

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 396 (Senator Ruben. *et al.*)

Judicial Proceedings

Tobacco Products - Vending Machines - Access by Minors

This bill prohibits the sale of tobacco products through a vending machine or any other mechanical device except under specified circumstances. The bill provides that a tobacco vending machine may be placed in an establishment that is closed to the general public or is an establishment that minors are prohibited by law from entering. A tobacco vending machine may be placed in an establishment that is open to the public if: the vending machine is at least ten feet away from any entrance into the establishment; and the machine is directly visible to the owner or an employee or agent of the owner at all times; or the vending machine only accepts tokens, cards, or similar devices that may only be obtained or purchased from an employee or agent of the owner.

Persons who violate this provision are guilty of a misdemeanor and are subject to a fine no more than \$100.

The bill is effective January 1, 2000.

Fiscal Summary

State Effect: Potential minimal decrease in general fund and special fund revenues. Expenditures would not be affected.

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

Small Business Effect: Potential meaningful decrease in revenues. Potential increase in expenditures.

Fiscal Analysis

State Revenues:

General Fund Revenues

The bill provides that tobacco vending machines be located in specified locations or may only accept tokens, cards, or similar devices. If vending machines were to only accept tokens, cards, or similar devices and were located in certain areas, most, but not all, sales may be transferred from vending machines to over-the-counter purchases due to the extra inconvenience in purchasing from the machines. Any loss in tobacco tax revenues depends upon the decline in total purchases resulting from this alteration, which cannot be reliably estimated at this time, but is assumed to be minimal. For illustrative purposes only, each 1% decline in total sales would decrease excise tax revenues by about \$1.2 million and sales tax revenues by about \$362,000 on an annual basis. These losses would decrease approximately 3% per year.

General fund revenues could increase under the bill's monetary penalty provisions, depending upon the number of convictions and fines imposed.

Special Fund Revenues

Special fund licensing revenues, which are used for enforcement of the Cigarette Sales Below Cost Act, could decline. The Comptroller issued 16 State vending machine licenses (\$500 per license) to those businesses which operated 40 or more vending machines, yielding about \$8,000 in special fund revenues in fiscal 1999. One wholesaler license of \$750 was issued to a business which only operates vending machines. A \$30 renewal fee is also assessed for these licenses. Therefore, to the extent that cigarette vending machine operators choose not to modify their cigarette vending machines, special fund revenues will decrease. However, the decrease cannot be reliably estimated at this time.

A \$30 cigarette retail license is sold to those businesses that do not qualify for the State cigarette vending machine license. This license is issued by the clerk of the court. The proceeds are remitted to the State Comptroller. In fiscal 1998 the clerks of the court remitted to the State Comptroller a total of \$264,000. For each license that is not renewed because of this bill, special funds will decrease by \$30.

Local Revenues: Twenty-two counties and Baltimore City also issue a license for conducting retail sales, including sales conducted through vending machines. These retail licenses are issued for \$25 per license, except for in Cecil County where each license is issued for \$50. Any retailers who decide not to alter their vending machines to accept only tokens would no longer need this retail license. In fiscal 1998 the counties collected a total of \$255,300 in license fees; however, because the number of retailers affected by the bill cannot be determined, the loss in revenue cannot be accurately estimated, but is assumed to be minimal.

Small Business Effect: Converting cigarette vending machines to only operate on tokens would negatively affect small business vending machine operators through decreased sales. In addition, those small business vending machine operators' expenditures could increase under the bill's monetary penalty provisions, depending upon the number of convictions and fines imposed.

Information Source(s): Comptroller of the Treasury (Alcohol and Tobacco Tax Division), Department of Health and Mental Hygiene (Community and Public Health Administration)

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Analysis by: Joanna Rooney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510