## MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN 2005 (FIRST) Regular Session

Bill No. 121 (50)

Introduced by:

J. A. Lujan Mike Cruz, M.D.

AN ACT TO REPEAL AND RE-ENACT CHAPTER 6 OF TITLE 11 GUAM CODE ANNOTATED, RELATIVE TO THE LICENSING REQUIREMENTS FOR THE RETAIL AND WHOLESALE OF TOBACCO PRODUCTS; TO ADD A NEW ARTICLE 6 TO CHAPTER 6 OF TITLE 11 CODE ANNOTATED, RESTRICT **GUAM** TO **OF IMPORTATION TOBACCO PRODUCTS** TO MANUFACTURER'S REPRESENTATIVES; AND TO AMEND SECTION 26601(C) OF CHAPTER 26 OF TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO THE TOBACCO TAX

## BE IT ENACTED BY THE PEOPLE OF GUAM:

- 2 Section 1. Chapter 6 of Title 11 of the Guam Code Annotated is hereby repealed
- and re-enacted to read as follows:

4			"Chapter 6
5	Article	1.	General Provisions
6		2.	Licenses
7		3.	Issuance of Licenses
8		4.	Sale or Distribution to Minors Prohibited
9		5.	Enforcement

1	6. Prohibitions on Importations
2	Article 1. General Provisions.
3	Section 6100. Title.
4	Section 6101. Definitions.
5	Section 6102. Applicability of Commercial Licenses
6	Provisions and Requirements.
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8	Section 6100. Title. This Chapter shall be known and cited as the "Tobacco
9	Control Act of 2005."
10	Section 6101. Definitions. Unless the context otherwise requires, the
11	definitions set forth herein shall govern the construction and interpretation of this
12	Chapter.
13	(a) "Director" means the Director of the Department of Revenue and
14	Taxation.
15	(b) "License" means Retail License and Wholesale License for sales of
16	tobacco products, as defined under this Section.
17	(c) "Minor" means any person under eighteen (18) years of age.
18	(d) "Person" means any individual, company, corporation, firm
19	partnership, organization, estate, trust, limited liability company, limited liability
20	partnership or other legal entity.
21	(e) "Retail" means the sale of tangible personal property for consumption
22	or use by the purchaser and not for resale.
23	(f) "Retail License" means a license issued by the Director of the
24	Department of Revenue and Taxation for the retail sale of tobacco products or sale
25	through a vending machine.

(g) "Tobacco product" means any tobacco cigarette, cigar, pipe tobacco, smokeless tobacco, chewing tobacco or any other form of tobacco which may be utilized for smoking, chewing, inhalation or other means of ingestion.

- (h) "Vending machine" means any mechanical, electrical or electronic device that, on insertion of money, tokens or any other form of payment, automatically dispenses tobacco products.
- (i) "Wholesale" means the importation into or purchase on Guam from a manufacturer or other wholesale licensee of tangible personal property not for consumption or use by the purchaser but solely for resale or retail wholesale or retail sellers.
- (j) "Wholesale License" means a license issued by the Director of the Department of Revenue and Taxation for the wholesale sale of tobacco products to retailers.
- Section 6102. Applicability of Commercial Licenses Provisions and Requirements. Provisions and requirements of Chapters 70 and 72 of Title 11 of the Guam Code Annotated applicable to commercial licenses shall govern this Chapter in matters and provisions not specifically provided in this Chapter and when relevant.

19	Art	ticle 2. Licenses
20	Section 6200.	License: Required.
21	Section 6201.	Same: Classes and Fees.
22	Section 6202.	Same: Term.
23	Section 6203.	Same: Renewal.
24	Section 6204.	Same: Vending Machines.
25	Section 6205.	Same: Multiple.
26	Section 6206.	License: Privilege: Limitation.

Section 6207. Same: Limitation.

Section 6208. Display of License.

