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By: **Senators Ruben, Britt, Forehand, Frosh, Gladden, Green, Grosfeld, Jones, and Pinsky**

Introduced and read first time: February 3, 2006

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Tobacco Tax - Revenues for Pension Enhancements for State Employees and**  
3 **Teachers**

4 FOR the purpose of altering the tobacco tax rates imposed on certain tobacco  
5 products; requiring the Comptroller to distribute a portion of certain tobacco tax  
6 revenues to a special fund to be used only to provide funding for certain pension  
7 enhancements for certain State employees and teachers; and generally relating  
8 to the tobacco tax and the dedication of certain tobacco tax revenues for funding  
9 pension enhancements for State employees and teachers.

10 BY adding to  
11 Article - Tax - General  
12 Section 2-1602.1  
13 Annotated Code of Maryland  
14 (2004 Replacement Volume and 2005 Supplement)

15 BY repealing and reenacting, with amendments,  
16 Article - Tax - General  
17 Section 2-1603 and 12-105  
18 Annotated Code of Maryland  
19 (2004 Replacement Volume and 2005 Supplement)

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

22 **Article - Tax - General**

23 2-1602.1.

24 (A) AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1601 AND  
25 2-1602 OF THIS SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE TO A SPECIAL  
26 FUND 100% OF THE ADDITIONAL TOBACCO TAX REVENUES RESULTING FROM THE

1 INCREASE IN THE TOBACCO TAX RATES UNDER CHAPTER \_\_\_\_ OF THE ACTS OF 2006  
2 (S.B. \_\_\_\_ )(6LR1961), AS DETERMINED BY THE COMPTROLLER.

3 (B) FUNDS DISTRIBUTED TO THE SPECIAL FUND UNDER SUBSECTION (A) OF  
4 THIS SECTION MAY BE USED ONLY FOR THE PURPOSE OF PROVIDING FUNDING FOR  
5 PENSION ENHANCEMENTS ENACTED AFTER JANUARY 1, 2006, FOR STATE  
6 EMPLOYEES AND TEACHERS WHO ARE MEMBERS OF:

7 (1) THE EMPLOYEES' RETIREMENT SYSTEM OR THE TEACHERS'  
8 RETIREMENT SYSTEM UNDER TITLE 22 OF THE STATE PERSONNEL AND PENSIONS  
9 ARTICLE; OR

10 (2) THE EMPLOYEES' PENSION SYSTEM OR THE TEACHERS' PENSION  
11 SYSTEM UNDER TITLE 23 OF THE STATE PERSONNEL AND PENSIONS ARTICLE.

12 (C) MONEYS EXPENDED FROM THE SPECIAL FUND ARE SUPPLEMENTAL AND  
13 ARE NOT INTENDED TO TAKE THE PLACE OF FUNDING THAT OTHERWISE WOULD BE  
14 APPROPRIATED FOR PENSION ENHANCEMENTS FOR STATE EMPLOYEES AND  
15 TEACHERS WHO ARE MEMBERS OF:

16 (1) THE EMPLOYEES' RETIREMENT SYSTEM OR THE TEACHERS'  
17 RETIREMENT SYSTEM UNDER TITLE 22 OF THE STATE PERSONNEL AND PENSIONS  
18 ARTICLE; OR

19 (2) THE EMPLOYEES' PENSION SYSTEM OR THE TEACHERS' PENSION  
20 SYSTEM UNDER TITLE 23 OF THE STATE PERSONNEL AND PENSIONS ARTICLE.

21 2-1603.

22 After making the distributions required under [§§ 2-1601 and 2-1602] §§  
23 2-1601 THROUGH 2-1602.1 of this subtitle, the Comptroller shall distribute the  
24 remaining tobacco tax revenue to the General Fund of the State.

25 12-105.

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

27 (1) [50] 75 cents for each package of 10 or fewer cigarettes;

28 (2) [\$1.00] \$1.50 for each package of at least 11 and not more than 20  
29 cigarettes;

30 (3) [5.0] 7.5 cents for each cigarette in a package of more than 20  
31 cigarettes; and

32 (4) [5.0] 7.5 cents for each cigarette in a package of free sample  
33 cigarettes.

34 (b) The tobacco tax rate for other tobacco products is [15%] 45% of the  
35 wholesale price of the tobacco products.

1 SECTION 2. AND BE IT FURTHER ENACTED, That all cigarettes used,  
2 possessed, or held in the State on or after July 1, 2006, by any person for sale or use  
3 in the State, shall be subject to the full tobacco tax of \$1.50 on cigarettes imposed by  
4 this Act. This requirement includes: (1) cigarettes in vending machines or other  
5 mechanical dispensers; and (2) cigarettes (generally referred to as "floor stock") in  
6 packages which already bear stamps issued by the Comptroller under the State  
7 Tobacco Tax Act but for an amount less than the full tax imposed of 75 cents for each  
8 10 cigarettes or fractional part thereof; all cigarettes held for sale by any person in  
9 the State on or after July 1, 2006, that bear a stamp issued by the Comptroller of a  
10 value less than \$1.50 for each pack of 20 cigarettes must be stamped with the  
11 additional stamps necessary to make the aggregate tax value equal to \$1.50. Instead  
12 of the additional stamps necessary to make the aggregate tax value equal to \$1.50,  
13 the Comptroller may provide an alternate method of collecting the additional tax. The  
14 revenue attributable to this requirement shall be remitted to the Comptroller by  
15 September 30, 2006. Except as provided above, on and after July 1, 2006, no  
16 Maryland stamp shall be used except the stamp issued by the Comptroller to evidence  
17 the tobacco tax on cigarettes of \$1.50 imposed by this Act.

18 SECTION 3. AND BE IT FURTHER ENACTED, That the tobacco tax rate  
19 increase imposed on tobacco products other than cigarettes by this Act shall be  
20 applicable to all other tobacco products that are sold by a wholesaler to a retailer in  
21 the State on or after July 1, 2006.

22 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 July 1, 2006.