

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2115H.011
 Bill No.: HB 1041
 Subject: Alcohol; Department of Public Safety; Licenses - Liquor and Beer; Taxation and Revenue - General; Department of Revenue
 Type: Original
 Date: February 21, 2025

Bill Summary: This proposal modifies inspection and gauging fees imposed on barrels of malt liquor.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$3,430,362)	(\$4,116,434)	(\$4,116,434)
Total Estimated Net Effect on General Revenue	(\$3,430,362)	(\$4,116,434)	(\$4,116,434)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Alcohol and Tobacco Control	(\$150,000)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$150,000)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§311.520 – Inspection and gauging fees on barrels of malt liquor

Officials from the **Department of Public Safety (DPS) – Alcohol and Tobacco Control (ATC)** state §311.520 is revised to establish a separate inspection and gauging fee for American brewery malt liquor and foreign import malt liquor. The charge for foreign import malt liquor will be \$1.86 per barrel, which is the current charge for all malt liquor manufactured in, imported into, and distributed in Missouri. The new charge for American brewery malt liquor will be \$0.62 per barrel, which is 1/3 of what is currently charged. \$6,859,765 was collected by the ATC in FY2024 on all malt liquor manufactured in, imported into, and distributed in Missouri. This change would have reduced the collections by **\$4,116,434**, which will be **lost general revenue** each year if this bill is implemented.

The ATC does not currently collect information to identify what inspection and gauging fees collected are from American brewery or foreign imported malt liquor. To calculate the potential impact, the ATC took all collections from Missouri manufacturers (American brewery) and reduced the collections by 1/3, which accounts for \$2,514,010 of the lost revenue. To identify the portion of collections relative to foreign import malt liquor, the ATC looked at the registered brands for all Missouri licensed importers (solicitors), calculated the percentage of American brands versus total registered brands per licensee, used that percentage to calculate the estimated inspection and gauging fees collected on American brewery imported malt liquor, and reduced those collections by 1/3. For example, if the importer has 120 American brewery registered brands out of 150 total registered brands, and they paid \$5,000 in fees in FY2024, the new fee structure would reduce their charges to \$1,333.333, creating a loss of \$3,666.67 in general revenue ($120/150 = .80$ American brands \times \$5,000 = \$4,000 FY2024 American brewery fees paid \times 1/3 = \$1,333.33 American brewery fees paid with new rate). Using this calculation for all Missouri licensed importers, the estimated decrease in general revenue is \$1,602,424. This method of calculation for importers may not be reflective of actual distribution, and the actual could be more or less of fees paid by American brewery versus foreign imported malt liquor; however, the ATC has no other way to estimate the impact since the division does not currently collect information to identify which category, American or foreign, the fees collected applies to.

In order to implement the change proposed by the legislation, the ATC will have to add functionality to the on-line reporting system to be able to differentiate between American brewery and foreign import malt liquor, as well as establish a different fee rate for each. The ATC is currently in the process of working with a vendor to develop an on-line licensing system, which will also shift the current ATC On-line system for reporting to this new system. ATC would have to add these changes to the new system and estimate it could cost as much as \$150,000.

Oversight has no information to the contrary. Therefore, Oversight will present the fiscal impact of this proposal as provided by the DPS-ATC.

Officials from the **Office of Administration - Budget and Planning** and the **Department of Revenue** each defer to the DPS-ATC for the potential fiscal impact of this proposal.

Officials from the **City of Kansas City** 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.

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 (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and various county officials were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Loss – DPS-ATC (\$311.520) – reduction in fees collected</u>	(\$3,430,362)	(\$4,116,434)	(\$4,116,434)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$3,430,362)</u>	<u>(\$4,116,434)</u>	<u>(\$4,116,434)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ALCOHOL AND TOBACCO CONTROL FUND (0544)			
<u>Cost – DPS-ATC (§311.520) – on-line system development</u>	(\$150,000)	\$0	\$0
ESTIMATED NET EFFECT ON THE ALCOHOL AND TOBACCO CONTROL FUND	<u>(\$150,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal could have a positive impact on small liquor businesses depending on how much foreign or American brewery malt liquor they import as the fees they would be required to pay would be reduced. (§311.520)

FISCAL DESCRIPTION

Currently, the Department of Revenue collects \$1.86 per barrel for all malt liquors, for the inspection and gauging of malt liquors.

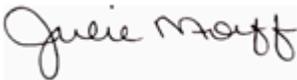
Beginning January 1, 2026, the Department must collect \$0.62 per barrel for all malt liquor manufactured in an American brewery, and \$1.86 per barrel for all foreign import malt liquor, for the inspection and gauging of malt liquors.

Every manufacturer, out-of-state solicitor, and wholesale dealer must make a duplicate invoice of the charges showing: (1) The date; (2) Amount and value of each class of liquors shipped or delivered; and (3) The country of origin for all foreign imports. Each invoice must be retained for two years

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

Office of Administration - Budget and Planning
Department of Revenue
Department of Public Safety - Division of Alcohol and Tobacco Control
Office of the Secretary of State
City of Kansas City
Joint Committee on Administrative Rules



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February 21, 2025



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February 21, 2025