

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1318
Economic Matters

(Delegate A. Johnson, *et al.*)

Alcoholic Beverages - Premium Cigar Lounge License - Establishment
(Maryland Premium Cigar Lounge Act of 2025)

This bill authorizes a local board of license commissioners in the State to issue a Class C-PCL (premium cigar lounge) license to the holder of an other tobacco products (OTP) retailer license, as specified. The board may issue one Class C-PCL license per 150,000 residents of a county. If a county has fewer than 150,000 residents, a board may issue one Class C-PCL license in the county. The license authorizes the holder to sell beer, wine, and liquor for consumption on the premises of the premium cigar lounge Monday through Sunday from 10 a.m. to 1 a.m. the following day. The licensed premises is exempt from the requirements of the Clean Indoor Air Act under the provisions of the Health-General Article. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill can be implemented by the Alcohol, Tobacco, and Cannabis Commission (ATCC) with existing budgeted resources.

Local Effect: Local government revenues increase by \$2,000 for each Class C-PCL license issued under the bill, as discussed below. Local governments can likely monitor any additional licenses with existing resources.

Small Business Effect: Meaningful.

Analysis

Premium Cigar Lounge License (Class C-PCL) Requirements

The bill authorizes the board to issue a Class C-PCL license to the holder of an OTP retailer license issued under the applicable provisions of the Business Regulation Article if (1) the holder operates an establishment in which premium cigars and pipe tobacco are sold at retail for on-premises and off-premises use and (2) the holder meets the requirements of the bill.

Under the bill, a board must require (1) a license application to include a building plan demonstrating sufficient air filtration and exhaust; (2) a license holder to display in a conspicuous place that smoking is allowed on the premises; and (3) any employee of a licensed establishment to sign an acknowledgement that the employee will be subjected to secondhand smoke.

Also, the license holder must (1) have average daily receipts from the sale of premium cigars, pipe tobacco, and related accessories that are at least 60% of the total daily receipts from the establishment and (2) annually submit to the Executive Director of ATCC and the board, in a form the executive director requires, a sales ratio compliance report.

The annual license fee is \$2,000.

Issuance of an Alcoholic Beverages License to a Tobacconist

Chapters 754 and 755 of 2024 established, in the Maryland Department of Health, a workgroup to study the issuance of alcoholic beverages licenses to tobacconists. By July 1, 2025, the workgroup must report its findings and recommendations to the General Assembly. The bill alters a provision of Chapters 754 and 755 that prohibits the issuance of a local alcoholic beverages license to a tobacconist from July 1, 2024, to July 1, 2026, by changing the date of “July 1, 2026” to “June 30, 2025.”

Current Law:

Local Boards of License Commissioners

Maryland’s 23 counties, Baltimore City, and the City of Annapolis all have boards of license commissioners who issue and enforce retail alcoholic beverages licenses in their jurisdictions. Within each jurisdiction, the most common types of retail licenses are Class A, Class B, Class C, and Class D licenses. Each license authorizes the sale of alcoholic beverages in a different manner and may authorize the sale of alcohol for on- and off-premises consumption, as specified. For example, Class A licenses generally only

allow the sale of alcoholic beverages for off-premises consumption, and Class B licenses are generally issued to restaurants and allow the sale of alcoholic beverages with food.

Other Tobacco Products Retailer License

Under the Business Regulation Article, an OTP retailer license is issued by the clerk of the circuit court to sell other tobacco products at retail in a county. A license to act as an OTP retailer is required for each place of business where a person acts as an OTP retailer. The annual license fee is \$15.

An OTP retailer license authorizes the licensee to (1) act as an OTP retailer; (2) buy OTP on which the tobacco tax has been paid from an OTP wholesaler; and (3) buy premium cigars or pipe tobacco on which the tobacco tax has not been paid from an OTP manufacturer. “Other tobacco products retailer” means a person who sells other tobacco products to consumers or holds other tobacco products for sale to consumers.

“OTP” means a product that is intended for human consumption or likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled, or ingested in any manner that is made of, derived from, or contains tobacco or nicotine, with specified exclusions. “OTP” (1) includes cigars, premium cigars, pipe tobacco, chewing tobacco, snuff, snus, filters, rolling papers, pipes, and hookahs and (2) excludes cigarettes, electronic smoking devices, drugs, devices, or combination products authorized for sale by the U.S. Food and Drug Administration under the federal Food, Drug, and Cosmetic Act; or tobacco pipes (as defined in the Tax General Article).

Clean Indoor Air Act

Pursuant to the Clean Indoor Air Act, a person may not smoke or vape in (1) an indoor area open to the public, including an indoor area of any establishment licensed or permitted under the Alcoholic Beverages and Cannabis Article for the sale or possession of alcoholic beverages; (2) an indoor place in which meetings are open to the public; (3) a government-owned or -operated means of mass transportation; (4) an indoor place of employment; (5) a private home used by a licensed/registered child care provider; or (6) a private vehicle used for public transportation of children or as part of health care or child care transportation.

However, the prohibition does not apply to (1) private homes or residences, except as specified above; (2) private vehicles, except as specified above; (3) a hotel or motel room as long as the total percent of rooms so used does not exceed 25%; (4) specified tobacco facilities and retail businesses; or (5) a laboratory for the purpose of conducting scientific research into the health effects of tobacco smoke.

Tobacconist License

A licensed tobacconist means a person licensed by the clerk of a circuit court under the Business Regulation Article to act as a tobacconist. A license to act as a tobacconist is required for each place of business where a person acts as a tobacconist. The annual license fee is \$15.

“Tobacconist” means an OTP business that derives at least 70% of its revenues, measured by average daily receipts, from the sale of OTP and tobacco-related accessories.

Local Fiscal Effect: Under the bill, a local licensing board may issue one Class C-PCL license per 150,000 residents of a county. Based on fiscal 2024 population estimates compiled by the Maryland Department of Planning, the boards in 18 local jurisdictions are authorized to issue one Class C-PCL license, and in 6 jurisdictions, the boards are authorized to issue the following number of Class C-PCL licenses: Montgomery County – up to 7 licenses; Prince George’s County – up to 6 licenses; Baltimore County – up to 5 licenses; Anne Arundel County and Baltimore City – up to 3 licenses; and Howard County – up to 2 licenses. A total of 44 Class C-PCL licenses may be issued annually in the State (based on fiscal 2024 population estimates), assuming the bill’s other requirements are met.

Small Business Effect: Small businesses that can utilize the Class C-PCL license authorized under the bill may increase revenues from the sale of alcoholic beverages.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 934 (Senator Watson) - Finance.

Information Source(s): Maryland Association of County Health Officers; Anne Arundel and Garrett counties; Alcohol, Tobacco, and Cannabis Commission; Maryland Department of Planning; Department of Legislative Services

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