

FIRST REGULAR SESSION

HOUSE BILL NO. 268

93RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE GOODMAN.

Read 1st time January 19, 2005 and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

1035L.011

AN ACT

To repeal section 196.1003, RSMo, and to enact in lieu thereof eight new sections relating to the tobacco master settlement agreement, with penalty provisions and an emergency clause.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 196.1003, RSMo, is repealed and eight new sections enacted in lieu thereof, to be known as sections 196.1003, 196.1006, 196.1020, 196.1023, 196.1026, 196.1029, 196.1032, and 196.1035, to read as follows:

196.1003. Requirements.

Any tobacco product manufacturer selling cigarettes to consumers within the State (whether directly or through a distributor, retailer or similar intermediary or intermediaries) after the date of enactment of this Act shall do one of the following:

(a) become a participating manufacturer (as that term is defined in section II(jj) of the Master Settlement Agreement) and generally perform its financial obligations under the Master Settlement Agreement; or

(b) (1) place into a qualified escrow fund by April 15 of the year following the year in question the following amounts (as such amounts are adjusted for inflation)--

1999: \$.0094241 per unit sold after the date of enactment of this Act;

2000: \$.0104712 per unit sold;

for each of 2001 and 2002: \$.0136125 per unit sold;

for each of 2003 through 2006: \$.0167539 per unit sold;

for each of 2007 and each year thereafter: \$.0188482 per unit sold.

(2) A tobacco product manufacturer that places funds into escrow pursuant to paragraph

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16 (1) shall receive the interest or other appreciation on such funds as earned. Such funds
17 themselves shall be released from escrow only under the following circumstances--

18 (A) to pay a judgment or settlement on any released claim brought against such tobacco
19 product manufacturer by the State or any releasing party located or residing in the State. Funds
20 shall be released from escrow under this subparagraph (i) in the order in which they were placed
21 into escrow and (ii) only to the extent and at the time necessary to make payments required under
22 such judgment or settlement;

23 (B) to the extent that a tobacco product manufacturer establishes that the amount it was
24 required to place into escrow **on account of units sold in the State** in a particular year was
25 greater than the [State's allocable share of the total payments that such manufacturer would have
26 been required to make in that year under the Master Settlement Agreement (as determined
27 pursuant to section IX(i)(2) of the Master Settlement Agreement, and before any of the
28 adjustments or offsets described in section IX(i)(3) of that Agreement other than the Inflation
29 Adjustment)] **Master Settlement Agreement payments, as determined under section IX(i)**
30 **of that Agreement including after final determination of all adjustments, that such**
31 **manufacturer would have been required to make on account of such units sold** had it been
32 a Participating Manufacturer, the excess shall be released from escrow and revert back to such
33 tobacco product manufacturer; or

34 (C) to the extent not released from escrow under subparagraphs (A) or (B), funds shall
35 be released from escrow and revert back to such tobacco product manufacturer twenty-five years
36 after the date on which they were placed into escrow.

37 (3) Each tobacco product manufacturer that elects to place funds into escrow pursuant
38 to this subsection shall annually certify to the Attorney General that it is in compliance with this
39 subsection. The Attorney General may bring a civil action on behalf of the State against any
40 tobacco product manufacturer that fails to place into escrow the funds required under this
41 section. Any tobacco product manufacturer that fails in any year to place into escrow the funds
42 required under this section shall--

43 (A) be required within 15 days to place such funds into escrow as shall bring it into
44 compliance with this section. The court, upon a finding of a violation of this subsection, may
45 impose a civil penalty to be paid to the State's general revenue fund in an amount not to exceed
46 5 percent of the amount improperly withheld from escrow per day of the violation and in a total
47 amount not to exceed 100 percent of the original amount improperly withheld from escrow;

48 (B) in the case of a knowing violation, be required within 15 days to place such funds
49 into escrow as shall bring it into compliance with this section. The court, upon a finding of a
50 knowing violation of this subsection, may impose a civil penalty to be paid to the State's general
51 revenue fund in an amount not to exceed 15 percent of the amount improperly withheld from

52 escrow per day of the violation and in a total amount not to exceed 300 percent of the original
53 amount improperly withheld from escrow; and

54 (C) in the case of a second knowing violation, be prohibited from selling cigarettes to
55 consumers within the State (whether directly or through a distributor, retailer or similar
56 intermediary) for a period not to exceed 2 years.

