

SENATE BILL 514

Q7

6lr2480
CF HB 71

By: **Senator Madaleno**

Introduced and read first time: February 4, 2016

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Tobacco Taxes – Healthy Maryland Initiative**

3 FOR the purpose of requiring a certain level of funding for the Tobacco Use Prevention and
4 Cessation Program; altering the tobacco tax rates on cigarettes and other tobacco
5 products; establishing the tobacco tax rates on cigarillos; clarifying that all cigarettes
6 and other tobacco products used, possessed, or held in the State on or after a certain
7 date are subject to the full tax enacted under this Act; authorizing the Comptroller
8 to determine the method of assessing and collecting certain additional taxes;
9 requiring certain additional taxes to be remitted to the Comptroller by a certain date;
10 defining certain terms; altering certain definitions; and generally relating to the
11 taxation of cigarettes and other tobacco products.

12 BY repealing and reenacting, without amendments,
13 Article – Business Regulation
14 Section 16.5–101(a)
15 Annotated Code of Maryland
16 (2015 Replacement Volume and 2015 Supplement)

17 BY adding to
18 Article – Business Regulation
19 Section 16.5–101(a–1)
20 Annotated Code of Maryland
21 (2015 Replacement Volume and 2015 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article – Business Regulation
24 Section 16.5–101(i)
25 Annotated Code of Maryland
26 (2015 Replacement Volume and 2015 Supplement)

27 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Health – General
2 Section 13–1015
3 Annotated Code of Maryland
4 (2015 Replacement Volume)

5 BY repealing and reenacting, without amendments,
6 Article – Tax – General
7 Section 12–101(a) and (b)
8 Annotated Code of Maryland
9 (2010 Replacement Volume and 2015 Supplement)

10 BY adding to
11 Article – Tax – General
12 Section 12–101(b–1)
13 Annotated Code of Maryland
14 (2010 Replacement Volume and 2015 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Tax – General
17 Section 12–101(d) and 12–105
18 Annotated Code of Maryland
19 (2010 Replacement Volume and 2015 Supplement)

20 Preamble

21 WHEREAS, Between 1998 and 2010, the smoking rate in Maryland declined by 32%,
22 double the national average, saving over 70,000 people from preventable
23 tobacco–caused deaths and hundreds of millions of dollars in health care costs, in large part
24 as a result of three tobacco tax increases; and

25 WHEREAS, Tobacco still kills tens of thousands of Marylanders, costing hundreds
26 of millions of dollars in health care costs, while the State’s tobacco control program has
27 been cut back substantially; and

28 WHEREAS, The money raised by the \$1–per–pack tobacco tax increase enacted in
29 2007 was used to expand health care coverage to over 100,000 Maryland patients, bringing
30 Maryland from 44th in the nation to 14th in providing health care coverage for low–income
31 adults; and

32 WHEREAS, Maryland has made significant progress in expanding health care in
33 recent years, and is leading the nation in implementing the Affordable Care Act; and

34 WHEREAS, Additional resources could help ensure that this progress continues,
35 especially by funding critical life–saving health care and public health programs such as
36 Medicaid, the State tobacco control program, the State Health Improvement Process, and
37 other community–based health initiatives such as those that address childhood obesity and
38 long–term care for seniors; and

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

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

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

11 **Article – Business Regulation**

12 16.5–101.

13 (a) In this title the following words have the meanings indicated.

14 (A–1) **“CIGARILLO” MEANS A ROLL FOR SMOKING, HOWEVER LABELED OR**
15 **NAMED:**

16 (1) **THAT IS MADE OF TOBACCO OR TOBACCO MIXED WITH ANOTHER**
17 **INGREDIENT;**

18 (2) **THAT WEIGHS NO MORE THAN 4.5 POUNDS PER 1,000 ROLLS; AND**

19 (3) **THAT IS WRAPPED IN ANY SUBSTANCE CONTAINING TOBACCO.**

20 (i) “Other tobacco products” means:

21 (1) **ANY CIGARILLO;**

22 (2) any cigar or roll for smoking, other than a cigarette **OR CIGARILLO,**
23 made in whole or in part of tobacco; or

24 [(2)] (3) any other tobacco or product made primarily from tobacco, other
25 than a cigarette **OR CIGARILLO,** that is intended for consumption by smoking or chewing
26 or as snuff.

