HOUSE BILL 1253

A1, C2 2lr2268

By: Delegate Wilson

Introduced and read first time: February 11, 2022

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 3, 2022

CHAPTER

1 AN ACT concerning

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Alcohol and Tobacco Commission - Clarifications

- FOR the purpose of updating certain statutory references to the authority of the Alcohol and Tobacco Commission and its Executive Director; clarifying certain authority of the Commission and the Executive Director to regulate and enforce certain matters relating to certain products and the tobacco tax; authorizing the Executive Director to enter into certain memoranda of understanding and agreements; clarifying the application of certain requirements to certain premises; and generally relating to the Alcohol and Tobacco Commission.
- 10 BY repealing and reenacting, with amendments,
- 11 Article Alcoholic Beverages
- 12 Section 1–201(a)(1), 1–304, 1–311, 1–317(a), and 1–321, and 4–505(b)(1)
- 13 Annotated Code of Maryland
- 14 (2016 Volume and 2021 Supplement)
- 15 BY repealing and reenacting, without amendments,
- 16 Article Alcoholic Beverages
- 17 Section 1–314 and 1–315
- 18 Annotated Code of Maryland
- 19 (2016 Volume and 2021 Supplement)
- 20 BY repealing and reenacting, without amendments,
- 21 Article Business Regulation
- 22 Section 16–101(a) and (d)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

<u>Underlining</u> indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.

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$\frac{1}{2}$	Annotated Code of Maryland (2015 Replacement Volume and 2021 Supplement)
3 4 5 6 7 8 9	BY repealing and reenacting, with amendments, Article – Business Regulation Section 16–208(c)(1), 16–501, 16–506(b) and (d), 16–507, 16–508(b), 16–601, 16–602(a), (c), (g), (i), and (k), 16–602.1(c), 16–603(a) and (c), 16–604(d), 16–605(c), 16–607, and 16–609 Annotated Code of Maryland (2015 Replacement Volume and 2021 Supplement)
10 11	SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:
12	Article - Alcoholic Beverages
13	1–201.
14 15	(a) (1) (i) To obtain respect and obedience to law and to foster and promote temperance, it is the policy of the State to regulate and control:
16 17	1. the manufacture, sale, distribution, transportation, and storage of alcoholic beverages in the State; and
18 19	2. the transportation and distribution of alcoholic beverages into and out of the State.
20 21 22 23	(ii) To carry out this policy in the best public interest, it is the intent of the General Assembly that the [Comptroller] COMMISSION, EXECUTIVE DIRECTOR , local licensing boards, liquor control boards, enforcement officers, and judges of the courts of the State be empowered to administer and enforce this article.
24	1–304.
25	(a) A member of the Commission may not:
26 27 28	(1) have a direct or indirect financial interest, ownership, or management, including holding any stocks, bonds, or other similar financial interests, in the alcohol or tobacco industries;
29 30 31	(2) have an official relationship to a person who holds a license or permit under this article or Title 16, Title 16.5, [or] Title 16.7, OR TITLE 16.9 of the Business Regulation Article;

be an elected official;

(3)

1 **(4)** receive or share in, directly or indirectly, the receipts or proceeds of any 2 activities conducted in the alcohol or tobacco industries: 3 have a beneficial interest in any contract for the manufacture or sale of 4 any device or product or the provision of any independent consulting services in connection 5 with a holder of a license or permit issued under this article or Title 16, Title 16.5, [or] Title 6 16.7, OR TITLE 16.9 of the Business Regulation Article; or 7 (6)accept a contribution of money or property worth at least \$100 from an 8 entity or individual associated with the alcohol or tobacco industries with respect to the regulation of alcohol or tobacco. 9 10 A member of the Commission shall file a financial disclosure statement with the State Ethics Commission in accordance with Title 5, Subtitle 6 of the General 11 12 Provisions Article. 13 1-311.The Executive Director shall adopt regulations to discharge the duties under: 14 (a) 15 (1) this article; and 16 (2)Titles 16, 16.5, [and] 16.7, AND 16.9 of the Business Regulation Article. 17 (b) The Executive Director may adopt regulations regarding: 18 (1)labeling and advertising similar to the regulations adopted by the Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the 19 20 Treasury; 21nature, form, and capacity of containers; (2) 22credit sales; (3) 23 (4) records to be kept by license holders and others engaged in the business; 24the amount of deposit on returnable beer containers that 25manufacturers and wholesalers of beer charge and collect; and 26 (6)any other subject the Executive Director considers necessary for the 27proper administration of the duties of the Executive Director under this article, Title 16, 28 Title 16.5, [or] Title 16.7, OR TITLE 16.9 of the Business Regulation Article, or the

provisions of the Tax – General Article relating to the alcoholic beverage tax OR THE

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TOBACCO TAX.

