

## 99TH GENERAL ASSEMBLY State of Illinois 2015 and 2016 SB1919

Introduced 2/20/2015, by Sen. Julie A. Morrison

## SYNOPSIS AS INTRODUCED:

35 ILCS 130/4g 35 ILCS 130/11c 35 ILCS 143/10-21 35 ILCS 143/10-25 720 ILCS 675/2

from Ch. 23, par. 2358

Amends the Cigarette Tax Act and the Tobacco Products Tax Act of 1995. Provides that a person who is both a licensed distributor and a licensed retailer shall be issued a single license number by the Department of Revenue. Provides that records may be kept electronically and may be kept at an out-of-state location so long as those records are made available upon reasonable notice for the purpose of investigation and control by the Department of Revenue. Amends the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act. In provisions that provide for increased penalties for retailers that do not have training programs, provides that those training programs may be conducted electronically. Provides that, if a retailer has a training program in place prior to the effective date of the amendatory Act, has a training program approved by another state, or follows the guidelines set forth by the federal Food and Drug Administration, then that training program shall be deemed to meet the minimum standards in this State. Effective January 1, 2016.

LRB099 11078 SXM 31474 b

FISCAL NOTE ACT MAY APPLY 1 AN ACT concerning revenue.

## Be it enacted by the People of the State of Illinois, represented in the General Assembly:

- Section 5. The Cigarette Tax Act is amended by changing

  Sections 4g and 11c as follows:
- 6 (35 ILCS 130/4q)

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- 7 (This Section may contain text from a Public Act with a delayed effective date)
- 9 Sec. 4q. Retailer's license. Beginning on January 1, 2016, no person may engage in business as a retailer of cigarettes in 10 this State without first having obtained a license from the 11 12 Department. Application for license shall be made to the 13 Department, by electronic means, in a form prescribed by the 14 Department. Each applicant for a license under this Section shall furnish to the Department, in an electronic format 15 16 established by the Department, the following information:
  - (1) the name and address of the applicant;
  - (2) the address of the location at which the applicant proposes to engage in business as a retailer of cigarettes in this State; and
- 21 (3) such other additional information as the 22 Department may lawfully require by its rules and 23 regulations.

The annual license fee payable to the Department for each retailer's license shall be \$75. The fee shall be deposited into the Tax Compliance and Administration Fund and shall be for the cost of tobacco retail inspection and contraband tobacco and tobacco smuggling with at least two-thirds of the money being used for contraband tobacco and tobacco smuggling operations and enforcement.

Each applicant for a license shall pay the fee to the Department at the time of submitting its application for a license to the Department. The Department shall require an applicant for a license under this Section to electronically file and pay the fee.

A separate annual license fee shall be paid for each place of business at which a person who is required to procure a retailer's license under this Section proposes to engage in business as a retailer in Illinois under this Act.

The following are ineligible to receive a retailer's license under this Act:

- (1) a person who has been convicted of a felony related to the illegal transportation, sale, or distribution of cigarettes, or a tobacco-related felony, under any federal or State law, if the Department, after investigation and a hearing if requested by the applicant, determines that the person has not been sufficiently rehabilitated to warrant the public trust; or
  - (2) a corporation, if any officer, manager, or director

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thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a license under this Act for any reason.

The Department, upon receipt of an application and license fee, in proper form, from a person who is eligible to receive a retailer's license under this Act, shall issue to such applicant a license in form as prescribed by the Department. That license shall permit the applicant to whom it is issued to engage in business as a retailer under this Act at the place shown in his or her application. All licenses issued by the Department under this Section shall be valid for a period not to exceed one year after issuance unless sooner revoked, canceled, or suspended as provided in this Act. No license issued under this Section is transferable or assignable. The license shall be conspicuously displayed in the place of business conducted by the licensee in Illinois under such license. The Department shall not issue a retailer's license to a retailer unless the retailer is also registered under the Retailers' Occupation Tax Act. A person who obtains a license as a retailer who ceases to do business as specified in the license, or who never commenced business, or who obtains a distributor's license, or whose license is suspended or revoked, shall immediately surrender the license to the Department.

If a person is both a licensed distributor and a licensed

retailer under this Act, then the Department shall issue that

person a single license number for both of those purposes.

Any person aggrieved by any decision of the Department under this <u>Section</u> subsection may, within  $\underline{45}$  30 days after notice of the decision, protest and request a hearing. Upon receiving a request for a hearing, the Department shall give written notice to the person requesting the hearing of the time and place fixed for the hearing and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to that person. In the absence of a protest and request for a hearing within  $\underline{45}$  30 days, the Department's decision shall become final without any further determination being made or notice given.