27 **Article – Health – General**

28 13–1015.

1 (a) For fiscal year 2011 and fiscal year 2012, the Governor shall include at least
2 \$6,000,000 in the annual budget in appropriations for activities aimed at reducing tobacco
3 use in Maryland as recommended by the Centers for Disease Control and Prevention,
4 including:

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

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

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

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

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

13 (b) For fiscal [year 2013 and each fiscal year thereafter] **YEARS 2013, 2014,**
14 **2015, 2016, AND 2017**, the Governor shall include at least \$10,000,000 in the annual
15 budget in appropriations for the purposes described in subsection (a) of this section.

16 (c) **FOR FISCAL YEAR 2018 AND EACH FISCAL YEAR THEREAFTER, THE**
17 **GOVERNOR SHALL INCLUDE AT LEAST \$21,000,000 IN THE ANNUAL BUDGET IN**
18 **APPROPRIATIONS FOR THE PURPOSES DESCRIBED IN SUBSECTION (A) OF THIS**
19 **SECTION.**

20 Article – Tax – General

21 12-101.

22 (a) In this title the following words have the meanings indicated.

23 (b) “Cigarette” means any size or shaped roll for smoking that is made of tobacco
24 or tobacco mixed with another ingredient and wrapped in paper or in any other material
25 except tobacco.

26 (B-1) **“CIGARILLO” MEANS A ROLL FOR SMOKING, HOWEVER LABELED OR**
27 **NAMED:**

28 (1) **THAT IS MADE OF TOBACCO OR TOBACCO MIXED WITH ANOTHER**
29 **INGREDIENT;**

30 (2) **THAT WEIGHS NO MORE THAN 4.5 POUNDS PER 1,000 ROLLS; AND**

31 (3) **THAT IS WRAPPED IN ANY SUBSTANCE CONTAINING TOBACCO.**

1 (d) "Other tobacco product" means:

2 (1) ANY CIGARILLO;

3 (2) any cigar or roll for smoking, other than a cigarette OR CIGARILLO,
4 made in whole or in part of tobacco; or

5 [(2)] (3) any other tobacco or product made primarily from tobacco, other
6 than a cigarette OR CIGARILLO, that is intended for consumption by smoking or chewing
7 or as snuff.

8 12–105.

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

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

11 (2) [\$2.00] **\$3.00** for each package of at least 11 and not more than 20
12 cigarettes;

13 (3) [10.0] **15.0** cents for each cigarette in a package of more than 20
14 cigarettes; and

15 (4) [10.0] **15.0** cents for each cigarette in a package of free sample
16 cigarettes.

17 (b) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE
18 MEANINGS INDICATED.

19 (II) "CIGAR" MEANS A CYLINDRICAL ROLL OF CURED TOBACCO.

20 (III) "CONVENTIONAL MOIST SNUFF SMOKELESS TOBACCO"
21 MEANS ANY FINELY CUT, GROUND, OR POWDERED TOBACCO INTENDED FOR ORAL
22 CONSUMPTION WITHOUT COMBUSTION THAT IS NOT SINGLE-DOSE SMOKELESS
23 TOBACCO.

24 (IV) "LOOSE SMOKING TOBACCO" MEANS ANY TOBACCO THAT IS
25 SUITABLE AS TOBACCO FOR CONSUMERS TO:

26 1. MAKE CIGARETTES OR CIGARS; OR

27 2. SMOKE IN A PIPE.

1 (v) 1. “SINGLE-DOSE SMOKELESS TOBACCO” MEANS ANY
2 FINELY CUT, GROUND, OR POWDERED TOBACCO OR PRODUCT DERIVED FROM
3 TOBACCO INTENDED FOR CONSUMPTION WITHOUT BEING COMBUSTED AND IS
4 DIVIDED BY THE MANUFACTURER INTO UNIFORM, INDIVIDUAL DOSE SERVINGS.

