
By: **Delegates Hurson, Brown, Burns, Conroy, Franchot, Goldwater, King,
Lee, Marriott, Menes, Moe, Montgomery, Morhaim, Murray, Parker,
Pendergrass, Petzold, and V. Turner**

Introduced and read first time: February 13, 2004

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Tobacco Tax Revenues - Maryland Medical Assistance Program and**
3 **Maryland Children's Health Program - Increased Provider Reimbursements**

4 FOR the purpose of establishing a special fund to dedicate certain tobacco revenues to
5 increase provider reimbursements in the Maryland Medical Assistance Program
6 and the Maryland Children's Health Program; providing for the status,
7 composition, accounting, and investments of the special fund; requiring the
8 Comptroller to distribute a certain amount of tobacco tax revenue to the special
9 fund; providing that money in the special fund may be appropriated only for the
10 purposes of increasing provider reimbursements in the Maryland Medical
11 Assistance Program and the Maryland Children's Health Program; altering the
12 tobacco tax rate for cigarettes; providing for the applicability of the tobacco tax
13 as enacted by this Act to certain cigarettes on or after a certain date; and
14 generally relating to the use of tobacco tax revenues for increased provider
15 reimbursements under the Maryland Medical Assistance Program and the
16 Maryland Children's Health Program.

17 BY repealing and reenacting, with amendments,
18 Article - Tax - General
19 Section 2-1603 and 12-105(a)
20 Annotated Code of Maryland
21 (1997 Replacement Volume and 2003 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article - Tax - General**

25 2-1603.

26 (A) IN THIS SECTION, "SPECIAL FUND" MEANS THE SPECIAL FUND
27 ESTABLISHED UNDER THIS SECTION.

1 (B) (1) A SPECIAL FUND IS ESTABLISHED TO DEDICATE CERTAIN TOBACCO
2 TAX REVENUES TO INCREASE PROVIDER REIMBURSEMENTS IN THE MARYLAND
3 MEDICAL ASSISTANCE PROGRAM AND THE MARYLAND CHILDREN'S HEALTH
4 PROGRAM AS PROVIDED IN THIS SECTION.

5 (2) THE SPECIAL FUND IS A CONTINUING, NONLAPSING FUND THAT IS
6 NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

7 (3) THE SPECIAL FUND CONSISTS OF THE TOBACCO TAX REVENUES
8 DISTRIBUTED TO THE SPECIAL FUND UNDER SUBSECTION (C) OF THIS SECTION.

9 (4) THE TREASURER SHALL SEPARATELY HOLD AND THE COMPTROLLER
10 SHALL ACCOUNT FOR THE SPECIAL FUND.

11 (5) (I) THE SPECIAL FUND SHALL BE INVESTED AND REINVESTED IN
12 THE SAME MANNER AS OTHER STATE FUNDS.

13 (II) ANY INVESTMENT EARNINGS SHALL BE CREDITED TO THE
14 GENERAL FUND OF THE STATE.

15 (C) After making the distributions required under §§ 2-1601 and 2-1602 of
16 this subtitle, FROM THE REMAINING TOBACCO TAX REVENUE, the Comptroller shall
17 distribute:

18 (1) \$100,000,000 TO THE SPECIAL FUND; AND

19 (2) the remaining [tobacco tax revenue] BALANCE to the General Fund
20 of the State.

21 (D) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, MONEY IN THE
22 SPECIAL FUND SHALL BE RETAINED IN THE SPECIAL FUND AND MAY NOT BE SPENT
23 FOR ANY PURPOSE.

24 (2) MONEY IN THE SPECIAL FUND MAY BE APPROPRIATED ONLY FOR
25 THE PURPOSES OF INCREASING PARTICIPATING PROVIDER REIMBURSEMENTS IN
26 THE MARYLAND MEDICAL ASSISTANCE PROGRAM AND THE MARYLAND CHILDREN'S
27 HEALTH PROGRAM.

28 (3) MONEY FROM THIS SPECIAL FUND MAY ONLY BE USED TO AUGMENT
29 PROVIDER REIMBURSEMENTS AND MAY NOT BE USED TO SUPPLANT PROVIDER
30 MONEY ALREADY APPROPRIATED FOR THOSE PURPOSES.

31 12-105.

32 (a) The tobacco tax rate for cigarettes is:

33 (1) [50] 75 cents for each package of 10 or fewer cigarettes;

34 (2) [\$1.00] \$1.50 for each package of at least 11 and not more than 20
35 cigarettes;

1 (3) [5.0] 7.5 cents for each cigarette in a package of more than 20
2 cigarettes; and

3 (4) [5.0] 7.5 cents for each cigarette in a package of free sample
4 cigarettes.

5 SECTION 2. AND BE IT FURTHER ENACTED, That all cigarettes used,
6 possessed, or held in the State on or after July 1, 2004, by any person for sale or use
7 in the State, shall be subject to the full tobacco tax of \$1.50 on cigarettes imposed by
8 this Act. This requirement includes: (1) cigarettes in vending machines or other
9 mechanical dispensers; and (2) cigarettes (generally referred to as "floor stock") in
10 packages which already bear stamps issued by the Comptroller under the State
11 Tobacco Tax Act but for an amount less than the full tax imposed of 68 cents for each
12 10 cigarettes or fractional part thereof; all cigarettes held for sale by any person in
13 the State on or after July 1, 2004, that bear a stamp issued by the Comptroller of a
14 value less than \$1.50 for each pack of 20 cigarettes must be stamped with the
15 additional stamps necessary to make the aggregate tax value equal to \$1.50. In lieu of
16 the additional stamps necessary to make the aggregate tax value equal to \$1.50, the
17 Comptroller may provide an alternate method of collecting the additional tax. The
18 revenue attributable to this requirement shall be remitted to the Comptroller by
19 September 30, 2004. Except as provided above, on and after July 1, 2004, no
20 Maryland stamp shall be used except the stamp issued by the Comptroller to evidence
21 the tobacco tax on cigarettes of \$1.50 imposed by this Act.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 July 1, 2004.