- 14 (Source: P.A. 98-1055, eff. 1-1-16; revised 12-1-14.)
- 15 (35 ILCS 130/11c)
- 16 (This Section may contain text from a Public Act with a delayed effective date)

Sec. 11c. Retailers; records. Every retailer who is required to procure a license under this Act shall keep within Illinois complete and accurate records of cigarettes purchased, sold, or otherwise disposed of. It shall be the duty of every retail licensee to make sales records, copies of bills of sale, and inventory at the close of each period for which a report is required of all cigarettes on hand available upon reasonable notice for the purpose of investigation and control

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by the Department. Records may be kept electronically and may be kept at an out-of-state location; however, those records must be made available upon reasonable notice for the purpose of investigation and control by the Department. Such records need not be maintained on the licensed premises, but must be maintained in the State of Illinois; however, if access is available electronically, the records may be maintained out of state. However, all original invoices or covering purchases of cigarettes must be retained on the licensed premises for a period of 90 days after such purchase, unless the Department has granted a waiver in response to a written request in cases where records are kept at a central business location within the State of Illinois where records that are available electronically are maintained out of state. The Department may adopt rules that establish requirements, including record forms and formats, for records required to be kept and maintained by the retailer.

For purposes of this Section, "records" means all data maintained by the retailer, including data on paper, microfilm, microfiche or any type of machine sensible data compilation. Those books, records, papers, and documents shall be preserved for a period of at least 3 years after the date of the documents, or the date of the entries appearing in the records, unless the Department, in writing, authorizes their destruction or disposal at an earlier date. At all times during the usual business hours of the day, any duly authorized agent

- or employee of the Department may enter any place of business 1
- 2 of the retailer without a search warrant and may inspect the
- 3 premises to determine whether any of the provisions of this Act
- are being violated. If such agent or employee is denied free 4
- 5 access or is hindered or interfered with in making such
- examination as herein provided, the license of the retailer 6
- 7 shall be subject to suspension or revocation by the Department.
- (Source: P.A. 98-1055, eff. 1-1-16.) 8
- 9 Section 10. The Tobacco Products Tax Act of 1995 is amended
- 10 by changing Sections 10-21 and 10-25 as follows:
- 11 (35 ILCS 143/10-21)
- (This Section may contain text from a Public Act with a 12
- 13 delayed effective date)
- 14 Sec. 10-21. Retailer's license. Beginning on January 1,
- 15 2016, no person may engage in business as a retailer of tobacco
- products in this State without first having obtained a license 16
- 17 from the Department. Application for license shall be made to
- the Department, by electronic means, in a form prescribed by 18
- the Department. Each applicant for a license under this Section 19
- 20 shall furnish to the Department, in an electronic format
- 21 established by the Department, the following information:
- (1) the name and address of the applicant; 22
- 23 (2) the address of the location at which the applicant
- 24 proposes to engage in business as a retailer of tobacco

- 1 products in this State;
- 2 (3) such other additional information as the 3 Department may lawfully require by its rules and 4 regulations.

The annual license fee payable to the Department for each retailer's license shall be \$75. The fee will be deposited into the Tax Compliance and Administration Fund and shall be used for the cost of tobacco retail inspection and contraband tobacco and tobacco smuggling with at least two-thirds of the money being used for contraband tobacco and tobacco smuggling operations and enforcement.

Each applicant for license shall pay such fee to the Department at the time of submitting its application for license to the Department. The Department shall require an applicant for a license under this Section to electronically file and pay the fee.

A separate annual license fee shall be paid for each place of business at which a person who is required to procure a retailer's license under this Section proposes to engage in business as a retailer in Illinois under this Act.

21 The following are ineligible to receive a retailer's 22 license under this Act:

(1) a person who has been convicted of a felony under any federal or State law for smuggling cigarettes or tobacco products or tobacco tax evasion, if the Department, after investigation and a hearing if requested by the

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applicant, determines that such person has not been sufficiently rehabilitated to warrant the public trust; and

(2) a corporation, if any officer, manager or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a license under this Act for any reason.

The Department, upon receipt of an application and license fee, in proper form, from a person who is eligible to receive a retailer's license under this Act, shall issue to such applicant a license in form as prescribed by the Department, which license shall permit the applicant to which it is issued to engage in business as a retailer under this Act at the place shown in his application. All licenses issued by the Department under this Section shall be valid for a period not to exceed one year after issuance unless sooner revoked, canceled or suspended as provided in this Act. No license issued under this Section is transferable or assignable. Such license shall be conspicuously displayed in the place of business conducted by the licensee in Illinois under such license. A person who obtains a license as a retailer who ceases to do business as specified in the license, or who never commenced business, or who obtains a distributor's license, or whose license is suspended or revoked, shall immediately surrender the license to the Department. The Department shall not issue a license to

a retailer unless the retailer is also validly registered under the Retailers Occupation Tax Act.

