

Department of Legislative Services  
Maryland General Assembly  
2004 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 607

(Senator Brinkley)

Budget and Taxation

Ways and Means

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**Tobacco Tax - Tobacco Products other than Cigarettes - Payment of Tax by Retailers**

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This bill allows retailers who sell tobacco products other than cigarettes to pay the other tobacco products (OTP) tax based on either the products sold or products held in inventory.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** Minimal decrease in general fund revenues resulting from lost interest earnings. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** The tobacco tax on OTPs must be paid by the wholesaler who sells OTPs to a retailer or consumer. If a retailer or consumer possesses OTPs on which the tobacco tax has not been paid, the retailer or consumer must pay the tobacco tax on those OTPs. Retailers remit the amount of the tax due on a quarterly basis based on the amount of OTP inventory purchased in that quarter. The amount of the tax paid is based on a tax factor established by the Alcohol and Tobacco Tax Division of the Comptroller's Office that approximates the same tax liability as if the OTP tax were remitted by the wholesaler.

**Background:** The following indicates the amount of OTP tax collected in fiscal 2001 through 2003.

<u>Fiscal Year</u>	<u>OTP Tax Collected</u>
2001	\$5,805,603
2002	\$6,157,567
2003	\$6,580,461

**State Revenues:** General fund revenues would decline due to lost interest earnings resulting from the OTP tax being remitted, on average, later to the Comptroller's Office. Any decrease in general fund revenue will be minimal due to the limited number of OTP retailers and the sums of money involved. The actual amount of general fund revenue loss depends on the inventory that is sold beyond four months and cannot be reliably estimated.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2004  
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