5 2. “SINGLE-DOSE SMOKELESS TOBACCO” INCLUDES
6 SNUS, LOZENGES, TABLETS, STICKS, AND STRIPS.

7 3. “SINGLE-DOSE SMOKELESS TOBACCO” DOES NOT
8 INCLUDE ANY TOBACCO PRODUCT THAT HAS BEEN APPROVED BY THE UNITED
9 STATES FOOD AND DRUG ADMINISTRATION FOR SALE AS A TOBACCO CESSATION
10 PRODUCT, AS A TOBACCO DEPENDENCE PRODUCT, OR FOR OTHER MEDICAL
11 PURPOSES AND THAT IS MARKETED AND SOLD SOLELY FOR ITS APPROVED
12 PURPOSE.

13 (2) (I) Except as provided in [paragraph (2)] PARAGRAPHS (3) AND
14 (4) of this subsection, the tobacco tax rate for other tobacco products is [30%] THE HIGHER
15 OF 74% of the wholesale price of the tobacco products, OR THE RATES DESCRIBED IN
16 SUBPARAGRAPHS (II) AND (III) OF THIS PARAGRAPH.

17 (II) 1. THE TAX RATE FOR CONVENTIONAL MOIST SNUFF
18 SMOKELESS TOBACCO IS \$3.00 PER 1.2-OUNCE CONTAINER, WITH A
19 PROPORTIONATE TAX ON WEIGHTS OF MORE THAN 1.2 OUNCES, BASED ON THE NET
20 WEIGHT AS PROVIDED BY THE MANUFACTURER.

21 2. FOR CONTAINERS OF CONVENTIONAL MOIST SNUFF
22 SMOKELESS TOBACCO THAT WEIGH LESS THAN 1.2 OUNCES, THE MINIMUM TAX RATE
23 SHALL BE \$3.00 PER CONTAINER.

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

25 1. \$2.25 FOR EACH CONTAINER OF 15 OR FEWER DOSES;
26 AND

27 2. 15.0 CENTS FOR EACH DOSE IN A CONTAINER OF
28 MORE THAN 15 DOSES.

29 (IV) THE TAX RATE FOR LOOSE SMOKING TOBACCO IS 74% OF
30 THE WHOLESALE PRICE OR \$3.00 PER 0.65 OUNCES, WHICHEVER IS GREATER.

31 [(2)] (3) (i) In this paragraph, “premium cigars” has the meaning
32 stated in § 16.5–101 of the Business Regulation Article.

1 (ii) Except as provided in subparagraph (iii) of this paragraph, the
2 tobacco tax rate for cigars is [~~70%~~] **74%** of the wholesale price of the cigars, **BUT NOT LESS**
3 **THAN 15.0 CENTS PER CIGAR.**

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

6 **(4) THE TOBACCO TAX RATE FOR CIGARILLOS IS:**

7 **(I) \$1.50 FOR EACH PACKAGE OF 10 OR FEWER CIGARILLOS;**

8 **(II) \$3.00 FOR EACH PACKAGE OF AT LEAST 11 AND NOT MORE**
9 **THAN 20 CIGARILLOS;**

10 **(III) 15.0 CENTS FOR EACH CIGARILLO IN A PACKAGE OF MORE**
11 **THAN 20 CIGARILLOS; AND**

12 **(IV) 15.0 CENTS FOR EACH CIGARILLO IN A PACKAGE OF FREE**
13 **SAMPLE CIGARILLOS.**

14 SECTION 2. AND BE IT FURTHER ENACTED, That:

15 (1) as provided in § 12-105 of the Tax – General Article, all cigarettes and
16 other tobacco products used, possessed, or held in the State on or after July 1, 2016, by any
17 person for sale or use in the State shall be subject to the full tax on cigarettes and other
18 tobacco products as enacted under this Act;

19 (2) the Comptroller may provide an alternative method of assessing and
20 collecting the additional tax; and

21 (3) the revenue attributable to this requirement shall be remitted to the
22 Comptroller no later than October 15, 2016.

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
24 1, 2016.