

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

House Bill 256 (Delegate Morhaim. *et al.*)  
Environmental Matters

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Tobacco Products - Sale by Vending Machines

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This bill prohibits the sale of tobacco products from vending machines. A person who violates this provision is guilty of a misdemeanor and subject to a fine of \$500. Current provisions of law pertaining to the sale of cigarettes through vending machines are repealed.

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Fiscal Summary

**State Effect:** Potentially significant decrease in general and special fund revenue. No effect on expenditures.

**Local Effect:** Local government revenue decrease. No effect on expenditures.

**Small Business Effect:** Potential meaningful.

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Analysis

**Current Law:** Tobacco products may be sold from vending machines.

**State Revenues:**

*General Fund Revenues*

This bill would result in a general fund revenue loss due to decreased cigarette sales. It is estimated that vending machine sales currently represent about 1% to 2% of total cigarette sales, which is expected to result in \$2.0 to \$3.9 million in excise tax revenues and \$451,000 to \$901,000 in sales tax revenues in fiscal 2001. If vending machines are prohibited, it is assumed that most, but not all, sales would be transferred from vending machines to over-

the-counter purchases. The loss in revenues depends upon the decline in total purchases resulting from the vending machine prohibition, which cannot be reliably estimated at this time.

For illustrative purposes only, each 1% decline in total sales would decrease excise tax revenues by about \$2.0 million and sales tax revenues by about \$451,000 on an annual basis. These losses would decrease approximately 4% per year.

General fund revenues could increase under the bill's monetary penalty provision, 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. One \$750 wholesaler license was issued to a business which only operates vending machines. A \$30 renewal fee is also assessed for these licenses. Special funds could therefore decline by \$8,730 on an annual basis. These licenses are issued May 1 of each year. The Comptroller anticipates that refunds would need to be issued for licenses issued in fiscal 2000 for 7/12 of the license fee, since the licenses would only be effective for five months (May 1 to October 1). The fiscal 2001 loss would therefore be \$13,823 (one year and seven months of license and renewal fees).

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 clerks of the court. The proceeds are remitted to the State Comptroller. Any retailers who obtain the license only to sell cigarettes through vending machines would no longer need this retail license. In fiscal 1999 the clerks of the court remitted to the State Comptroller a total of \$266,140; however, because the number of retailers affected by the bill cannot be determined, the loss in revenue cannot be accurately estimated.

**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 in Cecil County where each license is issued for \$50. Any retailers who obtain the license only to sell cigarettes through vending machines would no longer need this retail license. In fiscal 1999 the counties collected a total of \$238,100 in license fees; however, because the number of retailers affected by the bill cannot be determined, the loss in revenue cannot be accurately estimated.

**Small Business Effect:** The prohibition of cigarette sales through vending machines would negatively affect small business vending machine operators through decreased sales. Any vending machine operator violating the provisions of this bill would also be subject to a \$500 fine for each violation.

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### **Additional Information**

**Prior Introductions:** This bill was introduced as HB 163 during the 1999 session. It passed the House with amendments. No action was taken in the Senate. It was also introduced as HB 271 during the 1997 session, but was not reported from the House Environmental Matters Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 13, 2000  
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