

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 11 (Senator Ruben)
Judicial Proceedings

Tobacco Products - Vending Machines - Access by Minors

This bill prohibits the sale or dispensation of tobacco products through vending machines at any location in the State. Exceptions are made for establishments that are not open to the general public or where minors are prohibited by law from entering. In addition, vending machines may be placed in establishments open to the general public if a machine is placed at least ten feet from any public entrance, is directly visible to the owner or employees, and can only be operated with a token, card, or similar device obtained from the establishment. Violators are guilty of a misdemeanor and subject to a fine not to exceed \$100. The bill also repeals an exception for an owner of or a person exercising control over a tobacco product vending machine from a penalty if a minor purchases tobacco products from a vending machine.

Fiscal Summary

State Effect: Indeterminate effect on general and special fund revenues in FY 1998 as discussed below. Expenditures would not be affected.

Local Effect: Indeterminate decrease in revenues as discussed below. Expenditures would not be affected.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

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. It is estimated that vending machine sales will represent about 2% of total cigarette sales in fiscal 1998. For each 1% of vending machine

sales which are lost in fiscal 1998, excise tax revenues would decline about \$20,000, and sales tax revenues would decline about \$5,300. These estimates are adjusted to reflect the October 1, 1997 effective date of this legislation. On an annualized basis, tobacco excise tax and sales tax revenues would decrease by \$26,000 and \$7,000, respectively, for each 1% decrease in vending machine sales. 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 issued approximately 20 cigarette vending machine licenses which yielded about \$10,000 in special fund revenues in fiscal 1996. A \$30 renewal fee is also assessed. 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 issued approximately 64 cigarette wholesaler licenses yielding about \$48,000 in special fund revenues in fiscal 1996. A \$30 renewal fee is also assessed. At least one cigarette wholesaler license in fiscal 1996 was issued to a business that operates a vending machine service exclusively; special fund revenues would decrease \$780 (\$750 wholesaler license + \$30 renewal fee) for each wholesaler license not renewed.
- The Comptroller received \$273,225 in fiscal 1996 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 provisions, depending upon the number of convictions and fines imposed.

Local Revenues: Twenty-two counties and Baltimore City receive revenues from the issuance of a \$25 cigarette license; Cecil County's license fee is \$50. A total of \$262,623 was collected from these licensing fees in fiscal 1996. Each county and Baltimore City would lose \$25 for each license that is not renewed in its jurisdiction; Cecil County would lose \$50 for each license not renewed in its jurisdiction.

Small Business Effect: To the extent that this bill limits the locations where cigarette vending machines may be located, operators of these vending machines could realize decreased sales. Any vending machine operators violating the provisions of this bill could also be subject to a monetary fine.

Information Sources: Comptroller of the Treasury (Alcohol and Tobacco Tax Unit), Department of Fiscal Services

Fiscal Note History: First Reader - March 10, 1997

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