

HCS HB 1267 -- CERTIFICATION OF TOBACCO PRODUCTS

SPONSOR: Cooper (120)

COMMITTEE ACTION: Voted "do pass" by the Committee on Tax Policy by a vote of 18 to 0.

This substitute establishes certain requirements for tobacco product manufacturers relating to the 1998 Master Settlement Agreement between various tobacco companies and the State of Missouri, 45 other states, the District of Columbia, and five U. S. territories.

The substitute requires all tobacco manufacturers whose cigarettes are sold in Missouri to report and certify to the Department of Revenue each year that they are in compliance with the Tobacco Settlement Model Statute currently in Missouri law.

In addition to the certification, tobacco product manufacturers must provide a list of "brand families" of cigarette types, the number of units sold for each family at any time during the year, the name and address of any other manufacturer of their brand families in the preceding or current calendar year, and other information to verify compliance with the model statute. Each tobacco product manufacturer must maintain an agent within the state for purposes of service of process relating to the enforcement of the substitute.

The substitute also requires that by January 1, 2005, the director must publish on its web site for public inspection a list of all tobacco product manufacturers that have provided the certification requirements established in the substitute.

Stamping agents (persons authorized to affix cigarette tax stamps to cigarette packages) are required to submit to the director an e-mail address for receipt of notifications as required and to submit various reports and documents as required by the director.

Various penalties and actions for failure to comply with the requirements of the substitute are included.

The substitute requires any tobacco product manufacturer who has not made shipments of tobacco products into this state prior to the effective date of the substitute to file a bond not to exceed \$50,000. After a two-year period, the director will release the manufacturer from the bonding requirement.

FISCAL NOTE: No impact on General Revenue Fund in FY 2005, FY 2006, and FY 2007. Estimated Income on Other State Funds of Unknown in FY 2005, FY 2006, and FY 2007.

PROPONENTS: Supporters say that the bill requires nonparticipating manufacturers that are avoiding escrow payments to register.

Testifying for the bill were National Association of Attorneys General; Xcaliber International Ltd.; R. J. Reynolds Tobacco Company; Missouri Retailers Association; and Premier Manufacturing Incorporated.

OPPONENTS: Those who oppose the bill say that it unfairly penalizes certain tobacco product manufacturers and does not give wholesalers and retailers of tobacco products the opportunity to dispose of inventories after decertification.

Testifying against the bill were LPC, Incorporated; Dirt Cheap; and U-Gas.

Karla Strobel, Legislative Analyst