent deduction in police officers' income for the 2024 tax year, in Fiscal Year 2025, EPARC estimates this bill will reduce Net General Revenue by $42,851,160.

EPARC estimates this proposed legislation will reduce Net General Revenue by $10,712,790 in Fiscal Year 2022, by $21,425,580 in Fiscal Year 2023, by $32,138,370 in Fiscal Year 2024, and by $42,851,160 in Fiscal Year 2025.

Oversight notes this proposed legislation creates an Individual Income Tax deduction for "members of the patrol" and "peace officers".

Beginning with Tax Year 2021, a percentage of the income received by any taxpayer as salary or compensation for his or her service as a member of the patrol or as a peace officer may be deducted from such taxpayer's Missouri Adjusted Gross Income.

For Tax Year 2021, twenty-five percent (25%) of the income received by any taxpayer as salary or compensation for her or her service as a member of the patrol or as a peace officer may be deducted.

For Tax Year 202, fifty percent (50%) of the income received by any taxpayer as salary or compensation for her or her service as a member of the patrol or as a peace officer may be deducted.

For Tax Year 2023, seventy-five percent (75%) of the income received by any taxpayer as salary or compensation for her or her service as a member of the patrol or as a peace officer may be deducted.

For Tax Year 2024, one hundred percent (100%) of the income received by any taxpayer as salary or compensation for her or her service as a member of the patrol or as a peace officer may be deducted.

Oversight notes B&P assumes $1,481,194,500 in income may be deducted under this proposed legislation.

However, **Oversight** assumes most of the qualifying taxpayers will qualify for and claim, at least, the Missouri standard deduction when filing their tax return(s) claiming the deduction created under this proposed legislation.

Therefore, **Oversight** assumes the income of the taxpayers that qualify for the deduction created will have already been reduced by, at least, an amount equal to the Missouri standard deduction. Oversight notes additional tax deductions currently exist which would further reduce the income left to be deducted under this proposed legislation. However, Oversight assumes these deductions are more tailored to each taxpayer, and a general minimum value cannot be applied for an entire group. Therefore, Oversight will report the estimated impacts assuming “less than”.

Assuming there will be 29,460 taxpayers who qualify for the deduction created, and assuming that $1,481,194,500 in income that may be deducted, as estimated by B&P, Oversight assumes the following:

Members of the Patrol and Peace Office Income Tax Deduction	**Tax Year 2021**	**Tax Year 2022**	**Tax Year 2023**	**Tax Year 2024**
Estimated Number of Taxpayers Qualifying For Deduction	29,460	29,460	29,460	29,460
Estimated Total Income of Taxpayers	$1,481,194,500	$1,481,194,500	$1,481,194,500	$1,481,194,500
Missouri Standard Deduction (As of Tax Year 2021)	$12,400	$12,400	$12,400	$12,400
Estimated Income Already Deducted Using Missouri Standard Deduction	$365,304,000	$365,304,000	$365,304,000	$365,304,000
Estimated Total Income of Taxpayers After Missouri Standard Deduction	$1,115,890,500	$1,115,890,500	$1,115,890,500	$1,115,890,500
Percent of Deduction	25%	50%	75%	100%
Income Deducted	$278,972,625	$557,945,250	$836,917,875	$1,115,890,500
Tax Rate	5.40%	5.30%	5.30%	5.30%
Reduction to GR	**$15,064,522**	**$29,571,098**	**$44,356,647**	**$59,142,197**

The current Individual Income Tax rate for Tax Year 2021 is 5.4%.

The current Individual Income Tax rate is subject to be reduced by one-tenth of one percent three (3) more times pursuant to SB 509 (2014). A reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least $150 million.

Oversight anticipates the Individual Income Tax Rate will be reduced from 5.4% to 5.3% for Tax Year 2022. This is assumed to occur partially as a result of the extended tax filing deadline that was recognized for Tax Year 2020, which pushed revenues that would have otherwise been recognized in Fiscal Year 2020 into Fiscal Year 2021. Provided a rate reduction occurs (5.4% to 5.3%) in Tax Year 2022, SB 509 (2014) would allow for two (2) more rate reductions to occur, in future, but separate, tax years.

Oversight does not anticipate additional rate reductions will occur within the period(s) reported in this fiscal note. Therefore, for purposes of this fiscal note, the impact for each fiscal year after Fiscal Year 2022, which is calculated using an Individual Income Tax rate of 5.4, will be calculated using an Individual Income Tax rate of 5.3%.

For purposes of this fiscal note, **Oversight** will report the revenue reduction to GR equal to the amount(s) estimated by Oversight beginning in Fiscal Year 2022.