3 Section 6200. License: Required.

- (a) It shall be a violation of this Chapter for any person to wholesale tobacco products without first obtaining a valid wholesale tobacco license.
- (b) It shall be a violation of this Chapter for any person to retail tobacco products without first obtaining a valid retail tobacco license for each premise or vending machine in which tobacco products are sold.
- (c) Any person directly or indirectly engaged in the business of manufacturing tobacco products may not retail tobacco products, directly or indirectly, or hold a retail or wholesale license. It shall not be a violation of this Chapter for any such person engaged in the business of manufacturing tobacco products to import, export or sell for resale tobacco products to a duly licensed tobacco wholesaler.

Section 6201. Same: Classes and Fees. The Director is authorized to issue the following classes of licenses at the following fees, which shall be paid by the applicant at the time of application:

- (a) Annual Retail License \$ 40.00;
- (b) Annual Vending Machine Retail License \$ 20.00;
- (c) Annual Wholesaler License \$ 500.00.

Section 6202. Same: Term. Licenses shall be issued on an annual basis and shall expire on the thirty-first (31st) day of March following the date of issuance. The full fee shall be paid for any fraction of the year for which a license is issued.

Section 6203. Same: Renewal. A licensee may renew his license at the expiration thereof by the payment of the annual license fee set forth in this Chapter and by filing a renewal application. A licensee who fails to renew his license on or

before the thirty-first (31st) day of March of each year shall be assessed a late fee of Twenty Dollars (\$20.00) and a penalty of One Dollar (\$1.00) per each calendar day he is delinquent, which penalty shall become part of the renewal fee, and the license is automatically suspended, unless all payments for annual fee, late fee and the daily penalty are paid in full on or before April 30 of that year, in which case the license may be reinstated by the Director immediately. Unless the license is so reinstated, it is automatically revoked and the Director shall not issue a license except upon a new original application. Any licensee who fails to renew his or her license on or before the thirtieth (30th) day of April shall be required to discontinue the sales of tobacco products. 

Additionally, any licensee who fails to renew his or her license on or before the thirtieth (30th) day of April shall be subject to an injunction issued by the Superior Court of Guam and to prosecution under §§70119. Such failure to renew while continuing the operation of the business shall constitute refusal and failure to obtain a license under the provisions of Division 3 of this Title.

Section 6204. Same: Vending Machines.

- (a) The owner of a vending machine shall obtain a retail license and pay the fee required for each vending machine.
- (b) Any licensee who violates Subsection (a) of this Section shall be fined Fifty Dollars (\$50.00) per violation

Section 6205. Same: Multiple. A licensee applying for retail licenses to operate more than one (1) premise or more than one (1) vending machine shall obtain a separate retail license for each premise and each vending machine, and shall pay the fee prescribed for each premise and each machine.

- Section 6206. License: Privilege: Limitation. A licensee is limited to the privileges conferred by the license and is not authorized to exercise any other privileges.
  - Section 6207. Same: Limitation. A licensee is limited to the premises for which the license is issued and is not authorized to exercise the privileges conferred by the license at an additional or other premises.
- 7 Section 6208. Display of License.

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- (a) A licensee for sales of tobacco products, excluding sales through vending machines, shall prominently display the license on each licensed premise.
- 10 (b) The licensee for vending machines sales of tobacco products shall 11 affix a retail license decal furnished by the Department in a prominent position on 12 each vending machine.
- 13 (c) Any licensee who violates this Section shall be fined Fifty Dollars 14 (\$50.00) per violation.
- 15 Article 3. Issuance of Licenses.
- Section 6300. License: Restrictions
- 17 Section 6301. Same: Same: Real Party in Interest.
- Section 6302. Same: Same: Minors.
- 19 Section 6303. Same: Same: Prior Revokee.
- Section 6304. Same: Same: Unfit Person.
- Section 6305. Same: Application.
- Section 6306. Application: Investigation.
- Section 6307. Penalties for Selling Tobacco Products Without a License.
- Section 6300. License: Restrictions.
  - (a) Except in the case vending machine retail license, the Director shall not issue a license to any person who is then holding a license of another class.

