

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 1059

(Chair, Finance Committee)(By Request - Departmental -
Comptroller)

Finance

Economic Matters

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

This departmental bill expands the definition of a licensed cigarette manufacturer to include a person who operates one or more cigarette manufacturing plants outside 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.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues due to a rise in the number of cigarette manufacturer licenses issued by the Comptroller’s Office. Expenditures are not affected.

Local Effect: None.

Small Business Effect: The Comptroller’s Office has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: A “manufacturer” is a person who operates one or more cigarette manufacturing plants within the United States and either (1) sells unstamped cigarettes to a licensed cigarette storage wholesaler located in Maryland; (2) except as otherwise prohibited or restricted under local or State law, distributes sample cigarettes to Maryland consumers; *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.

A manufacturer license authorizes the licensee to (1) sell unstamped cigarettes to a licensed wholesaler located in Maryland; (2) except as otherwise prohibited or restricted under local or State law, distribute sample cigarettes to Maryland consumers; (3) store unstamped cigarettes in a cigarette storage warehouse in Maryland for subsequent shipment to licensed wholesalers, federal reservations, or persons out of state; and (4) upon approval of the Comptroller’s Office, 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, cigarettes cannot be manufactured, sold, or offered for sale unless they have been tested and meet specified performance standards; the manufacturer also has to file written certification that each cigarette has been tested. Chapter 497 defines a cigarette “manufacturer” as (1) 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; (2) 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 (3) a person that is a successor of the persons described previously. Chapter 497 took effect July 1, 2008, and remains in effect until a federal reduced cigarette ignition propensity standard is adopted and becomes effective.

Background: The Comptroller’s Office advises that the bill improves its operations by creating a consistent definition for a licensed cigarette manufacturer within the statutes enforced by the Comptroller’s Office. The bill also conforms these definitions with those included in the Master Settlement Agreement.

The Comptroller’s Office 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 increase minimally beginning in fiscal 2010. 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, and *for illustrative purposes only*, fee revenues due to licensure of additional manufacturers increase by \$2,250 in fiscal 2010 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

Fiscal Note History: First Reader - March 24, 2009
ncs/mwc

Analysis by: Michael T. Vorgetts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Cigarette Business Licenses – Cigarette Manufacturers – Definition and Scope of License

BILL NUMBER: SB 1059

PREPARED BY: Comptroller of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.