- 1 (c) (1) Any violation of a regulation adopted by the Executive Director under 2 this article, Title 16, Title 16.5, [or] Title 16.7, **OR TITLE 16.9** of the Business Regulation 3 Article, or the provisions of the Tax – General Article relating to the alcoholic beverage tax 4 **OR THE TOBACCO TAX** is grounds to revoke or suspend a license.
- 5 (2) The violator is subject to the penalties provided under § 6–402(a) of this 6 article.
- 7 1–314.
- The Executive Director may delegate authority under this article, provisions of the Tax General Article relating to alcoholic beverages and tobacco, and provisions of the Business Regulation Article relating to tobacco to the Division director to issue or refuse to issue licenses and permits.
- 12 1–315.
- 13 (a) Except as provided in subsection (b) of this section, the Executive Director 14 may delegate authority to conduct hearings on violations of this article or of any regulations 15 adopted under this article, the provisions of the Tax – General Article relating to alcoholic 16 beverages or tobacco, or the provisions of the Business Regulation Article relating to tobacco 17 to the Division director or any other employee of the Executive Director's office.
- 18 (b) The Division director or any other employee of the Executive Director's office 19 delegated authority to conduct hearings under subsection (a) of this section:
- 20 (1) may not impose a penalty provided for under this article or a provision 21 of the Tax General Article relating to alcoholic beverages; and
- 22 (2) shall report the findings and recommendations to the Executive 23 Director to take the action that the Executive Director considers appropriate.
- 24 1–317.
- 25 (a) The Executive Director shall:
- 26 (1) maintain a record of:
- 27 (i) each license issued or approved under this article and Titles 16, 28 16.5, [and] 16.7, AND 16.9 of the Business Regulation Article; and
- 29 (ii) any revocation, suspension, or cancellation of a license and any 30 restriction imposed on a license with a brief explanation of the reason for the action; and
- 31 (2) allow any person to inspect the records at the Office of the Executive 32 Director during regular business hours.

1 1–321.

- 2 (a) In order to increase efficiency and accuracy in the performance of their 3 respective duties and responsibilities under this article and other laws relating to alcohol 4 and tobacco, the Commission and the Comptroller shall:
- 5 (1) cooperate and share information and personnel in investigations of 6 licensed premises and other locations and materials relating to the enforcement of the 7 alcohol and tobacco laws of the State;
- 8 (2) cooperate and share information and personnel in other matters 9 relating to the manufacture, processing, importation, taxation, sale, and service of alcohol 10 and tobacco in the State; and
- 11 (3) enter into a memorandum of understanding for cooperative activities in 12 inspections and other enforcement activities relating to the alcohol and tobacco laws of the 13 State.
- 14 (b) (1) The Commission may enter into memoranda of understanding and 15 other cooperative arrangements with federal, State, and local governmental units in 16 carrying out this article and other alcohol and tobacco laws of the State in the interest of 17 reducing duplication of efforts and reducing the overall costs of administration of inspection 18 and enforcement programs to the State.
- 19 (2) THE EXECUTIVE DIRECTOR MAY ALSO ENTER INTO MEMORANDA
 20 OF UNDERSTANDING AND OTHER COOPERATIVE ARRANGEMENTS WITH FEDERAL,
 21 STATE, AND LOCAL GOVERNMENTAL UNITS TO ADDRESS OPERATIONAL MATTERS
 22 AND EFFICIENCIES IN CARRYING OUT THIS ARTICLE AND OTHER ALCOHOL AND
 23 TOBACCO LAWS OF THE STATE.
- 24 4-505.
- 25 (b) (1) This section applies to:
- 26 (i) a [licensed] premises [that sells] LICENSED TO SELL alcoholic 27 beverages [to a customer from a bar or service bar on the premises] FOR ON-PREMISES 28 CONSUMPTION;
- 29 <u>(ii)</u> a premises licensed to sell alcoholic beverages for off–premises 30 consumption; and
- 31 (iii) an unlicensed establishment in a jurisdiction that requires a worker, a supervisor, or an owner of an unlicensed establishment to receive alcohol awareness training.

