
OLR Bill Analysis

sHB 6299

AN ACT CONCERNING CHAIN STORE CIGARETTE DISTRIBUTORS.

SUMMARY:

This bill allows certain franchises to be licensed as cigarette distributors and to qualify as chain stores for purposes of the cigarette tax and minimum mark-up laws.

Under current law, a person who operates five or more retail stores and buys cigarettes at wholesale exclusively for sale to those stores is licensed as a distributor for cigarette tax purposes. This bill allows a franchisor to be licensed as a distributor if it franchises at least five retail stores, buys cigarettes at wholesale exclusively for to those stores, and splits the gross profits generated. Under current law, each of a franchisor's stores selling cigarettes must have a cigarette dealer's license.

For purposes of the cigarette minimum markup requirements, the bill also extends the definition of a "chain store" to franchisors of five or more retail stores. Under current law, only those who operate of five or more retail stores with common control or ownership qualify as chain stores. Distributors who sell to chain stores have lower minimum mark-up requirements on those sales than on sales to dealers (see BACKGROUND).

By defining qualifying franchises as chain stores, the bill exempts them from requirements that, to receive a distributor's license, (1) they provide the revenue services commissioner with three affidavits from recognized cigarette manufacturers that the manufacturers intend to supply the distributor with cigarettes and (2) their retail outlets be under common control or ownership.

Finally, the bill extends existing annual distributors' license fees to qualifying franchisors. These fees are \$315 for those with fewer than 15 stores, \$625 for those with 15 to 24 stores, and \$1,250 for those with 25 or more stores.

EFFECTIVE DATE: July 1, 2011

BACKGROUND

Chain Stores Selling Cigarettes

The law requires different types of cigarette sellers to mark-up their cigarettes by different percentages representing their cost of doing business. It prohibits selling cigarettes below cost and defines "cost," absent proof otherwise, in a way that depends on the type of seller and transaction. Sellers must sell at their basic cost plus a percentage representing their cost of doing business.

<i>Distributor</i>	<i>Cost of Doing Business</i>
Stamping agent selling to subjobbers and chain stores	.875%
Stamping agent selling to dealers	5.75%
Subjobber selling to dealers	4.875%

COMMITTEE ACTION

General Law Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/10/2011)