In response to similar legislation from 2021 (HB 479), officials from the **Ellisville Police Department** and the **Springfield Police Department** each assumed the proposed legislation will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri Department of Public Safety - Missouri Highway Patrol (MHP)** deferred to the Department of Revenue for its response.

In response to similar legislation from 2021 (HB 479), officials from the **Crestwood Police Department** responded to the legislation but did not provide a fiscal impact.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

§196.1170 – Sale of kratom products

Officials from the **City of Kansas City** the provisions related to the preemption of Kratom would result in a negative fiscal impact.

Oversight does not have information to the contrary; therefore, Oversight will reflect a $0 to (Unknown) loss of revenue to local governments.

In response to a previous version, officials from the **Missouri Office of Prosecution Services (MOPS)** assumed the proposal will have no measurable fiscal impact on MOPS. The enactment of a new crime (§196.1170.7) creates additional responsibilities for county prosecutors and the circuit attorney which may, in turn, result in additional costs, which are difficult to determine.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for MOPS, county prosecutors and the circuit attorney.

In response to similar legislation from 2021 (HB 350), officials from the **Office of the State Courts Administrator**, the **City of Ballwin**, the **City of Hale**, and the **City of St. Louis** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

§§311.101, 311.199, and 311.202 – Intoxicating liquor

In response to a previous version, officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** stated §311.101 was revised to remove “unfinished” from the language. However, this change does not allow retailers to package their own alcohol. Retailers are prohibited from repackaging alcohol unless otherwise stated.

New Section 311.199 allows the holder of a retail by drink license to sell retailer-packaged alcohol to consumers as long as: the intoxicating liquor is in a rigid, durable, leak-proof, sealable container; the consumer orders a meal with the alcohol; a dated receipt or electronic record is provided to the consumer for the alcohol purchase, and the sealed container is placed in a one-time use tamperproof bag or the container is separately sealed with tamperproof tape. This new section also allows retail to retail sales if: the alcohol was originally purchased from a Missouri licensed wholesaler; the alcohol is sold in the manufacturer's original package; the purchasing retailer retains a receipt of such purchase; and the alcohol is sold in amounts no more than five cases of beer, no more than two-hundred and fifty-six ounces of liquor, and no more than twelve bottles of wine of which are no more than seven hundred and fifty milliliters.

New Section 311.202 allows the holder of a retail by drink license to sell retailer-packaged alcohol to consumers as long as: the intoxicating liquor is in a rigid, durable, leak-proof, sealable container; the contents of the container doesn't exceed 128 ounces; the consumer orders a meal with the alcohol; a dated receipt or electronic record is provided to the consumer for the meal and alcohol purchase, and the container is placed in a one-time use tamperproof bag or the container is separately sealed with tamperproof tape. The container must also have a label that states "THIS BEVERAGE CONTAINS ALCOHOL" and it must be filled in compliance with Section 3-304.17(c) of the 2009 Food and Drug Administration Food Code. Wholesalers and manufacturers are not allowed to furnish these containers to retailers.

Currently, ATC has fifteen (15) agent positions that are responsible for 16,200 primary licenses, or one (1) agent per 1,080 licenses, and 1 auditor that covers the entire state. It will be extremely difficult for ATC to regulate the retailer-packaged and carryout alcohol changes in addition to the agent's current responsibilities, while ensuring compliance and a safe environment given the current agent to license ratio. ATC is asking for four (4) special agents, one for each district office, to allow the division to better regulate and enforce the retailer-packaged alcohol and carryout alcohol changes. ATC is also asking for three (3) additional special agents and one (1) auditor to be able to enforce the retail to retail sale of alcohol. This change would make it difficult and more time consuming for ATC to investigate violations for purchases from other than a wholesaler or from a retail licensee. There is no license type for retail to retail sales for ATC to link these transactions to and no reporting requirements for these transactions. It would be extremely difficult and time consuming for ATC to verify that the product was originally purchased from a licensed wholesaler .This change will require more enforcement and more extensive auditing to verify the flow of product as well as compliance, which is why ATC is asking for three (3) special agents and 1 auditor to enforce retail to retail sales.

The National Liquor Law Enforcement Association (NLLEA) did a survey last year of agent to liquor license ratio. Of 18 states that participated, the average agent to license ratio was 1:581. Even with 4 additional agents, ATC's agent to license ratio would be 1:852, which is well over that average.

