



Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 572 (as introduced 6-24-21)  
Senate Bill 573 (as introduced 6-24-21)  
Senate Bill 574 (as introduced 6-24-21)  
Senate Bill 575 (as introduced 6-24-21)  
Sponsor: Senator Jim Ananich (S.B. 572)  
Senator Rick Outman (S.B. 573)  
Senator Lana Theis (S.B. 574)  
Senator Marshall Bullock II (S.B. 575)  
Committee: Regulatory Reform

Date Completed: 9-20-22

**CONTENT****Senate Bill 572 would amend the Tobacco Products Tax Act to do the following:**

- Require the record of any consumable material sold or transported in the same package as an electronic smoking device to segregate the price paid for the consumable material from the price paid for the electronic smoking device
- Increase the maximum tax that may be levied in cigars through November 1, 2022.
- Levy a tax on consumable materials and alternative nicotine products and provide for the disposition of revenue from the tax levied on consumable materials.
- Require licensees and retailers who, on January 1, 2022, had any consumable materials on hand to file a complete inventory of those materials with the Department of Treasury.

**Senate Bill 573 would amend the Youth Tobacco Act to prohibit a person who sold vapor products at retail from engaging in the advertisement or sale of vapor products to a minor, and to prescribe penalties for a violation.**

**Senate Bill 574 would amend the Youth Tobacco Act to do the following:**

- Specify that a sales clerk, agent, or employee who sold or furnished a tobacco product, vapor product, or alternative nicotine product to a minor would be responsible for a State civil infraction.
- Allow local law enforcement departments to conduct unannounced compliance checks and prescribe penalties for a violation.
- Require local law enforcement departments to report the results of compliance checks to the Department of Health and Human Services (DHHS).
- Modify that Act's affirmative defense provisions.
- Require, beginning January 1, 2022, a person to verify that an individual was over 21 years of age using a method prescribed in the bill before selling a vapor product to that individual.

- **Allow a local legislative body to request that the Department of Treasury revoke a licensee's license if the licensed premises had violated the Act at least three times in a consecutive 12-month period, and allow the Department of Treasury to suspend or revoke the licensee's license upon verification of the violations.**

**Senate Bill 575 would amend the Youth Tobacco Act to do the following:**

- **Prohibit a person from selling a tobacco product, vapor product, or alternative nicotine product at retail unless that person obtained a license from the Department of Treasury, beginning January 1, 2022.**
- **Require the Department to grant a license to a person that submitted a completed application and paid a licensing fee of not more than \$250 per licensed location.**
- **Specify that each license would be valid for one year and would have to be renewed annually for a fee of not more than \$100.**
- **Allow the Department to deny, suspend, revoke, or refuse to renew a license under specified circumstances.**
- **Prohibit a person from selling tobacco products, vapor products, or alternative nicotine products at retail unless the vapor product was registered with the Department of Licensing and Regulatory Affairs (LARA), beginning January 1, 2022.**
- **Require a person that manufacture vapor products to be sold in the State to execute an attestation certifying specified information about the vapor product and its manufacturer.**
- **Require LARA to register the vapor product identified in an attestation and compile a directory with that information.**
- **Prescribe a civil fine for violating the bill's registration requirements.**
- **Exclude marihuana from the definition of "vapor product".**

The bills are tie barred. Senate Bill 572 is also tie barred to Senate Bills 576 and 577.

Generally, Senate Bill 576 (Public Act 169 of 2022) amended the Michigan Penal Code to prohibit a person, as part of his, her, or its business, either directly or through an agent, from distributing tobacco products to people who did not previously pay or agree to pay for them unless that person, in addition to current requirements, ascertained that the individual who received the product was 21, instead of 18, years of age or older. Senate Bill 577 (Public Act 170 of 2022) amended the Age of Majority Act to specify that the Act does not apply to the Youth Tobacco Act.

