



## Fiscal Estimate Narratives

DOR 5/31/2005

LRB Number	05-1412/3	Introduction Number	AB-411	Estimate Type	Original
<b>Subject</b>					
Selling cigarettes via the Internet					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law a person may not sell cigarettes in this state without having a permit from the Department of Revenue (DOR). This bill prohibits a direct marketer from selling cigarettes to consumers in this state unless the direct marketer fulfills certain requirements. The bill defines "direct marketing" as publishing, making an offer, or selling cigarettes, when the consumer is not physically present on a premise that sells cigarettes.

Under the bill, a direct marketer must certify to DOR that the person will register with debit and credit card companies; that the invoices for all shipments of cigarettes will bear the direct marketer's name and address; and that the direct marketer will provide DOR any information that DOR considers necessary. The direct marketer may not sell any cigarettes to consumers in this state unless the sales tax, use tax, or cigarette tax, as appropriate, has been paid on the sale of the cigarettes.

This bill also requires a direct marketer who sells cigarettes to consumers to verify the consumer's name, address, and the age of at least 18 years. The bill specifies the means of verification. The bill also requires that any person who delivers cigarettes verify that the consumer who purchased the cigarettes and who receives the delivery is at least 18 years of age.

According to the Department of Agriculture, Trade, and Consumer Protection, minimum markup requirements would apply to the sale of cigarettes by direct marketers.

A fiscal estimate of the bill is not feasible. However, the Department does not expect a significant amount of additional tax revenues to be collected from direct marketers due to a recent decision by major credit card companies to deny service to online tobacconists combined with the minimum markup requirements of the bill. It will be very difficult for direct marketers to sell cigarettes over the internet without having a major credit card to secure the payment and the minimum markup requirement will most likely eliminate a competitive advantage of cigarette internet sales.

The Department would incur administrative costs which can be absorbed within the Department's budget.

### Long-Range Fiscal Implications