During 2020, alcohol sales have shifted from on premise to off-premise sales (Nielsen). There seems to be a stronger association between off-premise alcohol sales and an increased rate of violence, assaults, child abuse, alcohol-attributed hospital admissions and impaired driving (Science Direct). Increased off-premise alcohol sales also seems to have an association with increased youth access to alcohol. Compliance checks were conducted in several states as a result of complaints received regarding youth accessing alcohol through curbside services and home delivery. The compliance checks showed a high rate of non-compliance with alcohol being sold to minors (Washington Post). This bill allows alcohol to be purchased with a meal to be consumed off of the licensed premises. Many of these transactions take place through curbside pickup or home delivery, which will increase the ability for minors to access alcohol if the proper age verification isn't conducted. In order for ATC to properly enforce alcohol sale to minor laws, the division will need additional agents to do so.

Oversight notes the ATC currently has 15 agent positions available to enforce violations that result from alcohol compliance checks. This legislation does not change the licensing requirements or compliance checks. Therefore, Oversight assumes the ATC can absorb the provisions from this proposal with existing personnel and resources. However, if additional duties require increased staffing, the ATC may request additional funding through the appropriations process.

<u>§311.280 – Sale of intoxicating liquor</u>

In response to similar legislation from 2021 (HB 816), officials from the **Department of Public Safety –** (**Division of Alcohol and Tobacco Control** and **Missouri Highway Patrol**), the **Missouri Office of Prosecution Services**, the **Office of the State Courts Administrator**, and the **Office of the State Public Defender** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>§362.034 – Services of financial institutions</u>

Officials from the **Department of Health and Senior Services (DHSS)** state §362.034 allows any entity that operates as a facility licensed or certified under Article XIV, Section 1 of the Constitution of Missouri to request in writing that a state or local licensing authority or agency share the entity's application, license, or other regulatory and financial information with a banking institution. The state or local licensing authority or agency shall include in the written request a waiver giving authorization for the transfer of the individualized data, information, or records and waiving any confidentiality or privilege that applies to that individualized data, information, or records. The DHSS expects to absorb these costs in the normal ebb and flow of its operations.

The department anticipates being able to absorb these costs. However, until the FY22 budget is final, the department cannot identify specific funding sources.

DOR states this section deals with state and local licensing authorities sharing information with banking institutions at the written request of a Missouri medical marijuana business. This bill will have no foreseeable impact on state revenues. DOR may be required to create a form to provide the certain information, but the information will only be provided upon written request from an entity covered by the bill. This bill will have no further impact upon the Department.

<u>§§407.925, 407.926, 407.927, 407.929, 407.930, 407.931, 407.933, 407.934 – Tobacco products</u>

In response to similar legislation from 2021 (HCS HB 517), officials from the **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version (HB 517), officials from the **City of Ballwin** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version (HB 517), officials from the **City of Hale** responded to the legislation but did not provide a fiscal impact.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes, according to the Department of Public Safety - Alcohol and Tobacco Control's (ATC) website, on December 20, 2019, the President signed legislation to amend the Federal Food, Drug, and Cosmetic Act, and raise the federal minimum age of sale of tobacco products from 18 to 21. It is now illegal for a retailer to sell any tobacco product – including cigarettes, cigars and e-cigarettes – to anyone under 21. The FDA will provide additional details on this issue as they become available.

In response to similar legislation from 2021 (HCS HB 517), officials from the **City of Kansas City** stated this bill preempts the field of regulating the sale of tobacco products. If tobacco sales were excluded from reported gross receipts, this could potentially reduce occupational and licensing fees. This could have a negative fiscal impact to the City of Kansas City in an indeterminate amount.

In response to a previous version, officials from the **City of Springfield** state broad preemption language has been added to §407.930 of the bill. The intent of the language is unclear due to the drafting. However, if the bill would preempt local licensing taxes on tobacco products, the City would experience a negative fiscal impact of $670,000 annually.

Oversight notes the fiscal impact for the cities of Kansas City and Springfield. Oversight is unable to project a statewide cost. Therefore, Oversight will reflect a potential unknown negative fiscal impact to local political subdivisions.

As stated above, the U.S. Food and Drug Administration has officially changed the federal minimum age to purchase tobacco from 18 to 21. Oversight assumes this proposal would have no fiscal impact.