### **Senate Bill 572**

#### **Tobacco Product Record**

Under the Tobacco Products Tax Act, a manufacturer, wholesaler, secondary wholesaler, vending machine operator, transportation company, unclassified acquirer, or retail must keep a complete and accurate record of each tobacco product manufactured, purchased or otherwise acquired. Except for the manufacturer, the records must include a written statement containing the following:

- The name and address of both the seller and the purchaser.
- The date of delivery.
- The quantity.
- The price paid for each tobacco product purchased.

Under the bill, if the consumable material were sold in the same package as an electronic smoking device, the record would have to segregate the price paid for the consumable material from the price paid for the electronic smoking device. The record also would have to indicate the amount of consumable material that was contained in a closed system cartridge.

Under the Act, "tobacco product" means a product containing any amount of tobacco regardless of form including cigarettes, cigars, noncigarette smoking tobacco, or smokeless tobacco and does not include drugs, devices, or combination products authorized for sale by the United States Food and Drug Administration (FDA), as those terms are defined in the Federal Food, Drug, and Cosmetic Act. Under the bill, beginning January 1, 2022, the term would include alternative nicotine products and consumable material.

"Consumable material" would mean any volume of liquid nicotine solution, other than marihuana, that is depleted as an electronic smoking device is used.

"Liquid nicotine solution" would mean any solution that contains the chemical substance named 3(1 Methyl-20pyrrolidinyl) pyridine or C(10)H(14)N(2), including any salt or complex of nicotine that is derived from the tobacco plant.

"Electronic smoking device" would mean any device that can be used to deliver aerosolized or vaporized consumable material to the person inhaling from the device, including an e-cigarette, e-cigar, e-pipe, vape pen, or e-hookah. The term would include any component, part, or accessory of the device, whether or not sold separately, and includes any consumable material intended to be aerosolized or vaporized during the use of the device. The term would not include any battery or battery charger when sold separately. In addition, the term would not include drugs, devices, or combination products authorized for sale as tobacco cessation products by the FDA as those terms are defined under the Federal Food, Drug, and Cosmetic Act.

"Closed system cartridge" would mean a sealed, prefilled, and disposable container of consumable material in which the container is inserted directly into an electronic smoking device and is not intended to be opened or accessible through customary or reasonably foreseeable handling or use.

#### Written Statement of Tobacco Sale

The Tobacco Products Tax Act requires a manufacturer, wholesaler, unclassified acquirer, and secondary wholesaler to deliver with each sale or consignment of a tobacco product a written statement containing the following:

- The name or trade name and address of both the seller and the purchaser.
- The date of delivery.
- The quantity.
- The trade name or brand of tobacco product correctly itemizing the prices paid for each brand purchased.

Under the bill, if the consumable material were sold in the same package as an electronic smoking device, the statement also would have to segregate the price paid for the consumable material from the price paid for the electronic smoking device. The statement would have to indicate the amount of consumable material that was contained in a closed system cartridge.

## Transporting Tobacco Products

The Act requires a transporter or other licensee transporting, possessing, or acquiring for the purposes of transporting a tobacco product on a public highway, road, or street in Michigan to have in his or her actual possession invoices or bills of lading containing the following:

- The name and address of both the seller and the purchaser.
- The date of delivery.
- The name and address of the transporter.
- The quantity and trade name or brand of each tobacco product.
- The price paid for each trade name or brand in the transporter's possession or custody.
- The license prescribed under the Act.

Under the bill, if consumable material were transported in the same package as an electronic smoking device, the invoices or bills of lading would have to segregate the price paid for the consumable material from the price paid for the electronic smoking device. The invoice or bills of lading also would have to indicate the amount of consumable material that was in a closed system cartridge.

## Tobacco Tax; Consumable Materials & Alternative Nicotine Products

The Act levies various taxes on sales of tobacco products. For cigars, noncigarette smoking tobacco, and smokeless tobacco, the tax is 32% of the wholesale price. However, beginning November 1, 2012, and through October 31, 2021, the amount of tax levied on cigars may not exceed \$0.50 per individual cigar.

