

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 611 (Delegate Moe. *et al.*)

Economic Matters

Business Regulation - Motor Fuel - Below Cost Sales

The bill prohibits retail service stations from “selling motor fuel below costs,” subject to certain limited exceptions. It authorizes the State Comptroller to issue a stop sale notice or to revoke the offending station’s certificate of registration.

Fiscal Summary

State Effect: Potential minimal. Depending on the number of complaints that require investigation and the number of valid complaints that require action, general fund expenditures could increase. It is estimated that these costs will be minimal, and that the expenditures could be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill prohibits retail service stations from selling fuel below costs, which is defined as the price for the appropriate grade and quality as published by the Oil Price Information Service plus applicable freight charges and taxes. There are four exceptions:

- the price is made in good faith to meet competition;
- the price is part of a liquidation or closing of the business;
- the price is part of a bona fide charitable promotion lasting no longer than two days; or

- the price is made under the direction or order of a court or government entity.

Violators must be reported to the State Comptroller's Office in writing and the Comptroller has three business days to determine the validity of the complaint. If the complaint is valid, the Comptroller may issue a stop sale notice, suspend, or revoke a station's certificate of registration.

Current Law: There are no laws governing motor fuel prices.

Background: There is concern that certain regional fuel providers are selling motor fuel below cost and putting competitive price pressure on independent service stations.

Small Business Effect: This bill protects smaller independent service stations from price competition. In as much as it does this, it will help keep some service stations in business that may have otherwise discontinued operating.

Since it is unreasonable to expect a consumer to lodge a written complaint about low prices, complaints will be from other service stations. Complaining stations may incur a certain amount of time and expenses.

Additional Comments: The bill does not define the term competition.

Additional Information

Prior Introductions: None.

Cross File: SB 597 (Senator Dorman) - Finance.

Information Source(s): Comptroller's Office (Motor Fuel Tax Division), Department of Legislative Services

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