

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 333 (Delegate Pitkin, et al.)
Environmental Matters

Tobacco Products - Sales to Minors - Penalties

This bill strengthens enforcement provisions for Maryland's laws prohibiting the sale of tobacco products to minors.

Fiscal Summary

State Effect: Indeterminate impact on general and special fund revenues. No effect on expenditures.

Local Effect: Indeterminate impact on local revenues. No effect on expenditures.

Fiscal Analysis

Bill Summary: This bill strengthens enforcement provisions for Maryland's laws prohibiting the sale of tobacco products to minors. Major provisions of the bill include:

- Any person who holds a retailer's license and sells tobacco must post a sign stating the following: "Warning: Under Maryland law you must be at least 18 years of age to buy tobacco products."
- A person's cigarette business license may be suspended or revoked if convicted more than once within a two-year period of distributing tobacco products or rolling papers to a minor.
- A proprietor of an establishment where a tobacco product vending machine is located or the vending machine operator may be found in violation of the law prohibiting the sale of tobacco products to minors.
- Law enforcement personnel, the Department of Health and Mental Hygiene,

and local health departments may use minors to purchase tobacco products for purposes of monitoring compliance with laws prohibiting the sale of tobacco products to minors.

- ° The District Court has exclusive original civil jurisdiction in a proceeding for enforcement for a violation of laws prohibiting the sale of tobacco products to minors.

State Revenues: Approximately 363.4 million packs of cigarettes are expected to be sold in Maryland in fiscal 1997. To the extent that this bill leads to a decrease in the sale of cigarettes to minors, general fund revenues from the tobacco excise tax and sales tax could decline. By way of illustration, for each 1% of sales which are lost, general fund revenues would decline approximately \$1.2 million (\$967,800 in excise tax and \$243,500 in sales tax) in fiscal 1997, which reflects the bill's October 1, 1996 effective date, and \$1.6 million on an annualized basis. In the out-years, the amount of revenue loss would decrease by 3% annually.

A license that is revoked under this bill may not be renewed earlier than three years after its revocation date. The number of licenses that could be revoked is unknown. Nevertheless, to the extent that cigarette licenses are revoked as a result of this bill, revenues from cigarette licensing fees could decline. In fiscal 1995, wholesaler, subwholesaler, and retail licensing fees generated approximately \$376,600 (not including one-time application fees and \$30 renewal fees) in special fund revenue which is used to pay for enforcement of the Cigarette Sales Below Cost Act. For each retailer license that is not renewed per year, revenues would decline \$30. For each wholesaler and subwholesaler license that is not renewed per year, revenues would decline \$780 and \$530 (licensing fee + \$30 renewal fee), respectively.

General fund revenues could increase under current monetary penalty provisions, if this bill leads to an increase in the number of convictions and fines imposed.

Local Revenues: To the extent that cigarette retail licenses are revoked or not renewed, local cigarette licensing revenues could decline. Counties collect an annual \$25 fee for the issuance of a local cigarette retail license. Because the conviction rate for persons distributing tobacco products to minors is low, the loss is expected to be minimal.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Unit), District Court of Maryland, Department of Health and Mental Hygiene, Department of Fiscal Services

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Analysis by: Lisa Kleinschmidt

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710