



Legislation Details (With Text)

**File #:** Int 1547-2017 **Version:** A **Name:** Expanding the retail dealer license to include retailers of tobacco products and setting caps on retail dealer licenses, and to repeal subdivision c of section 17-702, relating to the definition of cigarette license.

**Type:** Introduction **Status:** Enacted  
**In control:** Committee on Health

**On agenda:** 4/5/2017

**Enactment date:** 8/28/2017 **Enactment #:** 2017/146

**Title:** A Local Law to amend the administrative code of the city of New York, in relation to expanding the retail dealer license to include retailers of tobacco products and setting caps on retail dealer licenses, and to repeal subdivision c of section 17-702, relating to the definition of cigarette license

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**Indexes:** Agency Rule-making Required

**Attachments:** 1. Legislative History Report, 2. Summary of Int. No. 1547-A, 3. Summary of Int. No. 1547, 4. April 5, 2017 - Stated Meeting Agenda with Links to Files, 5. Int. No. 1547, 6. Committee Report 4/27/17, 7. Hearing Testimony 4/27/17, 8. Hearing Transcript 4/27/17, 9. Proposed Int. No. 1547-A - 8/3/17, 10. Committee Report 8/8/17, 11. Hearing Transcript 8/8/17, 12. August 9, 2017 - Stated Meeting Agenda with Links to Files, 13. Fiscal Impact Statement, 14. Hearing Transcript - Stated Meeting 8-9-17, 15. Int. No. 1547-A (FINAL), 16. Mayor's Letter, 17. Local Law 146, 18. Minutes of the Stated Meeting - August 9, 2017

Date	Ver.	Action By	Action	Result
4/5/2017	*	City Council	Introduced by Council	
4/5/2017	*	City Council	Referred to Comm by Council	
4/27/2017	*	Committee on Health	Hearing Held by Committee	
4/27/2017	*	Committee on Health	Laid Over by Committee	
8/8/2017	*	Committee on Health	Hearing Held by Committee	
8/8/2017	*	Committee on Health	Amendment Proposed by Comm	
8/8/2017	*	Committee on Health	Amended by Committee	
8/8/2017	A	Committee on Health	Approved by Committee	Pass
8/9/2017	A	City Council	Approved by Council	Pass
8/9/2017	A	City Council	Sent to Mayor by Council	
8/25/2017	A	Mayor	Hearing Held by Mayor	
8/28/2017	A	Mayor	Signed Into Law by Mayor	
8/29/2017	A	City Council	Recved from Mayor by Council	

Int. No. 1547-A

By Council Members Lander, Johnson, Levine, Richards, Rosenthal, Cohen, Kallos, Barron and Maisel

A Local Law to amend the administrative code of the city of New York, in relation to expanding the retail dealer license to include retailers of tobacco products and setting caps on retail dealer licenses, and to repeal subdivision c of section 17-702, relating to the definition of cigarette license

Be it enacted by the Council as follows:

Section 1. Declaration of legislative findings and intent. The Council finds that tobacco use is a leading risk factor for preventable premature death in the United States and the City of New York, and that the City has a compelling interest in continuing its efforts to reduce tobacco use among adults and to prevent youth from starting to use tobacco products

Overall, the City has a high level of tobacco retail density with approximately 8,200 licensed cigarette retailers within approximately 300 square miles. The Council further finds, based on a number of studies, that easy access to tobacco retailers makes it harder for smokers to quit. In addition, weekly youth exposure to tobacco retail settings doubles the odds of youth smoking. Therefore, reducing the number of tobacco retailers over time is likely to reduce tobacco use and, in turn, morbidity.

The Council hereby declares that the enactment of this law is necessary to reduce the number of retailers selling tobacco products in New York City. This law will expand the scope of the existing retail dealer license for cigarettes to cover all tobacco products and restrict the availability of new retail dealer licenses, decreasing their numbers over time through attrition.