Under the bill, the tax rate described above would exclude consumable material. Beginning November 1, 2021, through October 31, 2022, the amount of tax levied on cigars could not exceed \$0.65 per individual cigar. Beginning November 1, 2022, the tax on cigars could not exceed \$0.75 per individual cigar.

The bill also would levy, beginning January 1, 2022, a tax of 18.0% of the wholesale price for consumable materials that were part of an open vapor system and a tax of \$0.60 per milliliter for consumable materials that were contained in a closed system cartridge. "Open vapor system" would mean all containers of consumable material for intended use in an electronic smoking device and for which the container is intended. The term would not include consumable materials contained in a closed system cartridge.

Beginning October 1, 2022, and each fiscal year after that, the tax imposed for consumable materials would have to be distributed as follows:

- The first \$250,000 would have to be credited to the Department of Treasury for tax enforcement purposes.
- The next \$250,000 would have to be distributed to local health departments for local public health programs.
- The remainder would have to be credited to the General Fund.

The bill also would levy, beginning January 1, 2022, for alternative nicotine products, a tax of \$0.50 per ounce of alternative nicotine product as listed by the manufacturer. "Alternative nicotine product" would mean a noncombustible product containing nicotine that is intended for human consumption, whether chewed, absorbed, dissolved, or ingested, by any other means. The term would not include a product regulated as drug or device by the FDA under 21 USC 351 to 360fff-8.

### Consumable Material Inventory

Under the bill, every licensee and retailer who, on January 1, 2022, had on hand for sale any consumable materials would have to file a complete inventory of those consumable materials before February 1, 2022, to the Department of Treasury. A tax would not be imposed on the consumable materials described in the complete inventory filed with the Department.

### **Senate Bill 573**

The bill would amend the Youth Tobacco Act to prohibit a person who sold vapor products at retail from doing any of the following:

- Advertising a vapor product to a minor or in a manner that violated the Federal Family Smoking Prevention and Tobacco Control Act.
- Giving away a free sample of a vapor product, including any component or part of the vapor product.
- Selling or distributing a vapor product without a health warning statement on the package of the vapor product.
- Displaying an advertisement for a vapor product that was not accompanied with a health warning statement about the vapor product.

A person who violated the bill would be responsible for a State civil infraction and could be ordered to pay a civil fine as follows:

- For a first offense in a calendar year, not more than \$500,
- For a second offense in a calendar year, not more than \$1,000.
- For a third or subsequent offense in a calendar year, not more than \$2,500.

### **Senate Bill 574**

#### Failure to Make Diligent Inquiry; Vapor Products

The Youth Tobacco Act prohibits a person from selling, giving, or furnishing a tobacco product, vapor product, or alternative nicotine product to a minor and provides misdemeanor penalties for a violation.

Under the bill, a sales clerk, agent, or employee of a person who sold tobacco products, vapor products, or alternative nicotine products at retail who knowingly sold or furnished a tobacco product, vapor product, or alternative nicotine product to a minor, or who failed to make a diligent inquiry as to whether the individual was a minor, would be responsible for a State civil infraction and could be ordered to pay a fine of no more than \$250.

"Sales clerk" would mean an individual who sells tobacco products, vapor products, or alternative nicotine products in a licensed premises and who is not the licensee of the licensed premises.

"Diligent inquiry" would mean a diligent good-faith effort to determine the age of an individual that includes at least one of the following:

- An examination of an official Michigan operator's or chauffeur's license, an official Michigan personal identification card, military identification card, or any other bona fide documentary evidence that establishes the identity and age of the individual.
- Use of a secure identity verification device if the conditions specified in the bill are met.

