

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2115S.02T
Bill No.: Truly Agreed To and Finally Passed SS for HB 1041
Subject: Alcohol; Business and Commerce; Economic Development; Entertainment, Sports and Amusements; Kansas City; Licenses - Liquor and Beer; Political Subdivisions; Department of Public Safety; Department of Revenue
Type: Original
Date: June 11, 2025

Bill Summary: This proposal modifies provisions relating to alcoholic beverages.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$2,058,217)	(\$4,116,434)	(\$4,116,434)
Total Estimated Net Effect on General Revenue	(\$2,058,217)	(\$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
Agriculture Protection	\$0	(\$1,182,105)	(\$1,182,105)
Wine and Grape	\$0	\$1,182,105	\$1,182,105
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
Agriculture Protection Fund	0 FTE	Up to (20) FTE	Up to (20) FTE
Total Estimated Net Effect on FTE	0 FTE	Up to (20) FTE	Up to (20) FTE

☒ 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 to Unknown	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§311.355 – Repeals provisions relating to rebate coupons from manufacturers of intoxicating liquor

Officials from the **Office of Administration - Budget and Planning** defer to the Department of Public Safety - Division of Alcohol and Tobacco Control (DPS-ATC) regarding the potential fiscal impact of this proposal.

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

Officials from the **Department of Public Safety – Division of Alcohol and Tobacco Control** state this legislation decreases the excise tax charged on malt liquor. Section 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. Oversight notes the change in the charge for inspection and gauging of malt liquors in §311.520 are effective for tax years beginning on/after January 1, 2026.

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

§§311.550 and 311.554 – Distribution of certain wine excise tax revenues

Officials from the **Missouri Department of Agriculture (MDA)** state the current wine tax totals \$0.42 per gallon. Section 311.550(2), RSMo provides the sum of thirty (30) cents per gallon is to be credited of the Agriculture Protection Fund created under §261.200 and is to be used solely for agricultural business development and marketing-related functions of the MDA.

If this allocation of \$0.30 is reduced down to \$0.21 per gallon (per §311.550.1(2)), this will cause funding issues within the Ag Business Development (ABD) Division which connects Missouri's farmers, ranchers and agribusinesses to opportunities for success. The Division helps facilitate growth in Missouri's agriculture-based businesses through opportunities such as the state agriculture branded program, exporter education, international networking, and connecting them to market news reports to inform decision making. The ABD team facilitates growth in Missouri's agriculture-based industries by working with key partners such as Universities, associates, private sector partners, and federal and state agencies. The ABD programs include the Missouri Grown program which has over 350 members and facilitates the farm to school program, the Senior and WIC Farmers Market Nutrition Programs, and the Urban Agriculture and Food Insecure Cost Share Grants. The program also has a Domestic and International Marketing Team who provide a variety of marketing services to link Missouri producers to buyers across the United States and globe, resulting in millions of dollars and increased market exposure.

Additionally, the fund is used for the marketing-related function of the MDA which would affect the Missouri State Fair. The Missouri State Fair showcases and inspires the best in Missouri agriculture, agri-businesses, domestic arts, and fine arts through competition and education experiences along with providing quality entertainment to the State.

\$0.12; §311.554 RSMo, \$0.06 to be used for research and advisement marketing development purposes and \$0.06 utilized for administrative costs by the Wine and Grape Board.

Oversight contacted MDA officials regarding the potential fiscal impact of this proposal. The provisions of the bill will shift 9 cents of the wine tax from the Agriculture Protection Fund (0970) to the Missouri Wine and Grape Fund (0787).

MDA officials state redistribution of the wine tax proceeds from the Agriculture Protection Fund will jeopardize the positions of 20 Ag Business Development FTEs and the work the division does to promote Missouri agriculture if this fund does not receive General Revenue to replace the redirected funds. (See the duties performed by the Ag Business Division above).

Officials from the **DPS-ATC** state §§311.550 and 311.554 are revised to reduce the amount of wine tax collections being deposited to the Agriculture Protection Fund (#0970) to be used for agricultural business development from 30 cents per gallon to 21 cents per gallon, and increased the amount being deposited to the Missouri Wine and Grape Fund (#0787) from 12 cents per gallon to 21 cents per gallon. While this change will not impact state collections, it will impact certain funds. In **FY'24, \$3,940,349** was collected and **deposited to the Agriculture Protection Fund** (30 cent tax). The new distribution will create a loss of \$1,182,105 to this fund by moving the collections to the Missouri wine and grape fund. This could create a shortage for the agricultural business development program.

Oversight will show a loss approximately of \$1.2 million annually to the Agriculture Protection Fund and a gain of the same amount each year to the Missouri Wine and Grape Fund.

Oversight further notes the provisions of this proposal become effective July 1, 2026 (FY 2027).