(b) No wholesaler within or outside of Guam or any officer, subsidiary, affiliate or other entity in which a wholesaler holds any ownership or interest, directly or indirectly by stock ownership, interlocking directors, trusteeship, loan, mortgage or lien on any real or person property, shall hold any tobacco license other than a wholesaler's license in Guam.

Section 6301. Same: Same: Real Party in Interest. The Director shall not issue a license of any class to an applicant who is not the real party in interest.

Section 6302. Same: Same: Minors. The Board shall not issue a license of any class to a person under eighteen (18) years of age.

Section 6303. Same: Same: Prior Revokee. Except in the case of a license revoked for non-payment of a renewal fee, the Director shall not issue a license of any class to any person who held a license of any class which was revoked within a one-year period prior to the date of the application.

Section 6304. Same: Same: Unfit Person. The Director shall not issue a license of any class to any person the Director deems unfit to hold a license.

Section 6305. Same: Application. An applicant for a license shall submit an application in writing to the Director, verified under oath and accompanied by the license fee.

Section 6306. Application: Investigation. Upon receipt of an application for a license and the license fee, the Director shall cause a thorough investigation to be made to determine whether or not the applicant and the premises qualify for a license.

Section 6307. Penalties for Selling Tobacco Products Without a License. In addition to any other penalties and fines that may be levied, including those under \$6404 and 70120 of this Title, any person who violates \$6200 shall be guilty of a misdemeanor as set forth in \$70119 of this Title, and punished as follows:

1	(a) in the	ne case of a first violation, by a fine of Two Hundred Fifty
2	Dollars (\$250.00);	
3	(b) in the	he case of a second violation, by a fine of Five Hundred
4	Dollars (\$500.00);	
5	(c) in the	ne case of three (3) or more violations, a fine of not less than
6	One Thousand Dollars	s (\$1,000.00), nor more than Two Thousand Five Hundred
7	Dollars (\$2,500.00), and	I the person shall not be eligible to apply for a license for five
8	(5) years after the date	of the assessment of a fine.
9	Article 4	4. Sale or Distribution to Minors Prohibited
10	Section 6400.	Sale or Distribution of Tobacco Products to Minors
11	Prohibited	
12	Section 6401.	Acceptable Forms of Identification.
13	Section 6402.	Display of Prohibition on Sales to Minors.
14	Section 6403.	Licensee Responsible for Employee Actions.
15	Section 6404.	Penalties for Selling Tobacco Products to Minors.
16	Section 6405.	Minors Prohibited from Possession, Use and Purchase of
17	Tobacco Pr	roducts.
18	Section 6406.	Tobacco Education for Minors.

Section 6400. Sale or Distribution of Tobacco Products to Minors Prohibited.

- (a) It shall be a violation of this Chapter for any person to sell or distribute tobacco products to minors. It shall not be a violation of this Chapter for any person to refuse to sell or distribute tobacco products to any person whom the seller or the distributor reasonably believes to be under twenty-seven (27) years of age, and who is unable to produce acceptable photographic identification and proof that he or she is over the age of eighteen (18) years.
- (b) Vending machines selling tobacco products shall be placed in such a location that they are accessible only to persons over the age of eighteen (18) or are under the constant, direct supervision and unobstructed line-of-sight of the person authorizing the installation or placement of the tobacco vending machine upon premises he or she manages or otherwise controls, or his or her agent or employee. It shall be the responsibility of the supervising adult to ensure that minors do not purchase tobacco products from vending machines. For purposes of this Section, the person liable for selling or furnishing tobacco products to minors by a tobacco vending machine shall be the person authorizing the installation or placement of the tobacco vending machine upon premises he or she manages, or otherwise controls, and under circumstances in which he or she has knowledge, or should otherwise have grounds for knowledge, that the tobacco vending machine will be utilized by minors.
- (c) This Section does not prohibit a licensee or an employer from distributing tobacco products to any employee who handles tobacco products in the course of the commercial distribution or sale of the products. In any proceeding for the suspension or revocation of any license, and based upon a violation of this Section, proof that the defendant licensee or his agent or employee demanded and was shown, before furnishing any tobacco product to a minor, an identification

- card, such person shall be a defense to such proceeding for the suspension or revocation of any license.
- Section 6401. Acceptable Forms of Identification. For the purposes of this
  Chapter, the following instruments are the only acceptable types of instruments of
  identification as required in §6400:
- 6 (a) a valid unexpired driver's license issued by any state, territory or possession of the United States;
- 8 (b) an official identification issued by a Federal or state government 9 with the individual's photograph and signature;
  - (c) an armed forces identification card;
  - (d) a valid, unexpired passport; and
- (e) an alien registration receipt card (green card).

