

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 582
Finance

(Senator DeGrange)

Economic Matters

Cigarette Business Licensing Law - Cigarette Nonresident Dealers

This bill changes the State's cigarette manufacturer's license to a cigarette nonresident dealer's license.

Fiscal Summary

State Effect: General fund revenue increase of approximately \$375 annually beginning in FY 2003.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Under current law, a cigarette manufacturer is defined as a person who operates one or more cigarette manufacturing plants within the United States and: (1) sells unstamped cigarettes to a licensed cigarette wholesaler located in Maryland; (2) unless otherwise prohibited, distributes sample cigarettes to consumers located in Maryland; or (3) stores unstamped cigarettes in a cigarette storage warehouse in Maryland for subsequent shipment to licensed wholesalers, federal reservations, or persons out of State.

Under the bill a cigarette nonresident dealer is defined as a person located outside of the State who: (1) sells unstamped cigarettes to a licensed cigarette wholesaler located in Maryland; (2) unless otherwise prohibited or restricted, distributes sample cigarettes to

consumers located in Maryland; or (3) stores unstamped cigarettes in a cigarette storage warehouse in Maryland for subsequent shipment to licensed wholesalers, federal reservations, or persons out of State.

The bill provides that a person does not need to get a cigarette nonresident dealer license to make direct sales and shipments of cigarettes to a licensed wholesaler within the State from a location outside the continental limits and possessions of the United States.

A wholesaler license may not be issued to any person who operates a cigarette manufacturing plant or has a financial interest in the business of a cigarette nonresident dealer.

A cigarette nonresident dealer license authorizes the licensee to sell unstamped cigarettes to a licensed cigarette wholesaler located in Maryland if the cigarette nonresident dealer: (1) is the owner of the brand; (2) is the United States importer of the brand; or (3) is a designated agent in Maryland of the owner of the brand or the United States importer of the brand.

Current Law: The Comptroller's Office issues a variety of licenses for persons selling cigarettes in Maryland. These include those who act as manufacturers, subwholesalers, vending machine operators, wholesalers, retailers, and storage warehouses.

State Fiscal Effect: The Comptroller's Office currently issues six cigarette manufacturer's licenses each year. The annual cost of this license is \$25. Under the bill, these manufacturers would become nonresident dealers. The requirements and responsibilities of the manufacturer's license do not change significantly under the new license name.

In addition, it is estimated that 15 additional out-of-state suppliers of cigarettes would qualify for the new nonresident dealer license. As a result, general fund revenues would increase by \$375 annually.

Any administrative expenditures incurred by the Comptroller's Office as a result of the bill can be absorbed with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: HB 1001 (Delegate Mitchell) – Economic Matters, is listed as a cross file, although the bills are not identical.

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

Fiscal Note History: First Reader - March 14, 2002
ncs/jr

Analysis by: Michael Sanelli

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