

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 48 (Delegate Cardin)
 Economic Matters

Cigarette Business Licenses - Fees

This bill increases the annual license fee for a cigarette manufacturer from \$25 to \$500, a cigarette retailer from \$30 to \$100, and a cigarette storage warehouse operator from \$25 to \$45.

Fiscal Summary

State Effect: General fund revenue increase of approximately \$570,300 in FY 2005. Future years reflect an increase in the number of manufacturer and retailer licenses issued. No effect on expenditures.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$570,300	\$576,500	\$582,600	\$588,800	\$593,200
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$570,300	\$576,500	\$582,600	\$588,800	\$593,200

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Exhibit 1 lists the license, renewal, and initial application fees for a cigarette manufacturer, retailer, storage warehouse, subwholesaler, vending machine operator, and wholesaler. The license fees are assessed annually, in addition to any applicable renewal fees. The Comptroller issues all operator licenses except for retail licenses, which are issued by clerks of the court. In addition to the license fees listed in

Exhibit 1, cigarette retailers and vending machine operators are required to obtain a county license from clerks of the court. The county license fee is \$50 per each place of business or vending machine, except in Cecil County where the fee is \$25.

**Exhibit 1
Cigarette Fee Amounts**

<u>License</u>	<u>License</u>	<u>Renewal</u>	<u>Initial Application</u>
Manufacturer	\$25	\$30	\$200
Retailer	30	0	0
Storage Warehouse	25	0	0
Subwholesaler	500	30	200
Vending Machine	500	30	200
Wholesaler	750	30	200

State Fiscal Effect: General fund revenues are expected to increase by \$570,345 in fiscal 2005 due to the fee increases. **Exhibit 2** illustrates the estimated revenue generated from these licenses under current law and under the bill.

**Exhibit 2
Cigarette License Fees and Revenues**

<u>License Type</u>	<u>Number Issued</u>	<u>Existing Fee</u>	<u>Revenue</u>	<u>HB 48 Fee</u>	<u>Revenue</u>	<u>Difference</u>
Manufacturer	15	\$25	\$375	\$500	\$7,500	\$7,125
Retailer	8,046	30	241,380	100	804,600	563,220
Storage Warehouse	0	25	<u>0</u>	45	<u>0</u>	<u>0</u>
Total			\$241,755		\$812,100	\$570,345

For future years, it is estimated that one new manufacturer license will be issued each year, and the number of retailer licenses will increase by 1% annually. State expenditures would not be directly affected.

Additional Information

Prior Introductions: HB 886 of 2003, a similar bill, received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - January 21, 2004
mll/jr

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