

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4043-02  
Bill No.: HB 1580  
Subject: Tobacco Products; Merchandising Practices  
Type: Original  
Date: January 23, 2008

---

Bill Summary: This proposal changes provisions relating to retail sales tax licenses to sell tobacco products.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$138,265	\$169,916	\$168,616
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$138,265</b>	<b>\$169,916</b>	<b>\$168,616</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state this bill would require tobacco vendors to obtain a license from ATC in order to sell tobacco. ATC would be responsible for providing license information and applications to applicants for a tobacco license, collecting tobacco license applications and license fees and depositing such into the general revenue account. In addition, ATC would be required to generate renewal license applications and mail to tobacco vendors annually.

ATC estimates there are approximately 8,000 tobacco vendors in the state of Missouri. ATC will have to license these vendors and collect license fees. ATC will have to annually send out renewal notices and process 8,000 renewals each year. There will be additional printing and postage costs of about \$5,100 annually.

There will also be more licensing duties that will require an additional Senior Office Support Assistant to help with the licensing files, data entry of licenses into the system and prepare correspondence. The ATC assumes the need for 1 FTE clerical position (at \$24,228 annually) at a total cost of roughly \$45,000, annually.

The ATC assumes Total State Revenue will be increased by approximately \$200,000 each year. ATC believes there are approximately 8,000 tobacco vendors in the state of Missouri. If each one obtains a license for \$25, that would generate \$200,000 in total state revenue.

The ATC assumes the increase in revenue and expense for the new FTE as well as the additional mailing expense would all impact the General Revenue Fund.

Officials from the **Department of Mental Health (DMH)** state the bill would require a separate license, at an annual cost of \$25, to sell cigarettes and tobacco products. The revenues for the license would go to the division of alcohol and tobacco control.

DMH states considerable staff time and field work are used to maintain a complete and accurate list of Missouri tobacco retailers. The current tobacco registry, as established by RSMo 407.934, does not provide a sufficiently complete and accurate list to support DMH's activities and enable the state to meet Federal Synar Law requirements. Businesses that do not sell tobacco are listed on the tobacco registry. As such, DMH supplements the tobacco registry with extensive field work collecting data and office time merging and cleaning lists from multiple sources. DMH's activities include visits to tobacco retailers as part of merchant education efforts as well as compliance checks for Federal Synar Law requirements. Unnecessary staff time and travel costs

ASSUMPTION (continued)

are incurred when no phone number can be located (outlet phone numbers are not included on the tobacco registry) and visits are made to outlets that do not sell tobacco products. Searching for tobacco outlets not on the list is also resource intensive. A complete and accurate list of tobacco retailers will facilitate meeting Federal Synar Law requirements; therefore, allowing a savings to the state due to a decrease in staff review time saving \$9,334, staff census work at retailers \$3,672 and travel expenditures \$200 for a total savings of \$13,206, annually.

Officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

**This proposal would increase Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Income</u> - New \$25 annual license fee for retailers of cigarettes or tobacco products	\$166,667	\$200,000	\$200,000
<u>Savings</u> - Department of Mental Health Improved efficiency in using staff resources from improved tobacco retailer listing	\$13,206	\$13,206	\$13,206
<u>Costs</u> - Alcohol and Tobacco Control			
Personal Service (1 FTE)	(\$20,796)	(\$25,703)	(\$26,475)
Fringe Benefits	(\$9,196)	(\$11,366)	(\$11,707)
Expense and Equipment	(\$7,366)	(\$968)	(\$997)
Postage and Printing	(\$4,250)	(\$5,253)	(\$5,411)
<u>Total Costs</u> - ATC	<u>(\$41,608)</u>	<u>(\$43,290)</u>	<u>(\$44,590)</u>
FTE Change - ATC	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$138,265</u></b>	<b><u>\$169,916</u></b>	<b><u>\$168,616</u></b>
Estimated Net FTE Change for General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small tobacco retail businesses would have to pay an additional \$25 per year to obtain the new license outlined in the proposal.

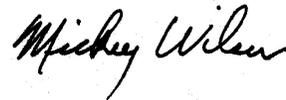
FISCAL DESCRIPTION

This bill requires a retailer of cigarettes or tobacco products to have a written license issued by the Division of Alcohol and Tobacco Control within the Department of Public Safety, pay an annual \$25 fee by May 1, and have a retail sales tax license before selling any products. The license must be continually and publicly displayed at the retailer's place of business.

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 Public Safety  
Department of Revenue  
Department of Mental Health



Mickey Wilson, CPA  
Director  
January 23, 2008