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- Section 6402. Display of Prohibition on Sales of Tobacco Products to Minors.

  All licensees shall post notice of this Chapter prohibiting the sale of tobacco

  products to minors.
  - (a) In the case of a retail operation, notices shall be publicly and conspicuously displayed in the licensee's place of business in letters at least two inches (2") in height.
  - (b) In the case of vending machine, licensee shall affix to the front of each vending machine a sign in letters at least one-half inch (½") in height.
- 21 (c) Any licensee who violates this Section shall be fined Fifty Dollars 22 (\$50.00) per violation.
  - Section 6403. Licensee Responsible for Employee Actions. Acts or omissions of an employee of a licensee that violate any provisions of this Chapter shall be deemed to be acts or omissions of the licensee.
  - Section 6404. Penalties for Selling or Distributing Tobacco Products to Minors.

- 1 (a) In addition to any other penalties and fines that may be levied, 2 any person who violates §6400 of this Chapter shall be assessed penalties and/or 3 have their license suspended as follows
- i. in the case of a first violation in any five-year (5) period, the person shall be fined Five Hundred Dollars (\$500.00) and shall be notified in writing of penalties levied for further violations;
- ii. in the case of a second violation in any five-year (5) period, the person shall be fined One Thousand Dollars (\$1,000.00) and, in the case of a licensee, the license shall be suspended for ninety (90) days;
- iii. in the case of a third violation in any five (5) year period, the person shall be fined Two Thousand Five Hundred Dollars (\$2,500.00) and, in the case of a licensee, the license shall be suspended for one hundred eighty (180) days;

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- iv. in the case of four (4) or more violations within any five (5) year period, the person shall be fined Five Thousand Dollars (\$5,000.00) and, in the case of a licensee, the license shall be revoked. The revoked retailer shall be ineligible to apply for a new license for two (2) years after the effective date of the revocation.
- (b) Failure to pay a fine levied under this Chapter within thirty (30) days of the date the fine becomes effective shall result in the suspension of the licensee's license until such fines are paid.
- (c) During any suspension or revocation of a license under this Section, the licensee so suspended may not sell tobacco products and must remove all tobacco products from all areas covered by that license. In addition, any new application for a license to sell tobacco products while a licensee is suspended under this Chapter shall be denied.

Section 6405. Minors Prohibited from Possession, Use and Purchase of Tobacco Products. It shall be a violation of this Chapter for any minor to use or be in possession of tobacco products or attempting to purchase tobacco products using false identification.

Section 6406. Tobacco Education for Minors. Any minor who violates §6405 of this Chapter shall attend an education program on tobacco products to include smoking cessation information administered by the Department of Mental Health and Substance Abuse, Department of Public Health and Social Services, Department of Education or other government agencies with similar programs recognized by any or all of these departments.

## Article 5. Enforcement.

Section 6500. Enforcement.

Section 6501. Notice.

Section 6502. Hearing.

Section 6503. Publication and Distribution of Laws and Rules.

Section 6504. Use of Collected Fees and Penalties for Youth Programs.

Section 6505. Youth Tobacco Education and Prevention Fund.

Section 6506. Report.

Section 6500. Enforcement. The primary responsibility for enforcement of this Chapter shall be with the Department of Revenue and Taxation ("DRT") in cooperation with the Department of Mental Health and Substance Abuse. Any person may register a complaint under this Section with DRT. The Director shall notify any establishment or individual subject to this Chapter of a complaint regarding that establishment's or individual's alleged violation of this Chapter, and shall keep a record of that notification.