## Compliance Checks

Beginning January 1, 2022, the local law enforcement department for a city, village, township, or county in which a licensed premises was located could conduct unannounced compliance checks at any time during the open hours of the licensed premises by engaging individuals under 21 years of age to enter into the licensed premises to attempt to purchase a tobacco product, vapor product, or alternative nicotine product.

If a licensed premises failed a first compliance check, the local law enforcement department would give the licensee of the licensed premises the opportunity to demonstrate that the licensee had a compliance plan in place for identifying the cause of the problem and a remediation plan for addressing the sale of tobacco products, vapor products, or alternative nicotine products to minors. The local law enforcement department would have to conduct, no less than three months after the failed compliance check, an unannounced follow-up compliance check on the licensed premises that failed the compliance check.

If a licensee's licensed premises failed a second unannounced compliance check in a calendar year, after being given the opportunity to demonstrate that the licensee had a compliance plan and a remediation plan, the licensee would be responsible for a State civil infraction or guilty of a crime as follows:

- For a first violation, the licensee would be responsible for a State civil infraction and could be fined up to \$2,000.
- For a second violation, the licensee would be responsible for a State civil infraction and could be fined up to \$3,000.
- For a third violation, the licensee would be responsible for a State civil infraction and could be fined a maximum of \$4,000.
- For a fourth violation, the licensee would be guilty of a misdemeanor punishable by a maximum fine of \$5,000 and the licensee's licensed premises would be prohibited from selling tobacco products, vapor products, or alternative nicotine products for at least seven days.
- For a fifth or subsequent violation, the licensee would be guilty of a misdemeanor punishable by a maximum fine of \$6,000, and the licensee's licensed premises would be prohibited from selling tobacco products, vapor products, or alternative nicotine products for a minimum of 14 days.

Under the bill, if a licensee's licensed premises complied with the Act's requirements and the licensee showed that his or her employees were trained to properly conduct age verification, and that the licensee had an employee handbook or manual outlining the age verification requirements, but the licensed premises failed a second unannounced compliance check in a calendar year, the licensee would be responsible for a State civil infraction or guilty of a crime as follows:

- For a first violation, the licensee would be responsible for a State civil infraction and could be fined up to \$150.
- For a second violation, the licensee would be responsible for a State civil infraction and could be fined up to \$1,500.
- For a third violation, the licensee would be responsible for a State civil infraction and could be fined a maximum of \$2,000.
- For a fourth violation, the licensee would be guilty of a misdemeanor punishable by a maximum fine of \$2,500, and the licensee's licensed premises could not sell a tobacco product, vapor product, or alternative nicotine product for a minimum of three days.

- For a fifth violation, the licensee would be guilty of a misdemeanor punishable by a maximum fine of \$2,500, and the licensee's licensed premises could not sell a tobacco product, vapor product, or alternative nicotine product for a minimum of seven days.

The bill would require a local law enforcement department to report the results of all compliance checks to the DHHS. The Department would have to publish the results of all compliance checks at least annually and make them available to the public on request.

#### Affirmative Defense

Under the Act, it is an affirmative defense to a charge a person who sells, gives, or furnishes a tobacco product, vapor product, or alternative nicotine product, to a minor that the defendant had in force at the time of the arrest and continues to have in force a written policy to prevent the sale of tobacco products, vapor products, or alternative nicotine product, as applicable, to individuals under 18 years of age and that the defendant enforced and continue to enforce the policy. A defendant who proposes to offer evidence of the affirmative defense described in this section must file notice of the defense, in writing, with the court and serve a copy of the notice on the prosecuting attorney. The defendant must serve the notice no less than 14 days before the date set for the trial. The bill would delete these provisions.

Instead, under the bill, it would be an affirmative defense to a charge of selling, giving, or furnishing a tobacco product, vapor product, or alternative nicotine product to a minor in violation of Section 1 of the Act that the defendant demanded, was shown, and reasonably relied on bona fide documentary evidence of the age and identity of the minor, and that the defendant reasonably relied on the bona fide documentary evidence before selling, offering for sale, giving or furnishing a tobacco product, vapor product, or alternative nicotine product to a minor.

