

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 331 (Delegate Arnick, et al.)
Environmental Matters

Cigarette Vending Machines - Restrictions and Liabilities

This bill provides that cigarette vending machines may only be placed in the following locations: (1) an establishment holding an alcoholic beverages license allowing consumption of alcoholic beverages on the premises; (2) a hotel, motel, or grocery store in a location directly visible to an employee; (3) the premises of fraternal and charitable organizations and fire and rescue companies which hold events on its own property that are open to the public; (4) any location in a business or workplace which is not open to the public; or (5) any location in which a token or card must be purchased from the retailer or vending machine operator. Vending machines are prohibited in bowling alleys, ice or roller skating rinks, movie theaters, and State-owned office buildings.

Additionally, employees and agents of persons licensed to sell or distribute cigarettes are made liable for selling tobacco products to minors.

This bill is effective January 1, 1997.

Fiscal Summary

State Effect: General and special fund revenues could decrease by an indeterminate amount, as described below. Expenditures would not be affected.

Local Effect: Revenues could decrease by an indeterminate amount, as described below. Expenditures would not be affected.

Fiscal Analysis

State Revenues: General fund revenues could be affected through the tobacco excise tax and the sales tax. This bill could cause a decline in the sale of cigarettes in Maryland, although the decline is indeterminate. Approximately 33.5 million cigarette packs are sold through vending machines per year. For each 1% of vending machine sales which are lost in fiscal 1997, excise tax revenues would decline about \$59,550, and sales tax revenues would decline about \$15,200. These estimates are adjusted to reflect the January 1, 1997 effective date of this legislation. On an annualized basis, tobacco excise tax and sales tax revenues would decrease by \$119,100 and \$30,400, respectively. The loss would decrease approximately 3% per year.

Special fund licensing revenues, which are used for enforcement of the Cigarette Sales Below Cost Act could potentially decrease as described below:

- The Comptroller issues approximately 21 cigarette vending machine licenses which yield about \$10,500 in special fund revenue per year. A \$30 renewal fee also is charged. Special funds could decrease by \$530 (\$500 vending license + \$30 renewal fee) for each one of those licenses that is not renewed as a result of this legislation.
- The Comptroller issues approximately 62 wholesaler licenses yielding about \$46,500 in special fund revenue per year. A \$30 renewal fee also is charged. For each license that is not renewed, special fund revenues would decrease \$780 (\$750 wholesaler license + \$30 renewal fee).
- The Comptroller received \$303,635 in fiscal 1995 from the issuance of cigarette retail licenses. For each license that is not renewed because of this legislation, special funds would decrease by \$30.

Local Revenues: The counties and Baltimore City receive revenue from the issuance of a \$25 cigarette license. An aggregate amount of \$294,713 was collected from the licensing fees in fiscal 1995. Each county and Baltimore City would lose \$25 for each license that is not renewed in its jurisdiction.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Unit),
Department of Fiscal Services

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Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710