(a) In carrying out its enforcement responsibilities, the Director or his or her designee shall conduct random, unannounced inspections at retail sites and may enlist the assistance of persons that are between twelve (12) and seventeen (17) years of age, upon written consent of their parents or legal guardians, in conducting these enforcement activities. Participation in these enforcement activities by a minor shall not constitute a violation of §6405 of this Chapter, and the minor is immune from prosecution or penalties thereunder, or under any other provision of law prohibiting the purchase of these products by minors.

- (b) The Director shall adopt and publish guidelines for the use of minors in inspections conducted pursuant to this Section, that shall include, but not be limited to, all of the following:
- i. the Director, or his or her designee, may, upon written consent of their parents or legal guardians, enlist the services of minors who are between twelve (12) and seventeen (17) years of age in random inspections to determine if sales of cigarettes or other tobacco products are being made to minors;
- ii. a photograph or video recording of the minors shall be taken prior to each inspection or shift of inspections and retained by the Director or his or her designee for purposes of verifying appearances;
- iii. the Director, or his or her designee, may use video recording equipment when conducting the inspections to record and document illegal sales or attempted sales;
- iv. the minor, if questioned about his or her age, shall state his or her actual age and shall present a true and correct identification if verbally asked to present it (Any failure on the part of the minor to provide true and correct identification, if verbally asked for it, shall be a defense to any action pursuant to this Section.);

v. the minor shall be under the supervision of a regularly employed peace officer, or an adult duly authorized by the Director, or his or her designee, during the inspection;

- vi. following the completion of the sale, or attempted sale, the peace officer, or an adult duly authorized by the Director, or his or her designee accompanying the minor, shall reenter the retail establishment and inform the seller of the random inspection and identify the minor to the seller; and
- vii. failure to comply with the procedures set forth in this Section shall be a defense to any action brought pursuant to this Chapter.

Section 6501. Notice. Unless otherwise provided, prior to the revocation or suspension of a license issued under this Chapter, the Director shall provide a notice to the holder of said license, via certified mail, return receipt requested. The notice shall contain the following information:

- (a) the name and title of the person issuing the notice;
- 15 (b) the date on which the fine, suspension or revocation will become 16 effective;
  - (c) the reason for the fine, revocation or suspension; that the licensee may request a hearing regarding the fine, revocation or suspension;
  - (d) that the request for a hearing shall be made in person or in writing via certified mail, return receipt requested and received by the Director within ten (10) days after receipt of the notice; and
    - (e) that failure to appear in person or through mail received by the Director within ten (10) days after receipt of the notice, or by the notice's return by the U.S. Postal Service shall act as a waiver of the right to a hearing and the fine, revocation or suspension will, if applicable, become effective on the date included in the notice.

Section 6502. Hearing. Except as otherwise specifically provided for herein, the Director shall conduct proceedings on any hearing required under the provisions of this Chapter in accordance with the provisions of the Administrative Adjudication Law, and shall have all of the powers granted in such Act.

- (a) Upon receipt of the request for a hearing as provided in this Section, a hearing shall be held before a Hearings Officer appointed by the Director in accordance with the Administrative Adjudication Law. The hearing shall be set and conducted within forty-eight (48) hours of receipt of the request, holidays, Saturdays and Sundays not to be included. The hearing can be set for a later day if the applicant or licensee so requests, but no later than as required by law.
- (b) At the hearing the applicant or licensee may contest the denial, fine, revocation or suspension.
- (c) If the Hearings Officer finds that the applicant is not eligible for a license, the Hearings Officer shall declare the license application denied. If the Hearings Officer finds that the fine, suspension or revocation is in accordance with this Chapter, then that fine, suspension or revocation shall take effect immediately. The action of the Hearings Officer is final.
- (d) If the applicant or licensee does not appear at the scheduled hearing, in person, or through a representative as allowed by the Hearings Officer, the Hearings Officer shall enter an order supporting the denial, fine, revocation or suspension of the licensee or applicant.

