

Section 2:

Effective January 1, 2018, a tax shall be imposed upon all wholesale opioid distributors and mail order pharmacies at the rate of one cent per dose distributed or dispensed to persons in Kentucky.

The tax revenues shall be appropriated:

- 60% to the addiction and neonatal addiction care fund (Section 5)
- 15% to the opioid drug taskforce (Section 6)
- 15% to the drug courts fund (Section 7)
- 10% to the opioid education fund (Section 8)

The wholesale opioid distributor or mail order pharmacy shall file a tax return and pay the tax due on or before the 20th day of the month following the month in which the opioids are sold.

Section 3:

Beginning January 1, 2018, a license will be required to distribute or dispense opioids to persons in Kentucky. An application and a \$500 license fee shall be filed annually before January 1. Any person who distributes or dispense opioids without a license shall be guilty of a Class A misdemeanor and shall be assessed a fine of no less than \$500. Each dose of opioid distributed shall constitute a violation.

Failure to adhere to the provisions of HB 467 may result in denial or the revocation of the license after due notice and a hearing; appealable to the Kentucky Board of Tax Appeals. When a license is revoked, the applicant cannot obtain a license or have any interest in a distributorship for a period of two years.

Section 4:

Provides for the logistics of the filing and reviewing of the return, billing for underpayments, refunding overpayments, officer liability, and limited liability companies. Any person who fails to file or falsifies a required returns or pay the tax due shall be guilty of a Class A misdemeanor.

For the funds established in Sections 5 through 8, the moneys are derived from opioid tax revenues, state appropriations, gifts, grants, and federal funds. Unused funds shall be carried forward into the next fiscal year. Interest earned shall become part of the fund.

Section 5:

Establishes the addiction and neonatal addiction care fund to be administered by the Cabinet of Justice and Public Protection. The funds shall be used only for Kentucky Agency for Substance Abuse Policy programs.

Section 6:

Establishes the opioid drug task force fund to be administered by the Cabinet of Justice and Public Protection. The funds shall be used only by the Kentucky State Police and

local law enforcements agencies in creating and maintaining drug task forces to combat opioid abuse.

Section 7:

Establishes the drug courts fund to be administered by the Administrative Office of the Courts. The funds shall be used only for establishing and maintaining eligible drug court programs.

Section 8:

Establishes the opioid education fund to be administered by the Cabinet for Health and Family Services. Funds are to be used only for the purpose of providing drug-related education and programming through public local health departments.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 467 on local governments is expected to be minimal.

Although we don't know how many people might be convicted under this new law, the increase in incarceration cost is expected to be minimal.

A person convicted of a Class A misdemeanor may be incarcerated for up to twelve months. Misdemeanants are housed in one of Kentucky's 76 full service jails or five life safety jails. While the expense of housing inmates varies by jail, this estimated impact will be based on \$31.34 per day, which equals the per diem and medical expenses that the Department of Corrections pays jails to house felony offenders. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average of \$31.34 per day.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 2/24/17