

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1115
Economic Matters

(Montgomery County Delegation)

Finance

Montgomery County - Cigarette Retailers - County License Fee
MC 12-16

This bill increases the fee for a county cigarette retailer license in Montgomery County to \$125. For each license fee collected, the Clerk of the Circuit Court for Montgomery County is required to distribute \$25 to the Comptroller and \$100 to Montgomery County for enforcement of existing laws banning the sale or distribution of tobacco or tobacco products to minors, which may not supplant existing funding for such purposes.

Fiscal Summary

State Effect: General fund revenues increase by as much as \$16,300 annually beginning in FY 2017 due to the Comptroller's Office receiving \$25 of each county cigarette retailer license issued in Montgomery County, as discussed below. State expenditures are not affected.

Local Effect: Montgomery County revenues increase by as much as \$49,000 annually beginning in FY 2017, as discussed below. County expenditures are assumed to increase correspondingly for enhanced enforcement.

Small Business Effect: Minimal, as discussed below.

Analysis

Current Law:

Cigarette Retailer License

The Comptroller issues cigarette retailer licenses through the local clerks of the court. To obtain a license to sell cigarettes at retail, a person must (1) obtain a county license; (2) file an application with the clerk; and (3) pay the clerk a fee of \$30, which is distributed to the Comptroller. A county license costs an additional \$25 in all counties except Cecil County, where the cost is \$50. Licenses expire on the first April 30 after the effective date, but they are renewable for an additional year. To renew a cigarette retailer license, licensees must pay the aforementioned fees.

A person that operates a vending stand under a trader's license issued to Blind Industries and Services of Maryland is not required to obtain a cigarette retailer license.

The Comptroller may deny a license to an applicant, reprimand a licensee, or suspend or revoke a license if the applicant or licensee (1) fraudulently or deceptively obtains or attempts to obtain a license for another person; (2) fraudulently or deceptively uses a license; (3) fails to comply with the Maryland Cigarette Sales Below Cost Act; (4) sells cigarettes in less than 20 per package; (5) illegally buys cigarettes for resale; (6) is convicted of a felony or misdemeanor that is a crime of moral turpitude directly related to the fitness or qualification of the licensee or applicant; or (7) fails to pay a tax due.

Except in the case of selling tobacco products to a minor in violation of State law, a licensee whose license is suspended or revoked may petition the Comptroller for permission to make an offer of compromise (in which the licensee pays a sum of money in lieu of serving the suspension or revocation).

Background: According to the U.S. Surgeon General, smoking is the leading cause of preventable death and disease in the United States. Smoking is linked to cancer, heart attacks, strokes, and lung diseases. Young people who smoke are susceptible to nicotine addiction, reduced lung function and lung growth, and early cardiovascular damage. Nearly 9 out of 10 smokers start before the age of 18.

In November 2014, the Department of Health and Mental Hygiene (DHMH) submitted its report on the *FY 2013 Biennial Tobacco Study* to the Governor and General Assembly, in which it summarized trends related to tobacco use behaviors among underage middle and high school youth in Maryland. According to the report, in 2013, the statewide average for underage public high school use of tobacco products was about 16%.

In a December 2014 press release, DHMH reported that about one in four licensed tobacco retailers in Maryland illegally sells tobacco to minors. Specifically, between October 2012 and September 2013, 24% of Maryland tobacco retailers sold cigarettes to underage youth. Additionally, between May 2014 and September 2014, the violation rate increased to 32%. Maryland youth also find that it is easy to buy tobacco, with 26% of youth who smoke reporting that they usually buy their own cigarettes; only 38% reported being asked to show photo identification.

The Judiciary advises that 653 cigarette retailer licenses were issued in Montgomery County in 2015.

State Revenues: The current fee to obtain a county cigarette retailer license in Montgomery County is \$25. The Judiciary advises that the Comptroller's Office identifies a varying percentage each year of the total license fee that must be forwarded to the Comptroller's Office. However, the Comptroller's Office advises that counties retain the full license fee, and that no portion of the fee is currently forwarded to the Comptroller's Office.

The bill requires the Clerk of the Circuit Court for Montgomery County to distribute \$25 of each county cigarette retailer license fee to the Comptroller. Therefore, general fund revenues increase by as much as \$16,325 annually beginning in fiscal 2017. This analysis assumes that the Comptroller's Office does not currently retain any portion of county cigarette retailer license fees. This analysis also reflects the April 30 renewal date, and it assumes that the number of county cigarette retailer licenses issued in the county remains constant over subsequent fiscal years and that the collection and distribution of the \$30 application fee that is required in all counties remains unaffected.

Local Fiscal Effect: Under the bill, Montgomery County receives \$100 from each cigarette retailer license fee collected rather than \$25. Therefore, revenues increase by as much as \$48,975 annually beginning in fiscal 2017. Again, this analysis assumes the Comptroller's Office currently does not retain any portion of the county cigarette retailer license fee, reflects the April 30 renewal date, and assumes that the number of county cigarette retailer licenses issued in the county remains constant over subsequent fiscal years and the \$30 application fee remains unaffected.

Montgomery County expenditures are assumed to increase correspondingly as the bill requires that the monies received be used to enforce existing laws banning the sale or distribution of tobacco or tobacco products to minors. In addition, the bill specifies that these monies may not supplant existing funding for those purposes.

Small Business Effect: The bill increases the fee to obtain a county cigarette retailer license in Montgomery County from \$25 to \$125, a 400% increase. Although retailers of

cigarettes in Montgomery County are subject to higher licensing fees compared to what they currently pay, this increase is not likely to affect the overall viability of businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County, Comptroller's Office, Judiciary (Administrative Office of the Courts), Department of Health and Mental Hygiene, U.S. Surgeon General, Department of Legislative Services

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