



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	03/27/07	Bill No:	SB 625
Tax:	Cigarette and Tobacco Products Licensing Act	Author:	Padilla
Related Bills:		Position:	Support Board-sponsored

BILL SUMMARY

This bill would establish a reinstatement fee upon retailers that engage in the sale of cigarettes or tobacco products in this state but fail to respond to repeated notices to renew their license at no cost.

SUMMARY OF AMENDMENTS

Since the previous version, this bill was amended to remove provisions that would have required retailers that engage in the sale of cigarettes or tobacco products in this state to pay an annual license fee of one hundred dollars (\$100) per retail location.

ANALYSIS

CURRENT LAW

Under existing law, the Cigarette and Tobacco Products Licensing Act of 2003 (Licensing Act) requires a retailer to have in place and maintain a license to engage in the sale of cigarettes or tobacco products. A retailer license is valid for a 12-month period and must be renewed annually.

In order to obtain a license, a retailer must file a license application accompanied by a one-time license fee of \$100 for each retail location. Although a retailer license must be renewed annually, the \$100 license fee per retail location is only paid once with the initial application.

PROPOSED LAW

This bill would amend Section 22973 of the Business and Professions Code to impose a \$100 reinstatement fee upon a retailer if their license is reinstated after its expiration.

The bill would become effective on January 1, 2008.

BACKGROUND

Currently, the Board of Equalization (Board) has licensed approximately 38,000 retailers to engage in the sale of cigarettes and tobacco products in California. Since the inception of the Licensing Act, about 2,000 retailers have failed to renew their annual license, but they continue to engage in the sale of cigarettes and tobacco products.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the Board and is intended to provide an incentive for licensees to timely renew their retailer license, thereby avoiding citations and costly fines. The reinstatement fee is also intended to partially offset the cost of staff resources necessary to renew, close-out, and reinstate retailer licensees, which would allow staff to pursue other compliance-related issues.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

2. **Summary of amendments.** The **March 27, 2007, amendments** delete the provisions that would have required retailers that engage in the sale of cigarettes or tobacco products in this state to pay an annual license fee of one hundred dollars (\$100) per retail location.
3. **What is the Board's process to notify retailers about license renewal?** The Board issues multiple license renewal notices to retailers.
 - Approximately 90 days prior to the expiration date of a retailer license, the Board sends a renewal application to the retailer licensee.
 - If the retailer does not respond to the initial notice, a reminder notice and a renewal application are sent approximately 30 days prior to the license expiration date.
 - Once the retailer license expires, the retailer is sent a license close-out notice along with another renewal application.

Board staff will reinstate a closed out retailer license, subject to the provisions of the Licensing Act, upon receipt of the renewal application. Reinstatement, rather than requiring the retailer to obtain a new license, provides the continuity necessary for the Board to track the history of the licensee (i.e. violations and suspensions).

4. **Retailers operating with an expired license.** Cigarette or tobacco products retailers that have allowed their licenses to expire generally do not submit a renewal application until a distributor or wholesaler refuses to sell to them because they are unlicensed or until they have been cited for a violation of the Licensing Act by a Board inspector.
5. **Are retailers subject to penalties for continuing to sell cigarette or tobacco products with an expired license?** The Board follows up on closed-out retailer licenses by inspecting the expired retailer license locations to ensure that cigarettes or tobacco products are no longer being sold. If retailers with an expired license continue to sell cigarettes or tobacco products, they will be cited for unlicensed sales of such products, which for the first offense results in the issuance of a "Warning Notice" to the licensee. In addition, the retailer will be cited for failure to display a license which carries a five hundred dollar (\$500) fine.

COST ESTIMATE

Board costs would be minor and absorbable.

REVENUE ESTIMATE

This bill would not affect the state's revenues. The proposed fee is intended to increase compliance with the renewal requirement.

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