

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 199 (The President, *et al.*)
(Administration)

Budget and Taxation

Tobacco Tax - Contraband Products - Disposition of Seized Property

This Administration bill requires the Comptroller to destroy contraband tobacco products that are seized and forfeited.

Fiscal Summary

State Effect: General fund revenue decrease of \$350,000 to \$500,000 annually beginning in FY 2002, based on previous sales of contraband tobacco products. Minimal general fund expenditure increase associated with the disposition of contraband tobacco products.

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Current Law: The Comptroller is required to sell contraband tobacco products that are seized and forfeited to a State institution, a nonprofit charitable institution, a licensed cigarette wholesaler, or a licensed cigarette manufacturer in a manner determined by the Comptroller.

Background: The Comptroller's Office confiscated 183,162 packs of unstamped cigarettes in fiscal 2000. It is estimated that 200,000 packs will be confiscated in fiscal 2001 and 220,000 in fiscal 2002.

The Field Enforcement Division holds auctions for contraband cigarettes. Bids are solicited from licensed cigarette wholesalers and licensed manufacturers. Since July 1, 1999 there have been two sales of contraband cigarettes. In the first sale 79,633 packs were sold for \$198,695, and in the second sale 82,400 packs were sold for \$177,219.

State Fiscal Effect: Contraband tobacco products may be sold to various State institutions, nonprofit organizations, and licensed cigarette wholesalers or manufacturers. Recently, however, only licensed cigarette wholesalers and licensed manufacturers have taken part in the auction process. The revenue resulting from these sales goes to the State general fund. As discussed above, since July 1, 1999 contraband tobacco products have been sold for approximately \$375,900. It is estimated that discontinuing the sale of contraband tobacco products would result in an annual revenue loss of \$350,000 to \$500,000.

The State would also incur increased expenditures due to the cost of loading, transporting, associated security, and incineration of contraband tobacco products. These costs cannot be reliably estimated at this time, but are assumed to be insignificant. The State incurs very little expense by selling the contraband tobacco products as the purchaser is responsible for loading and transportation.

Additional Information

Prior Introductions: None.

Cross File: HB 308 (The Speaker and Delegate Rosenberg) – Ways and Means.

Information Source(s): Comptroller of the Treasury (Field Enforcement Division), Department of Legislative Services

Fiscal Note History: First Reader – February 1, 2001
ncs/jr

Analysis by: Michael Sanelli

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