§ 2. Paragraph 4 of subdivision a of section 17-177 of the administrative code of the city of New York, as added by local law number 67 for the year 1990, is amended to read as follows:

(4) “Retail dealer” means “retail dealer” as defined in section [11-1301 of the administrative code] 20-201.

§ 3. Subdivision d of section 17-177 of the administrative code, as added by local law number 67 for the year 1990, is amended to read as follows:

d. Identification of vending machines. A wholesale dealer or retail dealer shall post a durable sign on any vending machine which such dealer is licensed to own, operate or maintain. Such sign shall be visible to

the general public and provide the applicable [cigarette] license number and expiration date and the license holder's name, place of business and phone number.

§ 4. Paragraph 1 of subdivision f of section 17-177 of the administrative code, as added by local law number 67 for the year 1990, is amended to read as follows:

(1) Any person found to be in violation of this section shall be liable for a civil penalty of not more than three hundred dollars for the first violation; not more than five hundred dollars for the second violation; and not more than one thousand dollars for the third and all subsequent violations. In addition, for a third and subsequent violations, any person who engages in business as a wholesale dealer or retail dealer shall be subject to the suspension of his or her [cigarette] license, for a period not to exceed one year, after notice and the opportunity for a hearing before the commissioner of finance or his or her designee. A wholesale dealer who owns, operates or maintains a vending machine placed in violation of subdivision b or paragraph (1) of subdivision c of this section shall be liable only if he or she has knowledge of the violation. The department shall promptly give written notice to the wholesale dealer identified on the sign required by subdivision d of this section of any such violation by an owner of the premises, or his or her employee or agent. For purposes of this section, such notice shall be prima facie evidence that the wholesale dealer has knowledge of future violations of subdivision b or paragraph (1) of subdivision c of this section.

§ 5. Subdivision c of section 17-702 of the administrative code of the city of New York is REPEALED.

§ 6. Subdivision b of section 17-716 of the administrative code of the city of New York, as amended by local law number 97 for the year 2013, is amended to read as follows:

b. Any person who violates section 17-715 of this subchapter shall be liable for a civil penalty of not more than one thousand dollars for the first violation, and not more than one thousand dollars for each additional violation found on that day; and not more than two thousand dollars for the second violation at the same place of business within a three-year period, and not more than two thousand dollars for each additional violation found on that day; and not more than five thousand dollars for the third and all subsequent violations

at the same place of business within a three-year period. In addition, for a third violation occurring on a different day and all subsequent violations occurring on different days at the same place of business within a three-year period, any person who engages in business as a retail dealer, as such term is defined in section 20-201 [of the code], shall be subject to the mandatory suspension of his or her [cigarette] license, issued pursuant to section 20-202 [of the code], for such place of business, for a period not to exceed one year. [A cigarette] Such license shall be suspended at the same hearing at which a retail dealer is found liable for a third violation or subsequent violations at the same place of business within a three-year period.

§ 7. Section 17-717 of the administrative code of the city of New York, as amended by local law number 97 for the year 2013, is amended to read as follows:

§ 17-717 Enforcement. The department, the department of consumer affairs and the department of finance shall enforce the provisions of this subchapter. A proceeding to recover any civil penalty authorized pursuant to section 17-716 [of this subchapter] shall be commenced by the service of a notice of violation returnable to the [health tribunal at the] office of administrative trials and hearings acting pursuant to section 558 and subdivision 2 of section 1048 of the charter where the department issues such a notice or to the [adjudication division of the department of consumer affairs] office of administrative trials and hearings acting pursuant to section 2203 and subdivision 2 of section 1048 of the charter where [such] the department of consumer affairs issues such a notice or to an adjudication division of the department of finance or the administrative tribunal selected by the commissioner of finance where the department of finance issues such notice. The notice of violation or copy thereof when filled in and served shall constitute notice of the violation charged. Such notice shall contain a statement that any hearing for a third violation or subsequent violation of section 17-715 [of this subchapter] at the same place of business within a three-year period shall also constitute a hearing for the suspension of a retail dealer's [cigarette] license where the retail dealer is found to be in violation of such section. The [health tribunal at the] office of administrative trials and hearings acting pursuant to section 558 and subdivision 2 of section 1048 of the charter, the [adjudication division of the department of

