

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1047
Economic Matters

(Delegate Bartlett)

Business Regulation - Vending Machines

This bill repeals a provision of current law that exempts the sale or offering for sale of cigarettes, newspapers, magazines, paper cups, paper or cloth towels, soap, toilet seat covers, postage stamps, or sanitary napkins from the business licensing requirements of law that regulate vending machines.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues of approximately \$2,530 in FY 2005 and \$1,270 annually thereafter. No effect on expenditures.

Local Effect: Local government revenue increase of approximately \$81,800 in FY 2005 and \$40,900 annually thereafter.

Small Business Effect: Minimal. Small businesses owning vending machines subject to the new license fee would have to pay \$2.50 per machine owned. Violations are subject to a \$100 fine.

Analysis

Current Law: The sale or offering for sale of cigarettes, newspapers, magazines, paper cups, paper or cloth towels, soap, toilet seat covers, postage stamps, or sanitary napkins through a vending machine is exempt from the vending machine licensing provisions of the Business Regulation Article.

Background: Each person that sells goods or offers goods for sale through a vending machine, except those that are exempt, is required to have a vending machine license. The annual license fee is \$2.50 per vending machine. Licenses must be renewed by May 1 each year.

State Fiscal Effect: For each \$2.50 vending machine license issued, the State receives approximately 3% or \$0.075. Local governments receive the remaining 97%.

The 13,300 currently licensed vending machines in the State generate approximately \$1,000 in general fund revenue annually.

Exhibit 1 shows the estimated number of vending machines that sell items listed in the bill and the general fund revenue that would be generated from each type of vending machine at initial licensure.

Exhibit 1
Potential Revenue Generated from Vending Machine Licensure

<u>Items Sold</u>	<u>Estimated Number of Machines</u>	<u>Estimated General Fund Revenue</u>
Newspapers	13,300	\$998
Cigarettes	400	30
Soap (1 at each dry cleaning/laundromat)	1,146	86
Stamps (ATMs selling stamps)	700	52
Other*		<u>100</u>
Total		\$1,266

*It is assumed that the other types of items listed in the bill would result in a minimal increase because the number of vending machines that sell those items cannot be reliably estimated, the items are dispensed at no charge, or there are compliance issues associated with licensure of those machines.

As the vending machines that are currently exempt from licensure would be required to be licensed on October 1, 2004 with renewal by May 1, 2005, fees would be collected twice in fiscal 2005 but only once a year in the out-years. Therefore, general fund revenues would increase by approximately \$2,530 in fiscal 2005 and \$1,270 annually thereafter.

Fine revenue is also expected to be minimal.

Local Fiscal Effect: Local governments receive approximately 97% of each \$2.50 vending machine license fee. Based on the above estimate, local governments would receive approximately \$81,800 in fiscal 2005 and \$40,900 annually thereafter.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2004
mh/ljm

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