

# SENATE BILL 589

Q7  
SB 700/13 – B&T & FIN

4r1296  
CF HB 443

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By: **Senators Jones–Rodwell, Madaleno, Forehand, Rosapepe, Benson, Currie, Feldman, Ferguson, Kelley, King, Manno, McFadden, Montgomery, Muse, Peters, Pinsky, Pugh, Ramirez, and Raskin**

Introduced and read first time: January 30, 2014  
Assigned to: Budget and Taxation and Finance

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## A BILL ENTITLED

AN ACT concerning

### **Tobacco Taxes – Healthy Maryland Initiative**

FOR the purpose of requiring a certain level of funding for the Tobacco Use Prevention and Cessation Program; altering the tobacco tax rates on cigarettes and other tobacco products; requiring certain wholesalers of cigarettes and other tobacco products to report the amount of other tobacco products sold on a tobacco tax return; defining certain terms; and generally relating to the taxation of cigarettes and other tobacco products.

BY repealing and reenacting, with amendments,  
Article – Health – General  
Section 13–1015  
Annotated Code of Maryland  
(2009 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,  
Article – Tax – General  
Section 12–105 and 12–202  
Annotated Code of Maryland  
(2010 Replacement Volume and 2013 Supplement)

## Preamble

WHEREAS, Over the past decade, Maryland’s smoking rate has declined by 32%, double the national average, saving over 70,000 people from preventable tobacco–caused deaths and hundreds of millions of dollars in health care costs, in large part as a result of three tobacco tax increases; and

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



WHEREAS, Tobacco still kills tens of thousands of Marylanders, costing hundreds of millions of dollars in health care costs; and

WHEREAS, Use of cigars and smokeless tobacco products, especially by children and teens, has increased during the last decade; and

WHEREAS, While Maryland has made significant progress in expanding health care in recent years, hundreds of thousands of Marylanders remain uninsured or underinsured, and the significant savings that could be achieved through community-based initiatives have not been realized due to lack of implementation funding; and

WHEREAS, Maryland needs to move forward in developing community-based options, strengthening its safety net and improving service delivery in order to fully utilize the opportunities presented by the State Health Improvement Process and federal health care reform; and

WHEREAS, Lack of additional funding for health care coverage, public health initiatives, and community services will mean that uninsured and underinsured people will continue to go to the hospital for care, which results in higher insurance premiums for everyone; and

WHEREAS, Raising the State's tobacco tax by \$1 per pack for cigarettes with a comparable increase for other tobacco products will raise necessary funds in addition to dramatically reducing teen and adult tobacco use, which in turn will save lives and save the State health care costs; now, therefore,

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

### **Article – Health – General**

13–1015.

(a) For fiscal year 2011 and fiscal year 2012, the Governor shall include at least \$6,000,000 in the annual budget in appropriations for activities aimed at reducing tobacco use in Maryland as recommended by the Centers for Disease Control and Prevention, including:

(1) Media campaigns aimed at reducing smoking initiation and encouraging smokers to quit smoking;

(2) Media campaigns educating the public about the dangers of secondhand smoke exposure;

(3) Enforcement of existing laws banning the sale or distribution of tobacco products to minors;

and (4) Promotion and implementation of smoking cessation programs;

(5) Implementation of school-based tobacco education programs.

(b) For fiscal [year 2013 and each fiscal year thereafter] **YEARS 2014 AND 2015**, the Governor shall include at least \$10,000,000 in the annual budget in appropriations for the purposes described in subsection (a) of this section.

**(C) FOR FISCAL YEAR 2016 AND EACH FISCAL YEAR THEREAFTER, THE GOVERNOR SHALL INCLUDE AT LEAST \$21,000,000 IN THE ANNUAL BUDGET IN APPROPRIATIONS FOR THE PURPOSES DESCRIBED IN SUBSECTION (A) OF THIS SECTION.**

### Article – Tax – General

12–105.

(a) The tobacco tax rate for cigarettes is:

(1) [~~\$1.00~~] **\$1.50** for each package of 10 or fewer cigarettes;

(2) [~~\$2.00~~] **\$3** for each package of at least 11 and not more than 20 cigarettes;

(3) [~~10.0~~] **15** cents for each cigarette in a package of more than 20 cigarettes; and

(4) [~~10.0~~] **15** cents for each cigarette in a package of free sample cigarettes.

(b) (1) Except as provided in paragraph (2) of this subsection, the tobacco tax rate for other tobacco products is [~~30%~~] **95%** of the wholesale price of the tobacco products.

(2) (i) [In this paragraph, “premium cigars” has the meaning stated in § 16.5–101 of the Business Regulation Article.

(ii) Except as provided in subparagraph (iii) of this paragraph, the tobacco tax rate for cigars is 70% of the wholesale price of the cigars.