consumer affairs] office of administrative trials and hearings acting pursuant to section 2203 and subdivision 2 of section 1048 of the charter and an adjudication division of the department of finance or the administrative tribunal selected by the commissioner of finance shall have the power to render decisions and to impose the remedies and penalties provided for in section 17-716 [of this subchapter], in addition to any other remedies or penalties provided for the enforcement of such provisions under any other law including, but not limited to, civil or criminal actions or proceedings. The department, the department of consumer affairs and the department of finance shall notify each other within [thirty] 30 days of finding that a retail dealer has been found liable for any section of this subchapter.

§ 8. The heading of subchapter 1 of chapter 2 of title 20 of the administrative code of the city of New York, as added by local law number 2 for the year 2000, is amended to read as follows:

[RETAIL CIGARETTE] TOBACCO RETAIL DEALERS

§ 9. Section 20-201 of the administrative code of the city of New York, as added by local law number 2 for the year 2000, subdivision b as amended by part D of chapter 134 of the laws of 2010, subdivision f as amended by local law number 97 for the year 2013, is amended to read as follows:

§ 20-201 Definitions. Whenever used in this subchapter:

[a. "Agent"] Agent. The term “agent” means any person authorized to purchase and affix adhesive or meter stamps under chapter [thirteen] 13 of title [eleven of this code] 11 who is designated as an agent by the commissioner of finance.

[b. "Cigarette" shall mean] Cigarette. The term “cigarette” means any roll for smoking made wholly or in part of tobacco or any other substance, irrespective of size or shape and whether or not such tobacco or substance is flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material but is not made in whole or in part of tobacco.

[c. "Commissioner of finance"] Commissioner of finance. The term “commissioner of finance” means the commissioner of finance of the [City of New York] city.

Community district. The term “community district” means a community district established pursuant to chapter 69 of the charter.

Community district retail dealer cap. The term “community district retail dealer cap” means the maximum number of retail dealers permitted to obtain a license to sell cigarettes or tobacco products within a community district.

[d. "Dealer" shall mean] Dealer. The term “dealer” means any wholesale dealer or retail dealer as hereinafter defined.

Good standing. The term “good standing” means any retail dealer that has not been found to have violated subdivision a of section 20-202, subdivision a or b of section 11-1303, section 17-703, section 17-703.2, subdivision a of section 17-704, subdivision a of section 17-704.1, section 17-705, subdivision a or b of section 17-706 or section 17-715 on more than one day during the previous three consecutive years.

[e. "Person" shall mean] Person. Notwithstanding sections 1-112 and 20-102 of the code, the term “person” means any individual, partnership, society, association, joint-stock company, corporation, limited liability company, estate, receiver, trustee, assignee, referee or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of individuals.

[f. "Retail dealer" shall mean] Retail dealer. The term “retail dealer” means any person, other than a wholesale dealer, engaged in selling cigarettes or tobacco products. For the purposes of this chapter, the possession or transportation at any one time of more than [four hundred] 400 cigarettes or little cigars, or more than 50 cigars, or more than one pound of loose tobacco, smokeless tobacco, snus or shisha, or any combination thereof, by any person other than a manufacturer, an agent, a licensed wholesale dealer or a person delivering cigarettes or tobacco products in the regular course of business for a manufacturer, an agent or a licensed wholesale or retail dealer, shall be presumptive evidence that such person is a retail dealer.

[g. "Sale or purchase" shall mean] Sale or purchase. The term “sale or purchase” means any transfer of title or possession or both, exchange or barter, conditional or otherwise, in any manner or by any means

whatsoever or any agreement therefor.

Tobacco product. The term “tobacco product” means “tobacco product” as defined in section 17-702.

[h. "Wholesale dealer" shall mean] Wholesale dealer. The term “wholesale dealer” means any person who sells cigarettes to retail dealers or other persons for purposes of resale only, and any person who owns, operates or maintains one or more cigarette vending machines in, at or upon premises owned or occupied by any other person.