A retailer as defined under this Act need not obtain an additional license under this Act, but shall be deemed to be sufficiently licensed by virtue of his being properly licensed as a retailer under Section 4g of the Cigarette Tax Act.

If a person is both a licensed distributor and a licensed retailer under this Act (including a retailer who is deemed to be sufficiently licensed by virtue of his being properly licensed as a retailer under Section 4g of the Cigarette Tax Act), then the Department shall issue that person a single license number for both of those purposes.

Any person aggrieved by any decision of the Department under this <u>Section</u> subsection may, within <u>45</u> 30 days after notice of the decision, protest and request a hearing. Upon receiving a request for a hearing, the Department shall give notice to the person requesting the hearing of the time and place fixed for the hearing and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to that person. In the absence of a protest and request for a hearing within 30 days, the Department's decision shall become final without any further determination being made or notice given.

24 (Source: P.A. 98-1055, eff. 1-1-16; revised 12-1-14.)

- 1 (Text of Section before amendment by P.A. 98-1055)
- Sec. 10-25. License actions. The Department may, after
- 3 notice and a hearing, revoke, cancel, or suspend the license of
- 4 any distributor who violates any of the provisions of this Act.
- 5 The notice shall specify the alleged violation or violations
- 6 upon which the revocation, cancellation, or suspension
- 7 proceeding is based.
- 8 The Department may revoke, cancel, or suspend the license
- 9 of any distributor for a violation of the Tobacco Product
- 10 Manufacturers' Escrow Enforcement Act as provided in Section 20
- of that Act.
- The Department may, by application to any circuit court,
- obtain an injunction restraining any person who engages in
- 14 business as a distributor of tobacco products without a license
- 15 (either because his or her license has been revoked, canceled,
- or suspended or because of a failure to obtain a license in the
- 17 first instance) from engaging in that business until that
- 18 person, as if that person were a new applicant for a license,
- 19 complies with all of the conditions, restrictions, and
- 20 requirements of Section 10-20 of this Act and qualifies for and
- 21 obtains a license. Refusal or neglect to obey the order of the
- 22 court may result in punishment for contempt.
- 23 (Source: P.A. 92-737, eff. 7-25-02.)
- 24 (Text of Section after amendment by P.A. 98-1055)
- 25 Sec. 10-25. License actions.

- (a) The Department may, after notice and a hearing, revoke, cancel, or suspend the license of any distributor or retailer who violates any of the provisions of this Act. The notice shall specify the alleged violation or violations upon which the revocation, cancellation, or suspension proceeding is based.
- (b) The Department may revoke, cancel, or suspend the license of any distributor for a violation of the Tobacco Product Manufacturers' Escrow Enforcement Act as provided in Section 20 of that Act.
  - (c) If the retailer has a training program that facilitates compliance with minimum-age tobacco laws, the Department shall suspend for 3 days the license of that retailer for a fourth or subsequent violation of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act, as provided in subsection (a) of Section 2 of that Act. For the purposes of this Section, any violation of subsection (a) of Section 2 of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act occurring at the retailer's licensed location, during a 24-month period, shall be counted as a violation against the retailer.

If the retailer does not have a training program that facilitates compliance with minimum-age tobacco laws, the Department shall suspend for 3 days the license of that retailer for a second violation of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products

1 Act, as provided in subsection (a-5) of Section 2 of that Act.

If the retailer does not have a training program that facilitates compliance with minimum-age tobacco laws, the Department shall suspend for 7 days the license of that retailer for a third violation of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act, as provided in subsection (a-5) of Section 2 of that Act.

If the retailer does not have a training program that facilitates compliance with minimum-age tobacco laws, the Department shall suspend for 30 days the license of a retailer for a fourth or subsequent violation of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act, as provided in subsection (a-5) of Section 2 of that Act.

A training program that facilitates compliance with minimum-age tobacco laws must include at least the following elements: (i) it must explain that only individuals displaying valid identification demonstrating that they are 18 years of age or older shall be eligible to purchase cigarettes or tobacco products and; (ii) it must explain where a clerk can check identification for a date of birth; and (iii) it must explain the penalties that a clerk and retailer are subject to for violations of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act. The training may be conducted electronically. Each retailer that has a training program shall require each employee who completes the training

program to sign a form attesting that the employee has received and completed tobacco training. The form shall be kept in the employee's file and may be used to provide proof of training. If a retailer has a training program in place prior to the effective date of this amendatory Act of the 99th General Assembly, has a training program approved by another state, or follows the guidelines set forth by the federal Food and Drug Administration, then that training program shall be deemed to meet the minimum standards in this State.