57 Each failure to make an annual deposit required under this section shall constitute a
58 separate violation. Any tobacco product manufacturer that violates the provisions of this section
59 shall pay the State's cost and attorney's fees incurred during a successful prosecution under this
60 section.

196.1006. Severability Clause.

2 If section 196.1003, or any portion of the amendment to subparagraph (B) of
3 paragraph (2) of subdivision (b) of section 196.1003 amended by this act, is held by a court
4 of competent jurisdiction to be unconstitutional, then such subparagraph (B) shall be
5 deemed to be repealed in its entirety. If paragraph (2) of subdivision (b) of section
6 196.1003 shall thereafter be held by a court of competent jurisdiction to be
7 unconstitutional, then sections 196.1003 and 196.1006 amended by this act shall be deemed
8 repealed, and subparagraph (B) of paragraph (2) of subdivision (b) of section 196.1003
9 shall be restored as if no such amendments had been made. Neither any holding of
10 unconstitutionality nor the repeal of subparagraph (B) of paragraph (2) of subdivision (b)
11 of section 196.1003 shall affect, impair, or invalidate any other portion of section 196.1003,
12 or the application of such section to any other person or circumstance, and such remaining
13 portions of section 196.1003 shall at all times continue in full force and effect.

196.1020. As used in sections 196.1020 to 196.1035, the following terms mean:

2 (1) "Brand family", all styles of cigarettes sold under the same trademark and
3 differentiated from one another by means of additional modifiers or descriptors including
4 but not limited to "menthol", "lights", "kings", and "IOOs", and includes any brand
5 name alone or in conjunction with any other word trademark, logo, symbol, motto, selling
6 message, recognizable pattern of colors, or any other indicia of product identification
7 identical or similar to, or identifiable with, a previously known brand of cigarettes;

8 (2) "Cigarette", the same meaning as such term is defined in section 196.1000;

9 (3) "Director", the director of the Missouri department of revenue;

10 (4) "Master settlement agreement", the same meaning as such term is defined in
11 section 196.1000;

12 (5) "Nonparticipating manufacturer", any tobacco product manufacturer that is
13 not a participating manufacturer;

14 (6) "Participating manufacturer", the same meaning as such term is defined in

15 section II(jj) of the master settlement agreement and all amendments thereto;

16 (7) "Qualified escrow fund", the same meaning as such term is defined in section
17 196.1000;

18 (8) "Stamping agent", a person that is authorized to affix tax stamps to packages
19 or other containers or cigarettes under chapter 149, RSMo, or any person that is required
20 to pay the tax imposed under section 149.160, RSMo, on other tobacco products;

21 (9) "Tobacco product manufacturer", the same meaning as such term is defined
22 in section 196.1000;

23 (10) "Units sold", the same meaning as such term is defined in section 196.1000.

196.1023. 1. Every tobacco product manufacturer whose cigarettes are sold in this
2 state, whether directly or through a distributor, retailer, or similar intermediary or
3 intermediaries, shall execute and deliver on a form prescribed by the director a
4 certification to the director no later than the thirtieth day of April each year certifying
5 under penalty of perjury that as of the date of such certification such tobacco product
6 manufacturer is a participating manufacturer or is in full compliance with section
7 196.1003, including all quarterly installment payments required under subsection 5 of
8 section 196.1029.

9 (1) A participating manufacturer shall include in its certification a list of its brand
10 families. The participating manufacturer shall update such list thirty calendar days prior
11 to any addition to or modification of its brand families by executing and delivering a
12 supplemental certification to the director.

13 (2) A nonparticipating manufacturer shall include in its certification:

14 (a) A list of all of its brand and the number of units sold for each brand family that
15 were sold in the state during the preceding calendar year;

16 (b) A list of all of its brand families that have been sold in the state at any time
17 during the current calendar year;

18 (c) Indicating by an asterisk any brand family sold in the state during the preceding
19 calendar year that is no longer being sold in the state as of the date of such certification;
20 and

21 (d) Identifying by name and address any other manufacturer of such brand
22 families in the preceding or current calendar year.

23

24 The nonparticipating manufacturer shall update such list thirty calendar days prior to any
25 addition to or modification of its brand families by executing and delivering a
26 supplemental certification to the director.