#### Age Verification

The Act specifies that, before selling, offering for sale, giving, or furnishing a tobacco product, vapor product, or nicotine product to an individual, a person must verify that the individual is at least 21 years old by using one of the methods specified in the Act. If the individual appears to be under 27 years of age, the person must examine a government-issued photographic identification to establish that the individual is at least 21 years of age. Under the bill, the person would have to verify the individual's age by examining bona fide documentary evidence that established the individual was at least 21 years of age.

"Bona fide documentary evidence" would mean a document issued by a federal government, state government, or municipality that includes a photo and the date of birth of the individual.

Under the bill, beginning January 1, 2022, before selling, offering for sale, giving, or furnishing a vapor product to an individual, a person would have to verify that the individual was at least 21 years of age by doing one of the following:

- Scanning bona fide documentary evidence to verify that the purchaser was at least 21 years of age and that the photographic identification had not expired.
- For sales made by the internet or other remote sales method, performing an age verification through an independent, third-party age verification service that compared information available from a commercially available database, or aggregate of databases, that were regularly used by government agencies and businesses for the purpose of age and identity verification to the personal information entered by the information during the ordering process that established that the individual was 21 years of age or older.

In addition to the penalties provided in the Act, a local legislative body, by resolution could request that the DHHS revoke the license of a licensee whose licensed premises was located within the local legislative body's jurisdiction and who had been determined to have violated the Act on at least three separate occasions in a consecutive 12-month period. If the Department verified that the licensee who as the subject of the resolution had been found to have committed the prescribed violations the Department could suspend the licensee's license.

"Municipality" would mean a county, township, city, village, school district, intermediate school district, community college district, district library, or another governmental authority or agency in Michigan that has the power to issue a bona fide documentary evidence.

"Secure identity verification device" would mean a commercial device that instantly verified the identify and age of an individual by an electronic scan of a biometric of the individual.

### **Senate Bill 575**

#### **Licensure**

Under the bill, beginning January 1, 2022, a person could not sell a tobacco product, vapor product, or alternative nicotine product at retail unless that person was licensed as described below. An application for a license would have to be in a form prescribed by the Department of Treasury and signed under penalty of perjury. A person would have to obtain a separate license for each location where a tobacco product, vapor product, or alternative nicotine product was sold. A person who sold a tobacco product, vapor product, or alternative nicotine product at retail at more than one location could submit a single application to the Department for each location where a tobacco product, vapor product, or alternative nicotine product was sold.

The Department would have to grant a license to a person that submitted a completed application and paid a licensing fee of not more than \$250 per location to the Department. The Department would have to issue a certificate of licensure to a person that was granted a license.

A person would have to display the certificate of licensure, or a duplicate copy of the certificate of licensure, prominently and where visible to the public in the person's place of business where a tobacco product, vapor product, or alternative nicotine product was sold. Each license would be valid for one year and would have to be renewed annually before December 31 of the year in which the license expired. The cost of renewing the license could not exceed \$100.

"Certificate of licensure" would mean a document issued by the Department of Treasury as evidence to a person authorized to sell a tobacco product, vapor product, or alternative nicotine product at retail.

#### **Denial, Suspension, & Revocation of Licensure**

The bill would allow the Department to deny, suspend, revoke, or refuse to renew a license for good cause. "Good cause" would consist of instances in which the Department determined that a person had done any of the following:

- Submitted a false or fraudulent application for a license.
- Provided a false statement in the application for a license.
- Possessed a false or fraudulent certificate of licensure.



- Displayed a false or fraudulent certificate of licensure in a place of business where a tobacco product, vapor product, or alternative nicotine product was sold.

The Department could not deny, suspend, revoke, or refuse to renew a person's license unless the person was given an opportunity for a hearing. A hearing and an appeal would have to be conducted under the Administrative Procedures Act. The Department could promulgate rules under the Administrative Procedures Act to implement the bill.