- (d) The Department may, by application to any circuit court, obtain an injunction restraining any person who engages in business as a distributor of tobacco products without a license (either because his or her license has been revoked, canceled, or suspended or because of a failure to obtain a license in the first instance) from engaging in that business until that person, as if that person were a new applicant for a license, complies with all of the conditions, restrictions, and requirements of Section 10-20 of this Act and qualifies for and obtains a license. Refusal or neglect to obey the order of the court may result in punishment for contempt.
- 21 (Source: P.A. 98-1055, eff. 1-1-16.)
- Section 15. The Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act is amended by changing Section 2 as follows:

- 1 (720 ILCS 675/2) (from Ch. 23, par. 2358)
- 2 (Text of Section before amendment by P.A. 98-1055)
- 3 Sec. 2. Penalties.
- 4 (a) Any person who violates subsection (a), (a-5), or (a-6)
- of Section 1 or Section 1.5 of this Act is guilty of a petty
- 6 offense and for the first offense shall be fined \$200, \$400 for
- 7 the second offense in a 12-month period, and \$600 for the third
- 8 or any subsequent offense in a 12-month period.
- 9 (b) If a minor violates subsection (a-7) of Section 1 he or
- 10 she is guilty of a petty offense and the court may impose a
- 11 sentence of 15 hours of community service or a fine of \$25 for
- 12 a first violation.
- 13 (c) A second violation by a minor of subsection (a-7) of
- 14 Section 1 that occurs within 12 months after the first
- violation is punishable by a fine of \$50 and 25 hours of
- 16 community service.
- 17 (d) A third or subsequent violation by a minor of
- 18 subsection (a-7) of Section 1 that occurs within 12 months
- 19 after the first violation is punishable by a \$100 fine and 30
- 20 hours of community service.
- 21 (e) Any second or subsequent violation not within the
- 22 12-month time period after the first violation is punishable as
- 23 provided for a first violation.
- 24 (f) If a minor is convicted of or placed on supervision for
- a violation of subsection (a-7) of Section 1, the court may, in
- 26 its discretion, and upon recommendation by the State's

Attorney, order that minor and his or her parents or legal guardian to attend a smoker's education or youth diversion program if that program is available in the jurisdiction where the offender resides. Attendance at a smoker's education or youth diversion program shall be time-credited against any community service time imposed for any first violation of subsection (a-7) of Section 1. In addition to any other penalty that the court may impose for a violation of subsection (a-7) of Section 1, the court, upon request by the State's Attorney, may in its discretion require the offender to remit a fee for his or her attendance at a smoker's education or youth diversion program.

- (g) For purposes of this Section, "smoker's education program" or "youth diversion program" includes, but is not limited to, a seminar designed to educate a person on the physical and psychological effects of smoking tobacco products and the health consequences of smoking tobacco products that can be conducted with a locality's youth diversion program.
- (h) All moneys collected as fines for violations of subsection (a), (a-5), (a-6), or (a-7) of Section 1 shall be distributed in the following manner:
  - (1) one-half of each fine shall be distributed to the unit of local government or other entity that successfully prosecuted the offender; and
  - (2) one-half shall be remitted to the State to be used for enforcing this Act.

- 1 (Source: P.A. 98-350, eff. 1-1-14.)
- 2 (Text of Section after amendment by P.A. 98-1055)
- 3 Sec. 2. Penalties.
- 4 (a) Any person who violates subsection (a) or (a-5) of 5 Section 1 or Section 1.5 of this Act is guilty of a petty 6 offense. For the first offense in a 24-month period, the person 7 shall be fined \$200 if his or her employer has a training 8 program that facilitates compliance with minimum-age tobacco 9 laws. For the second offense in a 24-month period, the person 10 shall be fined \$400 if his or her employer has a training 11 program that facilitates compliance with minimum-age tobacco 12 laws. For the third offense in a 24-month period, the person 1.3 shall be fined \$600 if his or her employer has a training 14 program that facilitates compliance with minimum-age tobacco 15 laws. For the fourth or subsequent offense in a 24-month 16 period, the person shall be fined \$800 if his or her employer has a training program that facilitates compliance with 17 18 minimum-age tobacco laws. For the purposes of this subsection, 19 the 24-month period shall begin with the person's first 20 violation of the Act. The penalties in this subsection are in 21 addition to any other penalties prescribed under the Cigarette 22 Tax Act and the Tobacco Products Tax Act of 1995.
- 23 (a-5) Any person who violates subsection (a) or (a-5) of 24 Section 1 or Section 1.5 of this Act is guilty of a petty 25 offense. For the first offense, the retailer shall be fined

