

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 172 (Delegate Morhaim. *et al.*)
Environmental Matters

Tobacco Products - Sale by Vending Machines

This bill prohibits the sale of tobacco products from vending machines. This prohibition does not apply to: (1) a vending machine located in an establishment that is a bona fide fraternal or veterans organization; and (2) a vending machine that only accepts tokens and is in use on January 1, 1999. Violators are guilty of a misdemeanor and subject to a fine of \$500.

Fiscal Summary

State Effect: Indeterminate effect on general and special fund revenues. Expenditures would not be affected.

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

Small Business Effect: Potential meaningful effect on small businesses.

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 1999. For each 1% of vending machine sales which are lost in fiscal 1999, 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, 1998 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 16 cigarette vending machine licenses which yielded about \$8,000 in special fund revenues in fiscal 1997. 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 62 cigarette wholesaler licenses yielding about \$46,500 in special fund revenues in fiscal 1997. A \$30 renewal fee is also assessed. At least one cigarette wholesaler license in fiscal 1997 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 \$273,700 in fiscal 1997 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 provision, 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 \$254,700 was collected from these licensing fees in fiscal 1997. 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: Operators of vending machines could realize decreased sales, and incur additional expenditures as a result of the alteration or replacement of vending machines to allow the use of tokens. Any vending machine operators violating the provisions of this bill could also be subject to a fine of \$500.

Information Source(s): Comptroller of the Treasury (Alcohol and Tobacco Tax Unit), Department of Legislative Services

Fiscal Note History: First Reader - March 12, 1998

Analysis by: Ryan Bishop

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710