- 1 16-101.
- 2 (a) In this title the following words have the meanings indicated.
- 3 (d) "Executive Director" means the Executive Director of the Alcohol and Tobacco 4 Commission.
- 5 16-208.
- 6 (c) (1) If a licensed subwholesaler or licensed wholesaler surrenders the license to the [Comptroller] **EXECUTIVE DIRECTOR** and if no disciplinary proceedings are pending against the licensee, the Executive Director shall refund a pro rata part of the license fee for the unexpired term of the license.
- 10 16-501.
- 11 (a) In this subtitle the following words have the meanings indicated.
- 12 (b) (1) "Brand family" means all styles of cigarettes sold under the same 13 trademark, regardless of whether the cigarettes are differentiated from one another by 14 means of additional modifiers or descriptors such as "menthol", "lights", "kings", "100s", or 15 other differentiation.
- 16 (2) "Brand family" includes any use of a brand name (alone or in 17 conjunction with any other word) trademark, logo, symbol, motto, selling message, 18 recognizable pattern of colors, or any other indicia of product identification identical or 19 similar to, or identifiable with, a previously known brand of cigarettes.
- 20 (c) "Cigarette" has the meaning stated in § 16–402(e) of this title (the Escrow 21 Act).
- 22 (d) "Comptroller" means the Comptroller of the State or any authorized agent of the Comptroller who is responsible for collection of the excise tax on cigarettes.
- (e) "Escrow Act" means Subtitle 4 of this title.
- 25 (f) "EXECUTIVE DIRECTOR" INCLUDES AN AGENT OR EMPLOYEE OF THE 26 ALCOHOL AND TOBACCO COMMISSION RESPONSIBLE FOR THE ENFORCEMENT OF 27 STATE TOBACCO LAWS AND REGULATIONS.
- (G) "Licensed wholesaler" means a wholesaler who is licensed under Subtitle 2 of this title to act as a wholesaler and any person who is an authorized agent of the licensed wholesaler for the stamping and distribution of cigarettes.

- 1 **[(g)] (H)** "Master Settlement Agreement" has the meaning stated in § 16–402(f) 2 of this title (the Escrow Act).
- 3 **[(h)] (I)** "Nonparticipating manufacturer" means any tobacco product 4 manufacturer that is not a participating manufacturer.
- 5 **[**(i)**] (J)** "Participating manufacturer" has the meaning stated in section II(jj) of the Master Settlement Agreement and all amendments to the Agreement.
- 7 **[**(j)**] (K)** "Qualified escrow fund" has the meaning stated in § 16–402(g) of this 8 title (the Escrow Act).
- 9 [(k)] (L) "Tobacco product manufacturer" has the meaning stated in § 16–402(j) 10 of this title (the Escrow Act).
- 11 **[(1)] (M)** "Units sold" has the meaning stated in § 16–402(k) of this title (the 12 Escrow Act).
- 13 16–506.
- 14 (b) (1) The Comptroller may disclose to the Attorney General **AND THE**15 **EXECUTIVE DIRECTOR** any information received under this subtitle and requested by the
 16 Attorney General **OR THE EXECUTIVE DIRECTOR** for purposes of determining compliance
 17 with and enforcement of the provisions of this subtitle.
- 18 (2) The Comptroller [and], the Attorney General, AND THE EXECUTIVE
 19 **DIRECTOR** shall share with each other the information received under this subtitle and
 20 may share the information with other federal, State, or local agencies only for purposes of
 21 enforcement of this subtitle, the Escrow Act, or corresponding laws of other states.
- 22 (d) In addition to any other information required to be submitted by law, the Comptroller [or], the Attorney General, OR THE EXECUTIVE DIRECTOR may require a licensed wholesaler or tobacco product manufacturer to submit any additional information, including samples of the packaging or labeling of each brand family, as is necessary to enable the Attorney General to determine whether a tobacco product manufacturer is in compliance with this subtitle.
- 28 16-507.
- 29 (a) (1) In addition to or instead of any other civil or criminal remedy provided 30 by law, on a determination that a licensed wholesaler has violated § 16–504(c) or § 31 16–506(a) of this subtitle or any regulation adopted under this subtitle, the [Comptroller] 32 **EXECUTIVE DIRECTOR** may revoke or suspend the license of any licensed wholesaler in
- the manner provided under §§ 16–211 and 16–212 of this title.

