

Sponsor Statement for HB 512

Unfair Cigarette Sales Act

“An Act relating to cigarette sales; and providing for an effective date.”

House Bill 512 encourages fair and honest competition and to safeguard the public against unfair, dishonest and fraudulent business practices existing in transactions involving the sale of cigarettes in the wholesale and retail trades in the state.

This bill creates a general trade practice regulation prohibiting sales below cost. The law considers the practice of selling below cost to attract patronage a form of deceptive advertising, which diverts business from dealers who maintain a fair pricing policy, ultimately resulting in lessened competition and market disruption.

Among the exceptions included in House Bill 512, allowances are made for matching a competitor's price, or if the sales are for clearance of damaged goods and in final liquidation sales.

In the 39 states that now have an unfair sales law, enforcement of violations of the Act are generally prompted by written complaints submitted by merchants competing with the alleged violator. Staff reviews the complaints for applicability of the statute and prioritizes the investigations base on potential market injury. Investigations consist of interview with witnesses, and reviews of financial documents, such as invoices, shipping manifests, and records of price changes. Upon conclusion of the data collection phase, investigators draft reports and recommendations to a supervisor for a determination and a call for appropriate action.

The basic purpose of [HB 512](#) is to prevent predatory pricing and to ensure fair competition among both the retail and wholesale distributors of cigarettes in the state.