

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 271 (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" unless the vending machine: (1) is located in an establishment that minors are prohibited by law from entering or an establishment that is a bona fide fraternal or veterans organization; or (2) can only be operated with a token card, or similar device that an individual can only obtain or purchase from the owner or an employee or agent of the owner.

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

The bill is effective January 1, 2001, contingent on the failure of SB 899.

Fiscal Summary

State Effect: Potential minimal decrease in general fund and special fund revenues from reduced cigarette sales and lower cigarette sales licenses being sold. 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.

Analysis

Current Law: There are no restrictions on the placement of tobacco vending machines.

State Fiscal Effect:

General Fund Revenues

It is assumed that 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 tobacco excise tax revenues by about \$2 million and sales tax revenues by about \$450,000 on an annual basis. These losses would decrease approximately 4% 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 15 State vending machine licenses (\$500 per license) to those businesses which operated 40 or more vending machines, yielding about \$7,500 in special fund revenues in fiscal 1999. 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 1999 the clerks of the court remitted to the State Comptroller a total of \$266,140. 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 vending machine licensees who decide not to alter their vending machines to accept only tokens would no longer need this retail license. In fiscal 1999 the counties collected a total of \$238,112 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 operate only on tokens would negatively affect small business vending machine operators through decreased sales, and increased expenditures to convert or replace existing vending machines.

Additional Information

Prior Introductions: A similar bill was introduced as SB 396 during the 1999 session. It failed third reading in the House.

Cross File: None.

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

Fiscal Note History: First Reader - February 11, 2000
drg/jr Revised - Senate Third Reader - March 20, 2000

Analysis by: Mike Sanelli

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