



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bills 462, 463, 465, and 466 (Substitute S-1 as reported)

Sponsor: Senator Sam Singh (S.B. 462)

Senator Paul Wojno (S.B. 463)

Senator Joseph Bellino (S.B. 465)

Senator Mary Cavanagh (S.B. 466)

Committee: Regulatory Affairs

CONTENT

The bills would establish licensure requirements for nicotine and tobacco retailers and third-party facilitators of nicotine and tobacco retail sales. They would prescribe administrative fines, licensing sanctions, and misdemeanor penalties for specific violations of their licensure requirements and prohibitions. To obtain or renew a license as a retailer, an establishment would have to apply to the Department of Licensing and Regulatory Affairs (LARA) and pay a \$500 fee. The Department would have to begin accepting license applications within 15 months of the bill's effective date. The Department also would have to charge reasonable application and license fees for a third-party facilitator's licensure. The bills' application fees and administrative and civil fines would have to be deposited into the proposed Nicotine and Tobacco Regulation Fund, which LARA could use to administer and enforce compliance with the bills. Finally, the bills would remove penalties for a minor's purchase, possession, or use of a tobacco, vapor, or alternative nicotine product.

MCL 722.641 et al. (S.B. 462)

722.642 (S.B. 463)

722.52 and 722.53 (S.B. 466)

Proposed MCL 722.641m (S.B. 465)

BRIEF RATIONALE

According to testimony, Michigan is one of only 10 states that does not require a retailer to have a license to sell tobacco, making the State an outlier in tobacco oversight. Testimony also indicates that the use of tobacco and vapor products among minors is a large and growing problem. Some believe the best, evidence-based deterrent of tobacco use among minors is not punishment of minors but of retailers that sell tobacco products to minors and so accordingly amending the purpose of the Youth Tobacco Act has been suggested.

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

Senate Bills 462, 463, and 466 are similar to Senate Bills 651, 654, and 653 from the 2023-2024 Legislative Session, respectively. The bills passed the Senate but received no further action in the House.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

Senate Bill 462 (S-1) would not have a significant fiscal impact on the Department of Treasury. Depending on the average daily balance of the newly created Nicotine and Tobacco Regulation

Fund, Treasury could incur minor administrative costs related to the investment of the Fund. The average balance of the Fund would depend on the amount of fees or fines deposited. This amount is unknown currently. It is likely that existing appropriations would be adequate for most expenses associated with the creation and investment of the Fund.

The bill would have an indeterminate negative fiscal impact on LARA. The total cost would depend on the implementation costs minus the amount appropriated by the Legislature from the Fund. The bill would require LARA to administer and enforce licensure for an establishment to sell nicotine or tobacco products at retail. The total cost to LARA would depend on the number of additional full-time equivalents (FTEs) necessary to process applications and perform compliance checks, as well as the cost of any information technology programs and upgrades, which could be significant. The average FTE annually costs approximately \$138,900, which includes salary and benefits.

These costs would be offset by fees collected upon submission of an application for a new license or the renewal of a license, which the bill specifies should be set at a level sufficient to cover the cost of administration and enforcement of licensure. These fees, along with other fees collected under the bill, would be deposited into the Fund. Money from the Fund could only be spent upon appropriation by the Legislature, meaning that it is likely that there would be a lag between when LARA incurred costs to establish the licensing program under the bill and when the fees deposited into the Fund were available.

Senate Bill 463 (S-1) and 465 (S-1) would have no fiscal impact on State or local government.

Senate Bill 466 (S-1) would have a minor negative fiscal impact on the Department of Health and Human Services (DHHS) and no fiscal impact on local units of government. The DHHS would incur minor administrative and production costs related to the creation and provision, free of charge, of the signage required under the bill to establishments that sell vapor products or alternative nicotine products at retail. The bill could have a positive fiscal impact on local units of government. The bill would impose misdemeanor fines ranging from \$100 up to \$2,500. Revenue collected from misdemeanor fines is used to support local and county law libraries. The amount of revenue for local libraries depends on the actual number of violations.

Date Completed: 12-2-25

Fiscal Analyst: Joe Carrasco, Jr.
Nathan Leaman
Elizabeth Raczkowski
Michael Siracuse

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