Section 6503. Publication and Distribution of Laws and Rules. The Director shall compile and provide a copy of the compilation of laws and rules concerning retail tobacco sales to every new licensee at no charge.

Section 6504. Use of Collected Fees and Penalties for Youth Programs. All fines and fees assessed and collected under this Chapter shall be distributed and

- deposited in the following manner by DRT on the final working day of the months
  of March, June, September and December of each year:
- 3 (a) thirty percent (30%) to the Department of Parks and Recreation 4 Off-Island Sports Fund;

- (b) twenty percent (20%) to the Health and Human Services Fund;
- (c) and fifty percent (50%) to the Youth Tobacco Education and Prevention Fund.

Section 6505. Youth Tobacco Education and Prevention Fund. There is created, separate and apart from any other funds of the government of Guam, under the administration and control of the Department, the Youth Tobacco Education and Prevention Fund ("YTEPF"). YTEPF shall be held in an account or accounts at a Guam financial institution, or institutions, separate and apart from all other accounts and funds of the government of Guam, and shall not be subject to the transfer authority of I Maga''lahen Guåhan. One hundred percent (100%) of the funds in the YTEPF shall be utilized by the Department of Mental Health and Substance Abuse, for youth compliance monitoring and tobacco and drug prevention and education programs.

Section 6506. Report. The Director shall report monthly to the Department of Mental Health and Substance Abuse ("DMHSA") the list of all licenses granted and renewed, including the names and street addresses of the business or the location of the vending machine, the number of violations processed and the penalties imposed, and any other information that the Director and DMHSA agree upon.

1	Article 6. Prohibition on Importation
2	Section 6600. Who May Import.
3	Section 6601. Prohibitions.
4	Section 6602. Penalty.
5	Section 6600. Who May Import. Tobacco products may be brought into Guam
6	from without Guam for delivery or use within Guam only when the tobacco
7	products are imported by or consigned to a licensed wholesaler.
8	Section 6601. Prohibitions. The transportation or importation into Guam for
9	delivery or use in Guam of tobacco products without payment of the tax provided
10	by Chapter 26, Article 6, of this Code, or contrary to the provisions of Article, is
11	hereby prohibited.
12	Section 6602. Penalty. Whoever transports or imports into Guam for delivery
13	or use in Guam tobacco products in violation of this Article shall be punished as
14	follows:
15	(a) in the case of a first violation, the person shall be guilty of a
16	misdemeanor and may be fined not more than one thousand dollars (\$1,000.00) or
17	imprisoned for not more than one year, or both;
18	(b) in the case of any subsequent violation, the person shall be guilty
19	of a felony of the third degree and shall be fined not more than ten thousand dollars
20	(\$10,000.00) or imprisoned for not more than five years, or both.
21	Section 2. Section 26601(c) of Article 6 of Chapter 26 of Title 11 of the Guam Code
22	Annotated is hereby amended to read as follows:
23	"(c) Bonding. Any taxpayer holding an Annual Wholesaler
24	License under Section 6201 of Title 11 of the Guam Code
25	Annotated and against whom taxes are levied under this
26	Article with respect to tobacco products may, by

complying with the rules and regulations promulgated by the Tax Commissioner, and by placing such tobacco products in a warehouse under bond, delay the payment of said taxes until the due date of the monthly tax return for the month in which the tobacco products are withdrawn from the warehouse and no interest shall commence to run thereon until such due date.

(1) Relief from tax upon export. When the taxes levied under this Article have not been paid with respect to any tobacco products because said tobacco products were placed in a warehouse under bond, the taxpayer may export such tobacco products from Guam without payment of the taxes levied under this Article and, subject to the conditions set forth in §§26604(a), 26604(b) and 26605(d), be relieved of liability therefor upon submission of a claim for relief to the Tax Commissioner not later than the 20th day of the month following the month in which the tobacco products are withdrawn from the warehouse."

**Section 3.** Severability. If any provision of this Law or its application to any person or circumstance is found to be invalid or contrary to law, such invalidity shall not affect other provisions or applications of this Law which can be given effect without the invalid provisions or application, and to this end the provisions of this Law are severable.