(iii) The tobacco tax rate for premium cigars is 15% of the wholesale price of the premium cigars.]

1. IN THIS PARAGRAPH THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

2. "CIGAR" MEANS A CYLINDRICAL ROLL OF CURED TOBACCO.

3. "CONVENTIONAL MOIST SNUFF SMOKELESS TOBACCO" MEANS ANY FINELY CUT, GROUND, OR POWDERED TOBACCO INTENDED FOR ORAL CONSUMPTION WITHOUT COMBUSTION THAT IS NOT SINGLE-DOSE SMOKELESS TOBACCO.

4. "ROLL-YOUR-OWN TOBACCO" MEANS ANY TOBACCO THAT IS SUITABLE AS TOBACCO FOR CONSUMERS TO:

A. MAKE CIGARETTES OR CIGARS; OR

B. SMOKE IN A PIPE.

5. A. "SINGLE-DOSE SMOKELESS TOBACCO" MEANS ANY FINELY CUT, GROUND, OR POWDERED TOBACCO OR PRODUCT DERIVED FROM TOBACCO INTENDED FOR CONSUMPTION WITHOUT BEING COMBUSTED AND IS DIVIDED BY THE MANUFACTURER INTO UNIFORM, INDIVIDUAL DOSE SERVINGS.

B. "SINGLE-DOSE SMOKELESS TOBACCO" INCLUDES SNUSS, LOZENGES, TABLETS, STICKS, AND STRIPS.

C. "SINGLE-DOSE SMOKELESS TOBACCO" DOES NOT INCLUDE ANY TOBACCO PRODUCT THAT HAS BEEN APPROVED BY THE UNITED STATES FOOD AND DRUG ADMINISTRATION FOR SALE AS A TOBACCO CESSATION PRODUCT, AS A TOBACCO DEPENDENCE PRODUCT, OR FOR OTHER MEDICAL PURPOSES, AND IS MARKETED AND SOLD SOLELY FOR ITS APPROVED PURPOSE.

6. "SMALL-CIGAR CIGARETTE" MEANS:

A. A SMALL, THIN CIGAR WITH THE APPROXIMATE DIMENSIONS OF A CIGARETTE; OR

B. A CIGARETTE WRAPPED IN TOBACCO INSTEAD OF PAPER.

(II) THE TAX RATE FOR CIGARS WITH A WHOLESALE PRICE PER CIGAR OF LESS THAN \$20 IS 95% OF THE WHOLESALE PRICE, NOT TO EXCEED \$3 PER CIGAR.

(III) THE TAX RATE FOR CIGARS WITH A WHOLESALE PRICE PER CIGAR OF \$20 OR MORE IS 15% OF THE WHOLESALE PRICE.

(IV) THE TAX RATE FOR SMALL-CIGAR CIGARETTES IS THE SAME AS THE TAX RATE FOR CIGARETTES AS ESTABLISHED UNDER SUBSECTION (A) OF THIS SECTION.

(V) 1. THE TAX RATE FOR CONVENTIONAL MOIST SNUFF SMOKELESS TOBACCO IS \$3 PER 1.2-OUNCE CONTAINER, WITH A PROPORTIONATE TAX ON WEIGHTS OF MORE THAN 1.2 OUNCES, BASED ON THE NET WEIGHT AS PROVIDED BY THE MANUFACTURER.

2. FOR CONTAINERS OF CONVENTIONAL MOIST SNUFF SMOKELESS TOBACCO THAT WEIGH LESS THAN 1.2 OUNCES, THE TAX RATE SHALL BE \$3 PER CONTAINER.

(VI) THE TAX RATE FOR SINGLE-DOSE SMOKELESS TOBACCO IS:

1. \$2.25 FOR EACH CONTAINER OF 15 OR FEWER DOSES; AND

2. 15 CENTS FOR EACH DOSE IN A CONTAINER OF MORE THAN 15 DOSES.

(VII) THE TAX RATE FOR ROLL-YOUR-OWN TOBACCO IS 95% OF THE WHOLESALE PRICE OR \$3 PER 0.65 OUNCES, WHICHEVER IS GREATER.

12-202.

(a) A wholesaler shall complete and file with the Comptroller a tobacco tax return:

(1) for cigarettes:

(i) on or before the 21st day of the month that follows the month in which the wholesaler has the first possession, in the State, of unstamped cigarettes for which tax stamps are required; and

(ii) if the Comptroller so specifies, by regulation, on other dates for each month in which the wholesaler does not have the first possession of any unstamped cigarettes in the State; and

(2) for other tobacco products, on or before the 21st day of the month that follows the month in which the wholesaler has possession of other tobacco products on which the tobacco tax has not been paid.

(b) Each return shall state the quantity of cigarettes or the wholesale price **AND AMOUNT** of other tobacco products sold during the period that the return covers.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014.