

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 471 (Senator Forehand, et al.)
Judicial Proceedings

Referred to Environmental Matters

Tobacco Products - Placement of Vending Machines

This amended bill prohibits the operation of a tobacco product vending machine anywhere in the State, except in “taverns,” tobacco shops, or establishments from which minors are prohibited by law. The vending machine must be visible to the owner or supervisor of the establishment. Vending machines can also be located in other establishments if they can only be operated with a token or card which must be purchased from the owner or employee of the establishment.

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 \$89,300, and sales tax revenues would decline about \$22,800. These estimates are adjusted to reflect the October 1, 1996 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.

General fund revenues could increase under the bill's monetary penalty provision, depending upon the number of convictions and fines imposed.

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 & Tobacco Tax Unit), Department of Fiscal Services

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