

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1584
Economic Matters

(Delegate Feldman)

Cigarette Business Licenses - Cigarette Manufacturers - Definition and Scope of License

This bill expands the definition of a licensed cigarette manufacturer to include a person who

- operates one or more cigarette manufacturing plants outside of the United States;
- is a manufacturer that is a participating member of the Master Settlement Agreement; or
- sells unstamped cigarettes to a licensed cigarette wholesaler located outside of the State if the unstamped cigarettes may lawfully be sold in the State.

The bill also conforms the definition of cigarette manufacturer for the fire safety performance standards established by Chapter 497 of 2007, effective the later of October 1, 2008 or the effective date, if amended, of Chapter 497.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues due to an increased number of cigarette manufacturer licensees. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A “manufacturer” is a person who operates one or more cigarette manufacturing plants within the United States and

- either sells unstamped cigarettes to a licensed cigarette storage wholesaler located in Maryland;
- except as otherwise prohibited

or restricted under local or State law, distributes sample cigarettes to Maryland consumers; or • stores unstamped cigarettes in a cigarette storage warehouse in Maryland for subsequent shipment to licensed wholesalers, federal reservations, or persons out of state.

A manufacturer license authorizes the licensee to • sell unstamped cigarettes to a licensed wholesaler located in Maryland; • except as otherwise prohibited or restricted under local or State law, distribute sample cigarettes to Maryland consumers; • store unstamped cigarettes in a cigarette storage warehouse in Maryland for subsequent shipment to licensed wholesalers, federal reservations, or persons out of state; and • upon approval of the Comptroller, act as an agent of a Maryland licensed wholesaler for stamping and distribution of cigarettes.

Under the Master Settlement Agreement, participating manufacturers agreed to compensate the states for smoking-related medical costs and conform to certain marketing restrictions.

Under Chapter 497 of 2007, a cigarette “manufacturer” is defined as • a person that manufactures or otherwise produces, or causes to be manufactured or produced, cigarettes intended for sale in the State, including cigarettes intended for sale in the United States through an importer; • the first purchaser anywhere that intends to resell in the United States cigarettes that the original manufacturer or maker does not intend for sale in the United States; or • a person that is a successor of individuals described previously. Chapter 497 takes effect July 1, 2008.

Background: The Comptroller of Maryland issues several types of cigarette licenses: manufacturers, wholesalers, subwholesalers, vendors, and storage warehouses. The clerks of the court issue cigarette retailer licenses. The license fee for a cigarette manufacturer is \$25 in addition to an initial application fee of \$200. Licenses are renewed annually at a total cost of \$55 – the \$25 license fee and an additional renewal fee of \$30.

State Fiscal Effect: General fund revenues would increase minimally beginning in fiscal 2009. The Comptroller’s Office advises that there are currently 11 licensed cigarette manufacturers and estimates that an additional 10 manufacturers could be licensed under the bill. If so, fee revenues due to licensure of additional manufacturers would increase by \$2,250 in fiscal 2009 and \$550 annually thereafter. Any further impact due to conforming the definition of “manufacturer” in Chapter 497 is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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