27 (3) For a nonparticipating manufacturer, such certification shall further certify:

28 **(a) That such nonparticipating manufacturer is registered to do business in the**
29 **state or has appointed a resident agent for service of process and provided notice thereof**
30 **as required in subsection 1 of section 196.1023;**

31 **(b) That such nonparticipating manufacturer has established and continues to**
32 **maintain a qualified escrow fund and has executed a qualified escrow agreement that has**
33 **been reviewed and approved by the director and that governs the qualified escrow fund;**

34 **(c) That such nonparticipating manufacturer is in full compliance with section**
35 **196.1003 and sections 196.1020 to 196.1035 and any rules promulgated thereunder;**

36 **(d) a. The name, address, and telephone number of the financial institution where**
37 **the nonparticipating manufacturer has established such qualified escrow fund required**
38 **under section 196.1003 and all rules promulgated thereunder;**

39 **b. The account number of such qualified escrow fund and any subaccount number**
40 **for the state;**

41 **c. The amount such nonparticipating manufacturer placed in such fund for**
42 **cigarettes sold in the state during the preceding calendar year, the date and amount of each**
43 **such deposit, and such evidence or verification as may be deemed necessary by the director**
44 **to confirm the foregoing; and**

45 **d. The amount and date of any withdrawal or transfer of funds the**
46 **nonparticipating manufacturer made at any time from such fund or from any other**
47 **qualified escrow fund into which it ever made escrow payments under section 196.1003 and**
48 **all rules promulgated thereunder.**

49 **(4) A tobacco product manufacturer may not include a brand family in its**
50 **certification unless:**

51 **(a) In the case of a participating manufacturer, such participating manufacturer**
52 **affirms that the brand family is to be deemed to be its cigarettes for purposes of calculating**
53 **its payments under the master settlement agreement for the relevant year, in the volume**
54 **and shares determined under the master settlement agreement; and**

55 **(b) In the case of a nonparticipating manufacturer, such nonparticipating**
56 **manufacturer affirms that the brand family is to be deemed to be its cigarettes for**
57 **purposes of section 196.1003.**

58

59 **Nothing in this section shall be construed as limiting or otherwise affecting the state's right**
60 **to maintain that a brand family constitutes cigarettes of a different tobacco product**
61 **manufacturer for purposes of calculating payments under the master settlement agreement**
62 **or for purposes of section 196.1003.**

63 **(5) Tobacco product manufacturers shall maintain all invoices and documentation**

64 of sales and other such information relied upon for such certification for a period of five
65 years, unless otherwise required by law to maintain them for a greater period of time.

66 **2. By June 1, 2006, the director shall develop and make available for public**
67 **inspection or publish on its web site a directory listing of all tobacco product**
68 **manufacturers that have provided current and accurate certifications conforming to the**
69 **requirements of subsection 1 of this section and all brand families that are listed in such**
70 **certifications, except:**

71 **(1) The director shall not include or retain in such directory the name or brand**
72 **families of any nonparticipating manufacturer that fails to provide the required**
73 **certification or whose certification the director determines is not in compliance with**
74 **subdivisions (2) and (3) of subsection 1 of this section, unless the director has determined**
75 **that such violation has been cured to the satisfaction of the director;**

76 **(2) Neither a tobacco product manufacturer nor brand family shall be included or**
77 **retained in the directory if the director concludes in the case of a nonparticipating**
78 **manufacturer that:**

79 **(a) Any escrow payment required under section 196.1003 for any period for any**
80 **brand family whether or not listed by such nonparticipating manufacturer has not been**
81 **fully paid into a qualified escrow fund governed by a qualified escrow agreement that has**
82 **been approved by the director; or**

83 **(b) Any outstanding final judgment including interest thereon for violations of**
84 **section 196.1003 has not been fully satisfied for such brand family and such manufacturer;**

85 **(3) Every stamping agent shall provide and update as necessary an electronic mail**
86 **address to the director for the purpose of receiving any notifications that may be required**
87 **by sections 196.1020 to 196.1035.**

88 **3. It shall be unlawful for any person to:**

89 **(1) Affix a stamp to a package or other container of cigarettes of a tobacco product**
90 **manufacturer or brand family not included in the directory; or**

91 **(2) Sell, offer, or possess for sale in this state, or import for personal consumption**
92 **in this state, cigarettes of a tobacco product manufacturer or brand family not included**
93 **in the directory.**