- 1 (2) Each stamp affixed and each offer to sell cigarettes in violation of § 2 16–504(c) of this subtitle shall constitute a separate violation.
- 3 (3) The [Comptroller] **EXECUTIVE DIRECTOR** may also impose a civil 4 penalty in an amount not to exceed the greater of 500% of the retail value of the cigarettes 5 sold or \$5,000 on a determination of violation of § 16–504(c) of this subtitle or any 6 regulations adopted under that section.
- 7 (b) (1) Any cigarettes that have been sold, offered for sale or possessed for sale 8 in this State, or imported for personal consumption in this State in violation of § 16–504(c) 9 of this subtitle shall be deemed contraband under §§ 13–836, 13–837, and 13–839 of the 10 Tax General Article, and those cigarettes shall be subject to seizure and forfeiture as provided in those sections.
- 12 (2) All cigarettes seized and forfeited may not be resold and shall be 13 destroyed.
- 14 (c) (1) The Attorney General, on behalf of the Comptroller **OR THE**15 **EXECUTIVE DIRECTOR**, may seek an injunction to restrain a threatened or actual
 16 violation of § 16–504(c), § 16–506(a), or § 16–506(d) of this subtitle by a licensed wholesaler
 17 and compel the licensed wholesaler to comply with those sections.
- 18 (2) In any action brought under this section, the State shall be entitled to recover the costs of investigation, costs of the action, and reasonable attorney's fees.
- 20 (d) A person who sells, distributes, acquires, holds, owns, possesses, transports, 21 imports, or causes to be imported, cigarettes that the person knows or should know are 22 intended for distribution or sale in the State in violation of § 16–504(c) of this subtitle is 23 guilty of a misdemeanor, and on conviction is subject to a fine not exceeding \$5,000 or 24 imprisonment not exceeding 1 year or both.
- 25 16-508.
- 26 (b) The Attorney General [and], the Comptroller, AND THE EXECUTIVE 27 DIRECTOR may adopt regulations [necessary] to [effectuate the purposes of] CARRY OUT 28 this subtitle.
- 29 16-601.
- 30 (a) In this subtitle the following words have the meanings indicated.
- 31 (b) "Cigarette" has the meaning stated in § 16–101 of this title.
- 32 (c) ["Commission" means the State Fire Prevention Commission.

- 1 (d)] "Consumer testing" means an assessment of cigarettes that is conducted by a manufacturer or conducted under the control and direction of a manufacturer for the purpose of evaluating consumer acceptance of the cigarettes by using only the quantity of cigarettes that is reasonably necessary for the assessment.
- 5 [(e)] (D) "Manufacturer" has the meaning stated in § 16–201 of this title.
- 6 **[**(f)**] (E)** "Quality control and quality assurance program" means laboratory 7 procedures implemented to ensure that:
- 8 (1) operator bias, systematic and nonsystematic methodological errors, and 9 equipment–related problems do not affect the results of the testing; and
- 10 (2) the testing repeatability remains within the required repeatability 11 value for any test trial used to certify cigarettes under this subtitle.
- [(g)] **(F)** "Repeatability" means the range of values within which the repeat results of cigarette test trials from a single laboratory fall 95% of the time.
- 14 [(h)] (G) "Retailer" has the meaning stated in § 16–201 of this title.
- [(i)] (H) (1) "Sale" means the exchange or transfer, or the agreement to exchange or transfer, title or possession of property in any manner or by any means for consideration.
- 18 (2) "Sale" includes:
- 19 (i) the giving or distribution of cigarettes as samples, prizes, gifts, 20 or in connection with consumer testing; and
- 21 (ii) the exchange of cigarettes for any consideration other than 22 money.
- 23 [(j)] (I) "Subwholesaler" has the meaning stated in § 16–201 of this title.
- [(k)] (J) "Vending machine operator" has the meaning stated in § 16–201 of this title.
- 26 [(1)] (K) "Wholesaler" has the meaning stated in § 16–201 of this title.
- 27 16–602.
- 28 (a) Except as provided in § 16–602.1 of this subtitle, cigarettes may not be 29 manufactured in this State or sold or offered for sale to any person in this State unless:

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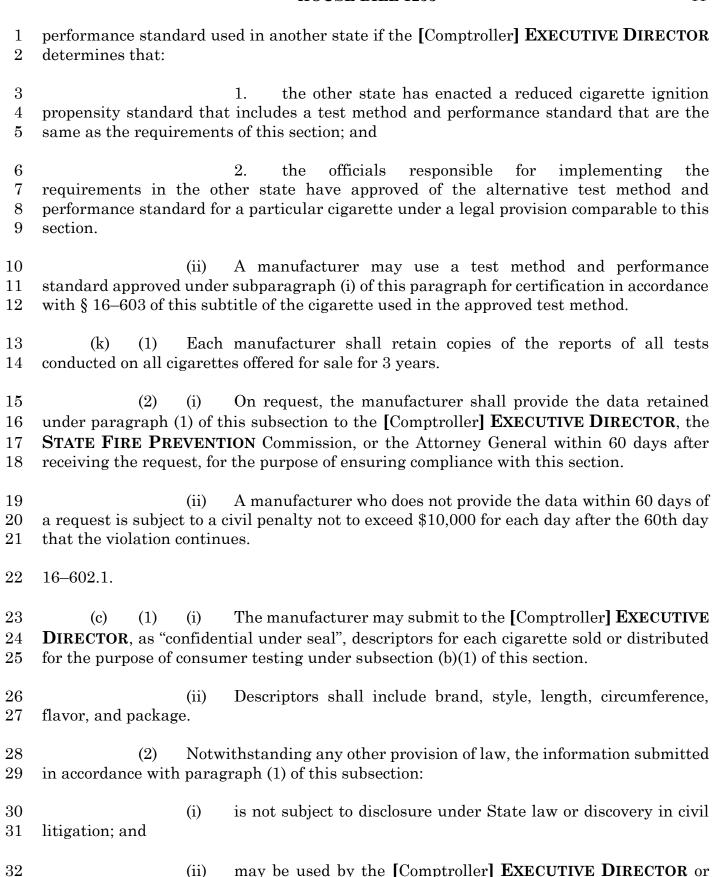
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- 1 (1) the cigarettes have been tested in accordance with the test method and 2 meet the performance standard specified in this section; and
- 3 (2) the manufacturer has filed a written certification with the 4 [Comptroller] **EXECUTIVE DIRECTOR** in accordance with § 16–603 of this subtitle.
- 5 (c) (1) Testing of cigarettes shall be conducted in accordance with the 6 American Society of Testing and Materials (ASTM) standard E2187–04 "Standard Test 7 Method for Measuring the Ignition Strength of Cigarettes".
- STATE FIRE PREVENTION Commission, may adopt a subsequent ASTM standard test method for measuring the ignition strength of cigarettes on a finding that the subsequent method does not result in a change in the percentage of full—length burns exhibited by any tested cigarette when compared to the percentage of full—length burns the same cigarette would exhibit when tested in accordance with ASTM standard E2187–04 and the performance standard of this section.
- 15 (g) (1) Each laboratory that conducts tests in accordance with this section 16 shall:
- 17 (i) have current accreditation pursuant to Standard ISO/IEC 17025 18 of the International Organization for Standardization, subsequent laboratory 19 standardization, or another comparable accreditation as determined by the [Comptroller] 20 **EXECUTIVE DIRECTOR**; and
- 21 (ii) implement a quality control and quality assurance program that 22 includes a procedure to determine the repeatability of the testing results.
- 23 (2) The repeatability value shall be no greater than 0.19.
- (i) (1) If the [Comptroller] **EXECUTIVE DIRECTOR** determines that a cigarette cannot be tested in accordance with the test method required by this section, the manufacturer of the cigarette shall propose to the [Comptroller] **EXECUTIVE DIRECTOR** a test method and performance standard for that cigarette.
 - (2) The [Comptroller] EXECUTIVE DIRECTOR, in consultation with the STATE FIRE PREVENTION Commission, may approve a test method and performance standard that the [Comptroller] EXECUTIVE DIRECTOR determines is equivalent to the requirements of this section, and the manufacturer may use that test method and performance standard for certification of a cigarette in accordance with § 16–603 of this subtitle.
- 34 (3) (i) The [Comptroller] **EXECUTIVE DIRECTOR**, in consultation 35 with the **STATE FIRE PREVENTION** Commission, shall approve a test method and



