HB 224

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 224 (Delegate Morhaim, et al.)
Environmental Matters

Tobacco Products - Sale by Vending Machines

This bill prohibits the sale of tobacco products from vending machines. Persons who violate this provision are guilty of a misdemeanor and are subject to a fine of $500. Current provisions of law pertaining to the sale of cigarettes through vending machines are repealed.

Fiscal Summary

State Effect: General fund revenues could decline an indeterminate amount as discussed below. Special fund revenues could decline by $18,440 in FY 1997. Expenditures would not be affected.

Local Effect: Revenues could decline an indeterminate amount as discussed below. Expenditures would not be affected.

Fiscal Analysis

State Revenues: This bill will result in an indeterminate general fund revenue loss. Approximately 33.5 million cigarette packs are sold through vending machines per year, resulting in $11.9 million of excise tax revenue and $3.0 million of sales tax revenue. If vending machines are prohibited, some but not all sales would be transferred from vending machines to over-the-counter purchases. The revenue loss depends upon the decline in total purchases resulting from the vending machine prohibition, which cannot be reliably estimated at this time.

Vending machine sales represent just over 9% of total sales. For each 1% decline in total sales as a result of this bill, excise tax revenues would decline by about $975,000 and sales tax revenues would decline by about $248,000. These estimates are adjusted to reflect the October 1, 1996 effective date of this bill. On an annual basis, the revenue losses would be $1.3 million and $330,000, respectively. These losses would decrease by approximately 3% per year.

Special fund licensing revenues, which are used for enforcement of the Cigarette Sales Below Cost Act, could potentially decline. 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. One wholesale license ($750) is issued to a business which only operates vending machines. Special funds could therefore decline by $11,880 on an annual basis. These licenses are effective May 1 of each year. The Comptroller anticipates that refunds would be issued in fiscal 1997 for 7/12 of the license fee, since the licenses would only be effective for five months (May 1 to October 1). The fiscal 1997 loss would therefore be $18,440 (one year and seven months of license and renewal fees). Special funds could decline further if any wholesalers or retailers decide not to renew their licenses.

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

Fiscal Note History: First Reader - March 12, 1996
ncs

Analysis by: David F. Roose
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710