§484.040 – Practice of law

In response to similar legislation from 2021 (HB 385), officials from the **Attorney General's Office** and the **Office of the State Courts Administrator** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies

Bill as a Whole

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than $5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Commerce and Insurance**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Public Safety - Office of the Director**, the **Department of Social Services**, the **Missouri Department of Agriculture**, the **Missouri Department of Transportation**, the **City of Claycomo**, the **St. Joseph Police Department**, and the **St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Department of Public Safety -** (**Capitol Police** and **Missouri Gaming Commission**), the **Missouri Department of Conservation**, the **Office of the State Public Defender**, the **City of Corder**, the **City of O'Fallon**, and the **Kansas City Police Department** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other police and sheriff's departments, cities, and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

FISCAL IMPACT – State Government	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
GENERAL REVENUE FUND				
Revenue Reduction – Section 143.121 – Income Tax Deduction For Medical Marijuana Businesses p. 3-5	(Unknown, but could be significant)	(Unknown, but could be significant)	(Unknown, but could be significant)	(Unknown, but could be significant)
Revenue Reduction (143.1405) – Income Tax Deduction For Members Of The Patrol and Peace Officers p. 5-11	Less than ($15,064,522)	Less than ($29,571,098)	Less than ($44,356,647)	Less than ($59,142,197)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**More than ($15,064,522)**	**More than ($29,571,098)**	**More than ($44,356,647)**	**More than ($59,142,197)**

FISCAL IMPACT – Local Government	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
LOCAL GOVERNMENTS				
Revenue Reduction – Cities				
Reduction in licensing fees (§196.1170) p. 10	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Loss – Cities – (§407.930) p. 14 Potential reduction of occupational and licensing fees	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business conducting business under Article XIV of the Missouri Constitution (Medical Marijuana) as these small businesses could claim a tax deduction reducing or eliminating their tax liability. (Section 143.121)

Small businesses that sell powdered alcohol or beverages having an alcoholic content of less than one-half of one percent by volume could be impacted by this proposal. (Section 311.020)

Certain small businesses that sell intoxicating liquor could be impacted by this proposal. (Sections 311.101, 311.199, 311.202, and 311.280)

This proposal may directly impact small businesses that sell kratom products. (Sections 196.1170 and 361.751)

FISCAL DESCRIPTION

INCOME TAX DEDUCTION FOR MEDICAL MARIJUANA INDUSTRY (Section 143.121)

This act allows taxpayers authorized under the Missouri Constitution to operate a business related to medical marijuana to claim an income tax deduction in an amount equal to any expenditures otherwise allowable as a federal income tax deduction, but that are disallowed for federal purposes because cannabis is a controlled substance under federal law.

INCOME TAX DEDUCTION (Section 143.1405)

This bill provides an income tax deduction on the income received by any taxpayer for his or her services as a peace officer or member of the State Highway Patrol.

Beginning January 1, 2021, the deduction will be worth 25% of such income. The deduction will be increased each year by 25% increments, and for all tax years beginning on or after January 1, 2024, the deduction will be worth 100% of such income.

The provisions of this bill will sunset six years after the effective date of the bill.

This bill contains an emergency clause.

SALE OF KRATOM PRODUCTS (Sections 196.1170 and 361.751)

This bill establishes the "Kratom Consumer Protection Act", which requires dealers who prepare, distribute, sell, or expose for sale a food that is represented to be a kratom product to disclose on the product label the basis on which this representation is made. A dealer is prohibited from preparing, distributing, selling, or exposing for sale a kratom product that does not conform to these labeling requirements.

The provisions of this proposal provide that the general assembly hereby occupies and preempts the entire field of regulating kratom products to the complete exclusion of any order, ordinance, or regulation of any political subdivision of the state and any political subdivision's existing or future orders, ordinances, or regulations relating to kratom products are void.

TOBACCO PRODUCTS (Sections 407.925 to 407.934)

This bill changes the age of a minor for purposes of tobacco sales and possession from 18 to 21 years of age. A person cannot sell tobacco products, including vaping products, to a person who is under 21 and a person who is under 21 years of age cannot purchase or possess tobacco products, including vaping products.

The bill preempts the field of regulating the sale of tobacco products and state statute supercedes any local laws or ordinances, except for local taxes on the sale of tobacco products.

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

Attorney General's Office
Department of Commerce and Insurance
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Department of Conservation
Missouri Office of Prosecution Services
Office of Administration – Budget and Planning
Office of the State Courts Administrator
Office of the Secretary of State
Office of the State Public Defender
City of Ballwin
City of Claycomo
City of Corder
City of Hale
City of Kansas City
City of O'Fallon
City of Springfield
City of St. Louis
Crestwood Police Department
Ellisville Police Department
Kansas City Police Department
St. Joseph Police Department
St. Louis County Police Department
University of Missouri's Economic and Policy Analysis Research Center

Julie Morff
Director
May 5, 2021

Ross Strope
Assistant Director
May 5, 2021

DD: LR: OD