the Attorney General for the purpose of enforcing the provisions of this title.

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- 1 16-603.
- 2 (a) (1) Each manufacturer shall submit to the [Comptroller] **EXECUTIVE**
- 3 **DIRECTOR** written certification attesting that each cigarette has been tested in accordance
- 4 with and has met the performance standard required under § 16–602 of this subtitle.
- 5 (2) A certification under paragraph (1) of this subsection may not list more
- 6 than 50 cigarettes.
- 7 (c) The certification shall be made available to:
- 8 (1) the Attorney General and the **STATE FIRE PREVENTION** Commission 9 for purposes consistent with this subtitle; and
- 10 (2) the [Comptroller] **EXECUTIVE DIRECTOR** for the purpose of ensuring 11 compliance with this section.
- 12 16–604.
- 13 (d) (1) A manufacturer shall request approval of a proposed marking from the 14 [Comptroller] **EXECUTIVE DIRECTOR**.
- 15 (2) (i) The [Comptroller] **EXECUTIVE DIRECTOR** shall approve a marking specified in subsection (b)(1) of this section.
- 17 (ii) A marking is deemed approved if the [Comptroller] **EXECUTIVE**18 **DIRECTOR** fails to act within 10 business days after receiving a request for approval.
- 19 (3) A manufacturer may not use a modified marking unless the 20 modification has been approved in accordance with this section.
- 21 (4) A manufacturer shall use only one marking on all brands that the 22 manufacturer markets.
- 23 (5) A marking or modified marking approved by the [Comptroller] 24 **EXECUTIVE DIRECTOR** shall be applied uniformly on all brands marketed and on all packages, including packs, cartons, and cases marketed by that manufacturer.
- 26 16–605.
- 27 (c) Each retailer, subwholesaler, vending machine operator, and wholesaler shall
- 28 allow the [Comptroller] EXECUTIVE DIRECTOR or designee of the [Comptroller]
- 29 **EXECUTIVE DIRECTOR** to inspect the markings on cigarette packaging at any time.
- 30 16-607.

1	The [Comptroller] EXECUTIVE DIRECTOR:
2 3	(1) may adopt regulations necessary to carry out and administer this subtitle;
4 5 6	(2) in consultation with the STATE FIRE PREVENTION Commission, may adopt regulations for the conduct of random inspections of retailers, subwholesalers, vending machine operators, and wholesalers to ensure compliance with this subtitle; and
7 8	(3) may establish a \$250 fee for each certification required under \S 16–603 of this subtitle to cover the expenses of administering this subtitle.
9	16–609.
10	(a) To enforce this subtitle:
11 12	(1) the Attorney General may bring an action to enjoin any acts in violation of this subtitle and to recover civil penalties authorized under § 16–608 of this subtitle; or
13 14 15 16	(2) the Attorney General or the [Comptroller] EXECUTIVE DIRECTOR may examine the books, papers, invoices, and records of a person in possession, control, or occupancy of a building, structure, or land where cigarettes are placed, stored, sold, or offered for sale.
17 18	(b) Money collected from civil penalties recovered under this section shall be distributed to the Senator William H. Amoss Fire, Rescue, and Ambulance Fund.
19 20	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2022.
	Approved:
	$\operatorname{Governor}$.
	Speaker of the House of Delegates.

President of the Senate.