In addition to any other remedies provided by law, if the Department determined that a person violated the bill, the Department could assess an administrative fine of not more than \$500 after notice and a hearing as provided under the Administrative Procedure Act. Fees and fines collected under the bill would have to be distributed as followed:

- 55% to the local law enforcement department for the city, village, township, or county, as applicable, in which the licensed premises was located.
- 41.5% for the administration and enforcement of the bill.
- 3.5% to be credited to a special fund in the Department for the purpose of promoting and sustaining programs for the prevention, rehabilitation, and treatment of individuals who suffered adverse effects from the use of a tobacco product, vapor product, or alternative nicotine product.

"Local law enforcement department" would mean a full-time police department or full-time ordinance enforcement department maintained by a city, village, or township in which the licensed premises is located, or if a full-time police department or full-time ordinance enforcement department is not maintained by a city, village, or township in which the licensed premises is located, the sheriff's department of the county in which the licensed premises is located.

### Registration

Under the bill, beginning January 1, 2022, a person who sold tobacco products, vapor products, or alternative nicotine products at retail could not sell a vapor product in the State unless the vapor product was registered with the Department.

Beginning January 1, 2022, a person that manufactured vapor products to be sold in the State would have to register those vapor products with the Department of Licensing and Regulatory Affairs. To register a vapor product, the manufacturer would have to execute and deliver an attestation under penalty of perjury to the Department certifying that one or more of the following conditions had been met as of the date of the certification:

- The vapor product was on the United States market as of August 8, 2016, and the person that manufactured the vapor product had applied for a marketing order for the vapor product by submitting a premarket tobacco product application on or before March 31, 2021, to the FDA.
- The person that manufactured the vapor product had received a marketing order or other authorization under Federal law for the vapor product from the FDA.

Under the bill, a person that manufactured vapor products to be sold in the State would have to notify LARA within 15 days after any material change to the provided attestation including if the FDA had issued a marketing order or other authorization to that manufacturer or had ordered that manufacturer to remove the vapor product, either temporarily or permanently from the United States market.

After receiving the attestation, LARA would have to register the vapor product identified in the attestation and compile a directory that included the following information:

- A list of entities that manufactured vapor products to be sold in Michigan that complied with the above requirements.
- A list of vapor products registered in Michigan.

Beginning January 1, 2023, LARA would have to make the directory available for public inspection on its website. The Department would have to periodically update the directory to correct mistakes, add new information that became available, or remove information from the directory.

Under the bill, a person who sold a tobacco product, vapor product, or alternative nicotine product at retail that was not registered with LARA or who manufactured a vapor product to be sold in Michigan that not registered with the Department could be ordered to pay a civil fine as follows:

- For first offense in a calendar year, not more than \$500.
- For a second offence in a calendar year, not more than \$1,000.
- For a third or subsequent offence in a calendar year, not more than \$2,500.

Under the bill, the State could not, by rule or regulation, prohibit the sale of a vapor product that had been registered in accordance with the registration attestation.

"Person who sells tobacco products, vapor products, or alternative nicotine products at retail" would mean a person whose ordinary course of business consists, in whole or in part, of the retail sale of a tobacco products subject to sales tax under the General Sales Tax Act, vapor products, or alternative nicotine products.

"Person who sells vapor products or alternative nicotine products at retail" would mean a person whose ordinary course of business consists, in whole or in part, of the retail sale of vapor products or alternative nicotine products

MCL 205.422 et al (S.B. 572)  
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Legislative Analyst: Eleni Lionas

## **FISCAL IMPACT**

### **Senate Bill 572**

The bill would increase revenue to the State General Fund and the Medicaid Benefits Trust Fund. Because many of the effective dates for the tax changes have already passed, it is likely that the effective dates of the bill would have to change before the bill could be enacted both to eliminate retroactive provisions and to allow for any necessary implementation time.

