

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 267 (Senator Ruben, et al.)
Judicial Proceedings

Local Government - Authority to Regulate the Sale or Distribution of Tobacco Products

This bill authorizes a county or municipal corporation to regulate, by ordinance, the sale or distribution of tobacco products, including over-the-counter sales and vending machine sales. In doing so, the bill allows counties and municipal corporations to issue, revoke, and suspend licenses, and establish civil and criminal penalties.

Fiscal Summary

State Effect: Potential indeterminate decrease in general and special fund revenues. No significant effect on expenditures.

Local Effect: Indeterminate impact on revenues and expenditures.

Fiscal Analysis

State Revenues: Approximately 363.4 million packs of cigarettes are expected to be sold in Maryland in fiscal 1997. To the extent that local jurisdictions impose regulatory requirements that lead to an overall decrease in cigarette sales in Maryland, 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 taxes and \$243,500 in sales taxes) 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 2% annually.

In addition, if any retailers discontinue the sale of tobacco products as a result of local

regulation, special fund revenues derived from the sale of retail and vending machine licenses could decrease. For each retail license that is not renewed, special fund revenues would decline by \$30. For each cigarette vending machine license that is not renewed, special fund revenues would decline by \$500.

Local Revenues: Local regulation of tobacco sales could have an indeterminate effect on local revenues, depending upon the number of jurisdictions that use the authority and the cost of any resulting licenses issued. Local revenues would increase to the extent that new licensing fees are collected. However, counties currently impose a \$25 fee for the issuance of a local cigarette retail license. Accordingly, if any retailers discontinue the sale of tobacco products, county revenue could decrease by \$25 per license that is not renewed.

Local Expenditures: Local jurisdictions could incur administrative costs in regulating the sale and distribution of tobacco, depending upon the nature of the regulatory activities. However, since this bill is enabling in nature, expenditures would increase only to the extent that a local jurisdiction exercises its authority.

Information Source(s): Office of the Comptroller (Alcohol and Tobacco Tax Unit), Allegany County, Baltimore City, Talbot County, Wicomico County

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