196.1026. 1. Any nonresident or foreign nonparticipating manufacturer that has
2 **not registered to do business in this state as a foreign corporation or business entity shall**
3 **as a condition precedent to having its brand families listed or retained in the directory**
4 **appoint and continually engage without interruption the services of an agent in this state**
5 **to act as agent for the service of process on whom all process, and any action or proceeding**
6 **against it concerning or arising out of the enforcement of sections 196.1003 and 196.1020**

7 to 196.1035 may be served in any manner authorized by law. Such service shall constitute
8 legal and valid service of process on the nonparticipating manufacturer. The
9 nonparticipating manufacturer shall provide the name, address, phone number, and proof
10 of the appointment and availability of such agent to the satisfaction of the director.

11 2. The nonparticipating manufacturer shall provide notice to the director thirty
12 calendar days prior to termination of the authority of an agent and shall further provide
13 proof to the satisfaction of the director of the appointment of a new agent no less than five
14 calendar days prior to the termination of an existing agent appointment. In the event an
15 agent terminates an agency appointment, the nonparticipating manufacturer shall notify
16 the director of the termination within five calendar days and shall include proof to the
17 satisfaction of the director of the appointment of a new agent.

18 3. Any nonparticipating manufacturer whose cigarettes are sold in this state and
19 who has not appointed and engaged an agent as herein required shall be deemed to have
20 appointed the secretary of state as such agent and may be proceeded against in courts of
21 this state by service of process upon the secretary of state; provided, however, that the
22 appointment of the secretary of state as such agent shall not satisfy the condition precedent
23 for having the brand families of the nonparticipating manufacturer included or retained
24 in the directory.

196.1029. 1. Not later than twenty days after the end of each calendar quarter and
2 more frequently if so directed by the director, each stamping agent shall submit such
3 information as the director requires to facilitate compliance with sections 196.1020 to
4 196.1035, including but not limited to a list by brand family of the total number of
5 cigarettes or, in the case of roll your own, the equivalent stick count for which the stamping
6 agent affixed stamps during the previous calendar quarter or otherwise paid the tax due
7 for such cigarettes. The stamping agent shall maintain and make available to the director
8 all invoices and documentation of sales of all nonparticipating manufacturer cigarettes and
9 any other information relied upon in reporting to the director for a period of five years.

10 2. The director is authorized to disclose to the attorney general any information
11 received under sections 196.1020 to 196.1035 and requested by the attorney general for
12 purposes of determining compliance with and enforcing the provisions of sections 196.1020
13 to 196.1035. The director and attorney general shall share with each other the information
14 received under section 196.1003, sections 196.1020 to 196.1035, or corresponding laws of
15 other states.

16 3. The director may require at any time from the nonparticipating manufacturer
17 proof from the financial institution in which such manufacturer has established a qualified
18 escrow fund for the purpose of compliance with section 196.1003 of the amount of money

19 in such fund exclusive of interest, and the amount and date of each deposit to such fund,
20 and the amount and date of each withdrawal from such fund.

21 **4.** In addition to any other information required to be submitted under sections
22 **196.1020 to 196.1035**, the director may require a stamping agent or tobacco product
23 manufacturer to submit any additional information, including but not limited to, samples
24 of the packaging or labeling of each brand family, as is necessary to enable the director to
25 determine whether a tobacco product manufacturer is in compliance with sections **196.1020**
26 **to 196.1035**.

27 **5.** To promote compliance with sections **196.1020 to 196.1035**, the director may
28 promulgate rules requiring a tobacco product manufacturer subject to the requirements
29 of subdivision (2) of subsection 1 of section **196.1023** to make the escrow deposits required
30 in quarterly installments during the year in which the sales covered by such deposits are
31 made. The director may require production of information sufficient to enable the director
32 to determine the adequacy of the amount of the installment deposit.

196.1032. 1. In addition to or in lieu of any other civil or criminal remedy provided
2 by law, upon a determination that a stamping agent or any person has violated subsection
3 **3** of section **196.1023** or any regulation adopted under sections **196.1020 to 196.1035**, the
4 director may revoke or suspend the license of any stamping agent in the manner provided
5 in subsection 3 of section **149.035**, RSMo. Each stamp affixed and each sale or offer to sell
6 cigarettes in violation of subsection 3 of section **196.1023** shall constitute a separate
7 violation. For each such violation, the director may also impose a civil penalty in an
8 amount not to exceed the greater of five hundred percent of the retail value of the
9 cigarettes or five thousand dollars upon a determination of a violation of subsection 3 of
10 section **196.1023** or any regulations adopted thereunder.

