

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1247 (Delegate Klausmeier, *et al.*)
Environmental Matters

Cigarette Vending Machines - Operation and Location Restrictions

This bill restricts the sale of tobacco products through a vending machine except under certain conditions. The sale or distribution of cigarettes through a vending machine must be done through the purchase of a token, card, or similar device from a retailer; an electronic or mechanical remote device may also be used by a retailer or vending machine operator to operate the machine. These requirements do not apply to vending machines in (1) bars or taverns; (2) fraternal, religious, patriotic, or charitable organizations that hold events on their own property that are not open to the general public; and (3) businesses, facilities, or workplaces that are restricted to persons employed and working at such establishments. Any vending machines located in these establishments must be located away from any public entrance and inside the establishment at least ten feet away from any public entrance.

Fiscal Summary

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

Local Effect: Potential 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 2% of total fiscal 1998 cigarette sales will come from vending machines. 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% decline in 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 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 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.

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. An aggregate amount 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: Under this bill, small business cigarette vending machine operators could be required to alter vending machines to receive tokens instead of cash, thus creating additional expenses for operators to meet these requirements. To the extent that vending machine operators choose not to alter machines to meet requirements, these operators would

be negatively affected through decreased sales. Operators of these vending machines could also realize decreased sales since this bill places limitations on the locations where cigarette vending machines may be located.

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

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