Any revenue increase in fiscal year (FY) 2023-23 would reflect the portion of the year for which the bills would be effective. However, the bill's provisions regarding the maximum tax on cigars would be expected to increase revenue by approximately \$1.25 million per year, on a full-year basis, of which approximately \$937,500 would be distributed to the Medicaid Benefits Trust Fund and the remaining \$312,500 to the General Fund. The provisions in Section 7(1)(h) would increase revenue by approximately \$25.9 million in FY 2023-24, and \$27.5 million in FY 2024-25. Revenue generated under Section 7(h)(1) would be distributed

such that the first \$250,000 would be directed to the Department of Treasury for enforcement purposes, the next \$2.5 million to local health departments, and any remaining revenue would be deposit in the General Fund. The revenue under Section 7(1)(h) likely would increase in the near future as e-cigarettes and other nicotine delivery systems rise in popularity.

### **Senate Bill 573**

The bill could have a positive fiscal impact on the State and local units of government. The bill would provide for the imposition of a civil fine for violating certain provisions. Revenue collected from civil fines is used to support local libraries. Additionally, \$10 of the civil fine would be deposited into the State Justice System Fund. The Fund supports justice-related activities across State government in the Departments of Corrections, Health and Human Services, State Police, and Treasury. The Fund also supports justice-related issues in the Legislative Retirement System and the Judiciary. The amount of revenue to the State or for local libraries is indeterminate and would depend on the actual number of violations.

### **Senate Bill 574**

The bill could have a generally positive fiscal impact on the State and local units of government. The bill would provide for the imposition of a civil fine for violating certain provisions. Revenue collected from civil fines is used to support local libraries. Additionally, \$10 of the civil fine would be deposited into the State Justice System Fund. The Fund supports justice-related activities across State government in the Departments of Corrections, Health and Human Services, State Police, and Treasury. The Fund also supports justice-related issues in the Legislative Retirement System and the Judiciary. The amount of revenue to the State or for local libraries is indeterminate and would depend on the actual number of violations.

The bill would have no fiscal impact on the DHHS, and a minimal fiscal impact on State and local law enforcement, as agencies already monitor the sales of various tobacco products.

### **Senate Bill 575**

The bill could have a positive fiscal impact on the State and local units of government, except for the impact to LARA discussed below. The bill would provide for the imposition of a civil fine for violating certain provisions. Revenue collected from civil fines is used to support local libraries. Additionally, \$10 of the civil fine would be deposited into the State Justice System Fund. The Fund supports justice-related activities across State government in the Departments of Corrections, Health and Human Services, State Police, and Treasury. The Fund also supports justice-related issues in the Legislative Retirement System and the Judiciary. The amount of revenue to the State or for local libraries is indeterminate and would depend on the actual number of violations.

The distribution of 55% of the fees and fines collected under the bill to local law enforcement would provide some fiscal support to providing regulatory monitoring of sales, but at an amount that cannot be determined at this time.

The bill could have an indeterminate negative fiscal on LARA for costs associated with the issuance of new registrations for vapor products. The Department would be authorized to charge fees for the issuance of original tobacco product registrations and renewals; however, it is unknow if the additional revenue would be sufficient to cover LARA's anticipated costs to process license applications, promulgate new rules related to tobacco product registrations, and enforcement activities. Those costs would depend on the number of license applications and the degree to which Department resources would be sufficient. Accordingly, additional appropriations could be required to comply with the bill's requirements. Also, the bill would

allow for administrative fines to be assessed for entities in violation of the bill; 41.5% percent of which would be dedicated for the administration and enforcement of the Youth Tobacco Act. The remaining 58.5% would be divided between local law enforcement and a special fund within LARA with the purpose of promoting and sustaining prevention, rehabilitation, and treatment programs for individuals who suffer adverse effects from tobacco product use.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.