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

§311.2026 – FIFA World Cup Tournament

Oversight assumes this proposal extends the hours that alcohol is allowed for consumption during the FIFA World Cup Tournament and expires on July 20, 2026. Oversight will reflect a \$0 to unknown revenue gain for this proposal for local political subdivisions for FY 2026.

Bill as a whole:

Officials from the **Department of Revenue (DOR)** state this proposal changes the licensing and fees associated with selling intoxicating liquor and wine. The Department of Public Safety- Division of Alcohol and Tobacco Control (DPS-ATC) handles the licensing and collecting of the fees. DOR defers to DPS-ATC for response concerning the potential fiscal impact of this proposal.

Officials from the **Department of Commerce and Insurance**, the **Department of Public Safety - Missouri Gaming Commission** and the **City of Kansas City** each assume 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 received from state agencies and political subdivisions; however, other cities and 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 (6 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Loss – DPS-ATC (§311.520) – reduction in fees collected p.3-4</u>	<u>(\$2,058,217)</u>	<u>(\$4,116,434)</u>	<u>(\$4,116,434)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$2,058,217)</u>	<u>(\$4,116,434)</u>	<u>(\$4,116,434)</u>
ALCOHOL AND TOBACCO CONTROL FUND (0544)			
<u>Cost – DPS-ATC (§311.520) – on-line system development p.3-4</u>	<u>(\$150,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE ALCOHOL AND TOBACCO CONTROL FUND	<u>(\$150,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (6 Mo.)	FY 2027	FY 2028
AGRICULTURE PROTECTION FUND (0970)			
<u>Loss</u> – MDA – (§§311.550 and 311.554) – redirection of wine tax to Wine and Grape Fund p.4-5	\$0	(\$1,182,105)	(\$1,182,105)
FTE Change - MDA	0 FTE	Up to (20) FTE	Up to (20) FTE
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND	<u>\$0</u>	<u>(\$1,182,105)</u>	<u>(\$1,182,105)</u>
Estimated Net FTE Change on the Agriculture Protection Fund	0 FTE	Up to (20) FTE	Up to (20) FTE
WINE AND GRAPE FUND (0787)			
<u>Income</u> – MDA (§§311.550 and 311.554) – redirection of wine tax from Agriculture Protection Fund p.4-5	\$0	\$1,182,105	\$1,182,105
ESTIMATED NET EFFECT ON THE WINE AND GRAPE FUND	<u>\$0</u>	<u>\$1,182,105</u>	<u>\$1,182,105</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (6 Mo.)	FY 2027	FY 2028
LOCAL GOVERNMENTS – CITY OF KANSAS CITY			
<u>Revenue</u> - §311.2026 – Potential additional revenue for alcohol sold because of extended hours p. 5	<u>\$0 to Unknown</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 to Unknown</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)

Small businesses who participate in the extended hours of selling alcohol during the FIFA World Cup Tournament could have a positive impact from this proposal. (§311.2026)

FISCAL DESCRIPTION

Under this act, manufacturers, wholesalers, retailers, and unlicensed persons may donate beer, malt liquor, or spirits to a charitable or religious organization or an educational institution for the sole purpose of being auctioned or raffled for fund-raising purposes.

Currently, manufacturers of intoxicating liquor other than beer or wine are permitted to offer consumer cash rebate coupons as provided in law. This act repeals the prohibition relating to wine, thus permitting wine manufacturers of wine to offer such coupons.

Under current law, the Director of Revenue shall collect \$1.86 per barrel as a fee for inspecting and gauging malt liquors. Under this act, for all tax years beginning on or after January 1, 2026, the Director shall collect \$0.62 per barrel for inspection and gauging all malt liquors manufactured in an American brewery and \$1.86 per barrel for all foreign import malt liquor. Every licensed manufacturer, outstate solicitor, and wholesale dealer shall maintain records for inspection, as specified in the act.

Current law authorizes an excise tax on the sale of wine at a rate of \$0.42/gallon, with \$0.30/gallon credited to the Agriculture Protection Fund and \$0.12/gallon credit to the Missouri Wine and Grape Fund. Beginning July 1, 2026, this act changes the distribution of such amounts to \$0.21/gallon to both the Agriculture Protection Fund and the Missouri Wine and Grape Fund.

This provision shall become effective on July 1, 2026.

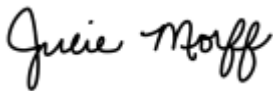
This act provides that for the duration of the 2026 FIFA World Cup Tournament, June 11, 2026, to July 19, 2026, holders of a liquor license for sale by the drink may operate 24 hours a day, and may serve alcoholic beverages between 6:00 a.m. and 5:00 a.m. of the following day.

Political subdivisions may, by ordinance, exempt themselves from the act.

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 Commerce and Insurance
Department of Revenue
Department of Public Safety –
 Alcohol and Tobacco Control
 Missouri Gaming Commission
Missouri Department of Agriculture
City of Kansas City



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