

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 693 (Delegate Mitchell. *et al.*)

Economic Matters

Comptroller - Cigarette Licensees - Credit Control

This bill requires the Comptroller’s Office to prescribe, by regulation, a method to ensure that licensed cigarette retailers pay licensed cigarette wholesalers and subwholesalers in full and in a timely manner for outstanding invoices for cigarettes the licensed wholesaler or licensed subwholesaler sells to the licensed retailer.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: State expenditures will increase by \$66,200 in FY 2000. General fund revenues would not be affected.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	66,200	33,000	33,900	34,800	35,800
Net Effect	(\$66,200)	(\$33,000)	(\$33,900)	(\$34,800)	(\$35,800)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: Potential minimal. The bill mandates that a retailer pay the cigarette wholesaler’s or subwholesaler’s invoice by a required due date. A retailer who fails to pay by this due date may have to pay for future orders only by cash or on delivery.

Fiscal Analysis

Bill Summary: The Comptroller's Office, by regulation, will be required to prescribe a method to ensure that a licensed retailer pays a licensed wholesaler or subwholesaler in full and in a timely manner for outstanding invoices for cigarettes the licensed wholesaler or subwholesaler sells to the licensed retailer.

The regulation must: (1) specify the purchase and due date periods, with the dates not more than 60 calendar days apart; (2) specify credit list requirements for overdue payments and checks returned for insufficient funds; (3) require a licensed wholesaler or subwholesaler, either individually or collectively, to report to the Comptroller any information the Comptroller determines is necessary to maintain an accurate database concerning retail accounts of licensed wholesalers and subwholesalers; and (4) specify any other requirements the Comptroller finds necessary.

Any licensed wholesaler or subwholesaler found in violation of this regulation may have their license suspended or revoked.

State Expenditures: General fund expenditures could increase by \$66,200 in fiscal 2000, which accounts for costs incurred in preparation for the July 1, 2000 effective date. This estimate reflects the cost of hiring one revenue examiner to maintain tobacco credit control records, prepare and distribute credit control lists, maintain the credit control database, and process reports received from cigarette wholesalers and subwholesalers. It includes salaries, fringe benefits, a one-time computer upgrade expenditure, and ongoing operating expenses as stated below.

Salaries and fringe benefits	\$17,900
One-time computer upgrade expense	40,000
Ongoing operating expenses	<u>8,300</u>
Total FY 2000 State Expenditures	\$66,200

Future year expenditures reflect a full salary with 3.5% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

Information Source(s): Comptroller of the Treasury (Alcohol and Tobacco Tax Unit)

Fiscal Note History: First Reader - March 8, 1999

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