

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 546 (Delegates Cardin and Morhaim)
 Economic Matters

Cigarette Licenses - Fees and Disciplinary Authority

This bill increases the following license fees: cigarette manufacturer from \$25 to \$30; cigarette retailer from \$30 to \$35; a cigarette storage warehouse from \$25 to \$30; and the additional renewal license fee applicable to most types of licenses from \$30 to \$35. The Comptroller may deny, suspend, or revoke a license or reprimand a licensee if the individual is liable for or convicted of selling tobacco to minors.

Fiscal Summary

State Effect: General fund revenue increase of approximately \$39,400 in FY 2006. Future year increases reflect an increase in the number of manufacturers and retailer licenses issued. Any increase in hearings as a result of the new disciplinary authority could be handled with existing resources.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	\$39,400	\$39,800	\$40,200	\$40,700	\$41,100
GF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$39,400	\$39,800	\$40,200	\$40,700	\$41,100

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The license fee for a cigarette manufacturer is \$25. A cigarette retailer license is \$30. The license fee for a cigarette storage warehouse is \$25. The additional renewal fee applicable to most types of licenses is \$30.

The Comptroller can deny, suspend, revoke a license or deny an application for a license for:

- fraudulently or deceptively obtaining or attempting to obtain a license for another person;
- fraudulently or deceptively using a license;
- failing to comply with the Maryland Cigarette Sales Below Cost Act;
- violation of cigarette sales of less than 20 per package;
- illegally buying cigarettes for resale;
- conviction of a felony or misdemeanor that is a crime of moral turpitude directly related to the fitness or qualification of the licensee or applicant; or
- failing to pay a tax due.

Background: The Comptroller of Maryland issues several types of cigarette licenses: manufacturers, wholesalers, subwholesalers, vendors, and storage warehouses. The Clerks of the Court issue cigarette retailer licenses.

State Fiscal Effect: General fund revenues are expected to increase by \$39,400 in fiscal 2006 from the fee increases. **Exhibit 1** illustrates the estimated revenue generated from these licenses under current law and under the bill.

Exhibit 1 Cigarette License Fees and Revenues

<u>License Type</u>	<u>Number Issued</u>	<u>Current License</u>	<u>Revenue</u>	<u>HB 546 Fee</u>	<u>Revenue</u>	<u>Difference</u>
Manufacturer	13	\$25	\$325	\$30	\$390	\$65
Retailer	7,760	30	232,800	35	271,600	38,800
Storage Warehouse	0	25	0	30	0	0
Renewals	111	30	3,330	35	3,885	555
Total			\$236,455		\$275,875	\$39,420

For future years, it is estimated that there would be limited growth in new manufacturer's licenses and other licenses subject to the additional renewal fee. The number of retailer licenses is estimated to increase by 1% annually.

Any increase in hearings by the Comptroller's Office resulting from disciplinary action for applicants or licensees that sell cigarettes to minors could be handled with existing resources. The Comptroller's Office asserts that, if there is a large increase in the number of hearings, it would need to hire a full-time hearing officer. The number of additional hearings resulting from the bill cannot be reliably estimated at this time, but it is assumed to be minimal.

Additional Information

Prior Introductions: HB 886 of 2003, a similar bill, received an unfavorable report from the Economic Matters Committee.

Cross File: None.

Information Source(s): Comptroller's Office (Alcohol and Tobacco Tax Division), Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2005
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