\$200 if it does not have a training program that facilitates compliance with minimum-age tobacco laws. For the second offense, the retailer shall be fined \$400 if it does not have a training program that facilitates compliance with minimum-age tobacco laws. For the third offense, the retailer shall be fined \$600 if it does not have a training program that facilitates compliance with minimum-age tobacco laws. For the fourth or subsequent offense in a 24-month period, the retailer shall be fined \$800 if it does not have a training program that facilitates compliance with minimum-age tobacco laws. For the purposes of this subsection, the 24-month period shall begin with the person's first violation of the Act. The penalties in this subsection are in addition to any other penalties prescribed under the Cigarette Tax Act and the Tobacco Products Tax Act of 1995.

(a-6) For the purpose of this Act, a training program that facilitates compliance with minimum-age tobacco laws must include at least the following elements: (i) it must explain that only individuals displaying valid identification demonstrating that they are 18 years of age or older shall be eligible to purchase cigarettes or tobacco products and (ii) it must explain where a clerk can check identification for a date of birth; and (iii) it must explain the penalties that a clerk and retailer are subject to for violations of the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act. The training may be conducted

- require each employee who completes the training program to sign a form attesting that the employee has received and completed tobacco training. The form shall be kept in the employee's file and may be used to provide proof of training. If a retailer has a training program in place prior to the effective date of this amendatory Act of the 99th General Assembly, has a training program approved by another state, or follows the guidelines set forth by the federal Food and Drug Administration, then that training program shall be deemed to
- (b) If a minor violates subsection (a-7) of Section 1 he or she is guilty of a petty offense and the court may impose a sentence of 25 hours of community service and a fine of \$50 for a first violation. If a minor violates subsection (a-6) of Section 1, he or she is guilty of a Class A misdemeanor.

meet the minimum standards in this State.

- (c) A second violation by a minor of subsection (a-7) of Section 1 that occurs within 12 months after the first violation is punishable by a fine of \$75 and 50 hours of community service.
- (d) A third or subsequent violation by a minor of subsection (a-7) of Section 1 that occurs within 12 months after the first violation is punishable by a \$200 fine and 50 hours of community service.
- (e) Any second or subsequent violation not within the 12-month time period after the first violation is punishable as

1 provided for a first violation.

- (f) If a minor is convicted of or placed on supervision for a violation of subsection (a-6) or (a-7) of Section 1, the court may, in its discretion, and upon recommendation by the State's Attorney, order that minor and his or her parents or legal guardian to attend a smoker's education or youth diversion program if that program is available in the jurisdiction where the offender resides. Attendance at a smoker's education or youth diversion program shall be time-credited against any community service time imposed for any first violation of subsection (a-7) of Section 1. In addition to any other penalty that the court may impose for a violation of subsection (a-7) of Section 1, the court, upon request by the State's Attorney, may in its discretion require the offender to remit a fee for his or her attendance at a smoker's education or youth diversion program.
  - (g) For purposes of this Section, "smoker's education program" or "youth diversion program" includes, but is not limited to, a seminar designed to educate a person on the physical and psychological effects of smoking tobacco products and the health consequences of smoking tobacco products that can be conducted with a locality's youth diversion program.
- (h) All moneys collected as fines for violations of subsection (a), (a-5), (a-6), or (a-7) of Section 1 shall be distributed in the following manner:
  - (1) one-half of each fine shall be distributed to the

- 1 unit of local government or other entity that successfully
- 2 prosecuted the offender; and
- 3 (2) one-half shall be remitted to the State to be used
- 4 for enforcing this Act.
- 5 Any violation of subsection (a) or (a-5) of Section 1 or
- 6 Section 1.5 shall be reported to the Department of Revenue
- 7 within 7 business days.
- 8 (Source: P.A. 98-350, eff. 1-1-14; 98-1055, eff. 1-1-16.)
- 9 Section 95. No acceleration or delay. Where this Act makes
- 10 changes in a statute that is represented in this Act by text
- 11 that is not yet or no longer in effect (for example, a Section
- 12 represented by multiple versions), the use of that text does
- not accelerate or delay the taking effect of (i) the changes
- 14 made by this Act or (ii) provisions derived from any other
- 15 Public Act.
- Section 99. Effective date. This Act takes effect January
- 17 1, 2016.