



Retail License Fees

Through licensing and related regulations, local governments (cities and counties) have the opportunity to address the sale of tobacco and related devices and products (such as electronic cigarettes) in the retail environment. This fact sheet provides an overview of considerations involved when calculating retail tobacco licensing fees. It is one in a series of resources providing Minnesota-specific information on local retail tobacco licensing and point-of-sale options.

Background

Licensing is a tool that local governments use to regulate businesses to help ensure compliance with the law. Cities and counties incur costs when administering and enforcing those regulations. A retail tobacco license fee allows cities and counties to recover their costs by placing the financial burden on those creating them – the retailers and their customers. When the fee isn't sufficient,

What's a Fee Schedule?

Some communities do not include the actual license fees in the tobacco licensing ordinance. Instead, they are included within a “fee schedule,” a separate ordinance that can contain all of the fees charged for city/county licenses and permits.

By removing fees from the individual ordinances, a city or county can reduce the administrative burdens associated with ordinance changes. Multiple fees can be amended at one time. Only one ordinance needs to be published.

community residents are essentially subsidizing the sale of tobacco.

Retail license fees vary from community to community, with most between \$100 and \$500 a year. They are supposed to be different. One size does not fit all. The “correct” fee for one community may be too high or low in another. Underestimating costs may make a licensing program ineffective, but establishing fees that significantly exceed the costs may be an unlawful source of revenue. Local conditions will determine what the appropriate fee should be.

License fees should be carefully constructed and reviewed regularly.

Costs to Consider

The license fee can include **all direct and indirect expenses** related to issuing the licenses and supervising, inspecting, and regulating the license holders and their employees. In most communities, these expenses will include:

- **Human resources:** Employee wages, overtime, pension contributions, workers compensation, youth stipends, training and education, and contracts for services are just some examples. The costs attributed to these “human resources” can be significant and should be a primary consideration when calculating retail license fees.
- **Equipment and other resources:** From printing to postage, computers, and gasoline, a number of resources are needed if a licensing program is going to be successful. These material resources should also be considered when calculating the actual costs incurred.
- **Notices and publications:** Retailers **must** be informed by mail at least 30 days before the adoption or amendment of a retail tobacco licensing ordinance. Some cities and counties hold public hearings and publish notice when they are considering amendments to their retail regulations. All ordinances **must** be published in the city or county’s official newspaper before they become effective. Some cities and counties also publish compliance check results in the paper. Costs associated with these types of activities can be included in the licensing fee.
- **Applications and renewals:** Drafting and disseminating application materials, reviewing license applications, conducting background checks, and issuing licenses can all require significant staff time and the use of many other resources. Local licensing agencies must also provide the Department of Revenue information on license holders when licenses are issued, renewed, transferred, canceled, suspended, or revoked. These administrative costs can be incorporated into the licensing fee.
- **Mandatory retailer education:** In order to help retailers comply with the law and reduce youth access to tobacco products, some local governments require retailers and/or their employees to complete mandatory trainings on tobacco regulations, penalties, and best practices to prevent sales to minors. Such education may be a condition of the license or a consequence after a violation occurs. Costs associated with these trainings can be reflected in the license fee.
- **Compliance checks and inspections:** As the local licensing authority, cities and counties are responsible for ensuring that retailers are complying with state and local tobacco control laws that address youth access, require child-resistant packaging, regulate product placement within the retail establishment, limit sampling, and other local regulations. While local enforcement staff are required to conduct at least one unannounced compliance check at each retailer in their jurisdiction, additional retail inspections are also permitted. The number of inspections will impact the fee calculation. For more information on enforcement programs, see *Compliance and Local Enforcement Programs*.
- **Violations and penalties:** Local licensing authorities must establish an administrative hearing system where alleged violators can challenge penalties. While the penalties imposed and the hearing or court costs collected should cover some of these expenses (when cycled back into the enforcement program), any shortfall can be addressed through licensing fees. For more information on penalties, see *Violations and Penalties*.
- **Alternative penalties for minors:** Licensing agencies are required to work with interested stakeholders (parents, educators, etc.) to develop alternative penalties for minors who purchase, possess, or consume tobacco products. These costs can be considered as well. For more information on penalties, see *Violations and Penalties*.

CONTACT US

Please feel free to contact the Public Health Law Center at (651) 290-7506 or publichealthlaw@mitchellhamline.edu with any questions about the information included in this fact sheet or to discuss concerns you may have about implementing these policy options.

License Fee Checklist

Notices & Publications

- Staffing costs (drafting, meetings, etc.)----- \$ _____
 - Printing & mailing (envelopes, paper, postage, printing, etc.)----- \$ _____
 - Publication costs----- \$ _____
 - Education costs (meetings, responding to questions, etc.)----- \$ _____
 - Meeting costs----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____

License Applications & Renewals

- Staffing costs (training, drafting & review)----- \$ _____
 - Equipment & supplies (paper, computers, etc.) \$ _____
 - Background checks----- \$ _____
 - Printing & mailing (envelopes, paper, postage, printing, etc.)----- \$ _____
 - Meeting costs----- \$ _____
 - Processing payments----- \$ _____
 - Filing & recordkeeping----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____

Mandatory Retailer Education

- Staffing costs----- \$ _____
 - Resource development----- \$ _____
 - Printing & mailing (envelopes, paper, postage, printing, etc.)----- \$ _____
 - Meeting costs (food, beverages, rental costs, etc.)----- \$ _____
 - Filing & recordkeeping----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____

Compliance Checks & Inspections

- Staffing costs (employee and/or independent contractors)----- \$ _____
 - Protocol & resource development----- \$ _____
 - Training costs----- \$ _____
 - Transportation costs (fuel, mileage, depreciation)----- \$ _____
 - Printing & mailing----- \$ _____
 - Youth recruitment & training----- \$ _____
 - Youth stipend/reimbursement----- \$ _____
 - Filing & recordkeeping----- \$ _____
 - Program review & assessment----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____

Violations & Penalties

- Staffing costs----- \$ _____
 - Filing & recordkeeping----- \$ _____
 - Hearing and/or court fees----- \$ _____
 - Prosecution costs----- \$ _____
 - Printing & mailing (envelopes, paper, postage, printing, etc.)----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____

Alternative Penalties - Minors

- Staffing costs----- \$ _____
 - Equipment & supplies----- \$ _____
 - Filing & recordkeeping----- \$ _____
 - Printing & mailing (envelopes, paper, postage, printing, etc.)----- \$ _____
 - Meeting costs----- \$ _____
 - Training costs----- \$ _____
 - Program review & assessment----- \$ _____
 - Other costs----- \$ _____
- TOTAL** \$ _____