§ 10. Section 20-202 of the administrative code of the city of New York, as added by local law number 2 for the year 2000, subdivision d as amended by local law number 97 for the year 2013, is amended to read as follows:

§ 20-202 License. a. License required of retail dealers.

1. It shall be unlawful for any person to engage in business as a retail dealer without first having obtained a license as hereinafter prescribed for each place of business wherein such person sells cigarettes or tobacco products in the city.

2. It shall be unlawful for a person to permit any premises under such person's control to be used by any other person in violation of paragraph [one] 1 of subdivision a of this section.

b. License application. In order to obtain a license to engage in business as a retail dealer, a person shall file an application with the commissioner for a license for each place of business that he or she desires to have for the retail sale of cigarettes or tobacco products in the city. The application for each license or renewal thereof shall be made upon such form as prescribed by the commissioner and shall contain such information as the commissioner shall require.

c. Fee and license term. 1. There shall be a biennial fee of one hundred ten dollars for a license to engage in the business of a retail dealer at each place of business where cigarettes or tobacco products are sold in the city.

2. All even-numbered licenses shall expire on December 31 of the even-numbered year, and all odd-

numbered licenses shall expire on December 31 of the odd-numbered year, next succeeding the year in which the license is issued.

d. Issuance of license.

1. A license shall be issued to a person to conduct the business of a retail dealer for each place of business where such person engages in selling cigarettes or tobacco products in the city only where:

(A) an applicant for a license or renewal thereof meets all the requirements prescribed herein and any criteria in addition thereto established by the commissioner by rule as he or she deems necessary to effectuate the purposes of this subchapter;

(B) an applicant satisfies the commissioner that such person is fit and able to conduct the business of a retail dealer; [and]

(C) the commissioner has not received notification from the commissioner of finance or the commissioner of the department of health and mental hygiene that such applicant is not in full compliance with any provisions of [chapter thirteen of title eleven of this code, or chapter forty] chapter 13 or chapter 40 of title [eleven] 11 of this code relating to the sale of cigarettes or tobacco products, section 17-176 or section 17-176.1 or chapter [seven] 7 of title [seventeen of this code] 17, or any rules promulgated by the commissioner of finance or the commissioner of the department of health and mental hygiene to effectuate the purposes of such chapters; and

(D) the number of licenses in the community district in which the place of business of such applicant is located is lower than the community district retail dealer cap.

2. A retail dealer license shall not be assignable and shall be valid only for the persons in whose names it is issued and for the transaction of business in the place designated therein and shall at all times be conspicuously displayed at the place for which it is issued.

3. Where a license for any place of business licensed pursuant to this subchapter has been revoked, the commissioner shall refuse to issue a license required under this subchapter[, for a period of two years after such

revocation,] for such place of business [or for any part of the building that had contained such place of business and was connected therewith], unless the applicant for such license demonstrates with documentary proof, to the satisfaction of the commissioner, that the applicant acquired the premises or business through an arm's length transaction and that the applicant neither:

(A) shared in the ownership, or otherwise exercised control over the management, of the original licensee; nor

(B) employs any person who shared in the ownership, or otherwise exercised control over the management, of the original licensee.

4. For purposes of revocation of retail dealer licenses pursuant to section 17-710 [of the code], any violation of section 17-703, section 17-703.2, subdivision a of 17-704, subdivision a of section 17-704.1, section 17-705 or subdivision a or b of section 17-706, or, for purposes of suspension of retail dealer licenses pursuant to section 17-716 [of the code], any violation of section 17-715, by any license holder at a place of business shall be included in determining the number of violations by any subsequent license holder at the same place of business unless the subsequent license holder provides the commissioner with adequate documentation demonstrating that the subsequent license holder acquired the premises or business through an arm's length transaction and that the sale or lease was not conducted, in whole or in part, for the purpose of permitting the original licensee to avoid the effect of violations on the premises and that the subsequent license holder neither:

(A) shared in the ownership, or otherwise exercised control over the management, of the original licensee; nor

(B) employs any person who shared in the ownership, or otherwise exercised control over the management, of the original licensee.

