

Department of Legislative Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 505 (Senator Boozer)

Judicial Proceedings

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**Tobacco Products - Placement of Vending Machines**

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This bill prohibits the operation of a tobacco product vending machine anywhere in the State, except in taverns, tobacco shops, or establishments from which minors are prohibited by law from entering. Any vending machine must be 25 feet from any entrance to an establishment, or visible to the owner or supervisor. Violators are guilty of a misdemeanor and subject to a fine not to exceed \$100.

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**Fiscal Summary**

**State Effect:** Indeterminate effect on general and special fund revenues in FY 1999. 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.

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**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:** 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 fine of \$100.

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

**Fiscal Note History:** First Reader - March 16, 1998

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Analysis by: Ryan Bishop

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710