11 **2.** Any cigarettes that have been sold, offered for sale, or possessed for sale in this
12 state in violation of subsection 3 of section **196.1023** shall be deemed contraband and such
13 cigarettes shall be subject to seizure and forfeiture as provided in chapter **149**, RSMo, and
14 all such cigarettes so seized and forfeited shall be destroyed and not resold.

15 **3.** The attorney general on behalf of the director may seek an injunction to restrain
16 a threatened or actual violation of subsection 3 of section **196.1023**, or subsection 1 or 4 of
17 section **196.1029** by a stamping agent and to compel the stamping agent to comply with
18 such provisions. In any action brought under this section, the state shall be entitled to
19 recover the costs of investigation, costs of the action, and reasonable attorney fees.

20 **4.** It shall be unlawful for a person to sell or distribute cigarettes, or acquire, hold,
21 own, possess, transport, import, or cause to be imported cigarettes that the person knows
22 or should know are intended for distribution or sale in the state in violation of subsection

23 **3 of section 196.1023. A violation of this section is a class A misdemeanor.**

24 **5. A person who violates subsection 3 of section 196.1023 engages in an unfair**
25 **practice in violation of section 407.020, RSMo.**

196.1035. 1. A determination of the director not to list or to remove from the
2 **directory a brand family or tobacco product manufacturer shall be subject to review under**
3 **chapter 621, RSMo.**

4 **2. No person shall be issued a license or granted a renewal of a license under**
5 **chapter 149, RSMo, unless such person has certified in writing under the penalty of**
6 **perjury that such person will comply fully with sections 196.1020 to 196.1035.**

7 **3. For 2005, if the effective date of sections 196.1020 to 196.1035 is later than March**
8 **16, 2005:**

9 **(1) The first report of stamping agents required in subsection 1 of section 196.1029**
10 **shall be due thirty calendar days after such effective date;**

11 **(2) The certification by a tobacco product manufacturer described in subsection**
12 **1 of section 196.1023 shall be due forty-five calendar days after such effective date; and**

13 **(3) The directory described in subsection 2 of section 196.1023 shall be published**
14 **or made available within ninety calendar days after such effective date.**

15 **4. The director may promulgate rules necessary to effect the purpose of sections**
16 **196.1020 to 196.1035.**

17 **5. In any action brought by the state to enforce sections 196.1020 to 196.1035, the**
18 **state shall be entitled to recover the costs of investigation, expert witness fees, costs of the**
19 **action and reasonable attorney fees.**

20 **6. If a court of competent jurisdiction determines that a person has violated sections**
21 **196.1020 to 196.1035, the court shall order any profits, gains, gross receipts, or other**
22 **benefits from the violation to be disgorged and paid to the state treasurer for deposit in the**
23 **"Tobacco Control Special Fund", which is hereby created. Unless otherwise expressly**
24 **provided the remedies or penalties provided by sections 196.1020 to 196.1035 are**
25 **cumulative to each other and to the remedies or penalties available under all other laws of**
26 **this state.**

27 **7. If a court of competent jurisdiction finds that the provisions of section 196.1003**
28 **and sections 196.1020 to 196.1035 conflict and cannot be harmonized, the provisions of**
29 **section 196.1003 shall control. If any section or portion of a section in sections 196.1020**
30 **to 196.1035 causes section 196.1003 to no longer constitute a qualifying or model statute,**
31 **as those terms are defined in the master settlement agreement, that portion of sections**
32 **196.1020 to 196.1035 shall be invalid. If any section or portion of a section in sections**
33 **196.1020 to 196.1035 is for any reason held to be invalid, unlawful, or unconstitutional,**

34 **such decision shall not affect the validity of the remaining portions of sections 196.1020 to**
35 **196.1035.**

Section B. Because immediate action is necessary to protect the economic welfare of the
2 citizens of this state section A of this act is deemed necessary for the immediate preservation of
3 the public health, welfare, peace, and safety, and is hereby declared to be an emergency act
4 within the meaning of the constitution, and section A of this act shall be in full force and effect
5 upon its passage and approval.