5. For purposes of paragraphs 3 and 4 of [section 20-202] this subdivision, "arm's length transaction" means a sale of a fee or all undivided interests in real property, or lease of any part thereof, or a sale of a business, in good faith and for valuable consideration, that reflects the fair market value of such real property or

lease, or business, in the open market, between two informed and willing parties, where neither is under any compulsion to participate in the transaction, unaffected by any unusual conditions indicating a reasonable possibility that the sale or lease was made for the purpose of permitting the original licensee to avoid the effect of violations on the premises. The following sales or leases shall be presumed not to be arm's length transactions unless adequate documentation is provided demonstrating that the sale or lease was not conducted, in whole or in part, for the purpose of permitting the original licensee to avoid the effect of violations on the premises:

(1) a sale between relatives; or

(2) a sale between related companies or partners in a business; or

(3) a sale or lease affected by other facts or circumstances that would indicate that the sale or lease is entered into for the primary purpose of permitting the original licensee to avoid the effect of violations on the premises, or revocation of a license, such as a sale or lease entered into while there are violations pending against the original licensee that could result in revocation or suspension of the license.

e. Community district retail dealer cap.

1. The commissioner shall establish a community district retail dealer cap for each community district in the city. The initial community district retail dealer cap shall be 50 percent of the total number of licenses issued to retail dealers in the community district, exclusive of the number of licenses issued to retail dealers that are pharmacies, on the effective date of the local law that added this subdivision, as determined by the department.

2. The department, in conjunction with the department of health and mental hygiene, shall evaluate community district retail dealer caps every two years and any time community district boundaries change. Such evaluation shall include consideration of the number of retail dealers and the prevalence of cigarette smoking and use of other tobacco products. If, based on the evaluation, the department of health and mental hygiene recommends further reductions to the community district retail dealer cap, the department of health and mental

hygiene shall advise the speaker of the city council of such recommendations.

3. The commissioner may promulgate rules governing the application process related to the issuance of new licenses after the establishment of a community district retail dealer cap.

4. Exceptions for certain licenses. Notwithstanding subparagraph (D) of paragraph 1 of subdivision d, if:

(A) a license of a retail dealer expires at the end of the license term, such retail dealer may apply for renewal of such license;

(B) a business whose owner has been issued a retail dealer license is sold, the succeeding owner may apply for a license for use at the same location, provided that the retail dealer selling such business was in good standing at the time of such sale, and the application is received within thirty days of the applicable change of ownership;

(C) a retail dealer license becomes void pursuant to section 20-110, the succeeding beneficial owners of 10 percent or more of the stock of the organization to which a license had been granted may apply for a license, provided that such retail dealer was in good standing at the time the license became void, and the application is received within thirty days of the change of ownership; and

(D) a retail dealer license becomes void pursuant to section 20-111, the succeeding partnership may apply for a license, provided that such retail dealer was in good standing at the time the license became void and the application is received within thirty days of the change of ownership.

§ 11. Subdivision c of section 20-207 of the administrative code of the city of New York, as added by local law number 97 for the year 2013, is amended to read as follows:

c. The commissioner, after providing notice and [hearing] an opportunity to be heard, shall be authorized to order the sealing of any premises where any person has been found:

1. to have engaged in unlicensed activities in violation of this subchapter on at least two occasions within a three-year period; or

2. to have violated any of [sections] subdivision a of section 17-704, section 17-705, subdivision a or b of section 17-706 or section 17-715 on at least three occasions within a three-year period.

§ 12. This local law takes effect 180 days after it becomes law, except that subparagraph D of paragraph 1 of subdivision d of section 20-202 of the administrative code of the city of New York, as added by section ten of this local law, shall not apply to a pharmacy seeking a renewal of its license to engage in business as a retail dealer until December 31, 2018.

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