

Department of Legislative Services  
 Maryland General Assembly  
 2024 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1073 (Delegate Barnes)  
 Ways and Means

Tobacco Tax - Cigarettes - Rate Alteration

This bill increases the tobacco tax rate for cigarettes from \$3.75 to \$4.50 per package of 20 cigarettes and from 17.5 cents to 22.5 cents per cigarette in a package of more than 20 cigarettes. The bill also imposes a one-time floor tax on cigarettes held for sale or use in the State on July 1, 2024, to be remitted to the Comptroller by September 30, 2024. **The bill takes effect July 1, 2024.**

Fiscal Summary

**State Effect:** General fund revenues increase by \$54.1 million in FY 2025, which includes estimated one-time floor tax revenues. Future years reflect ongoing cigarette tax revenues and projected declines in cigarette consumption. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	\$54.1	\$46.1	\$44.5	\$42.9	\$41.3
Expenditure	0	0	0	0	0
Net Effect	\$54.1	\$46.1	\$44.5	\$42.9	\$41.3

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

Analysis

**Current Law:** Chapter 37 of 2021 increased the tobacco tax rate for cigarettes from \$2.00 to \$3.75 per pack and imposed a one-time floor tax on cigarettes and certain other

tobacco products. The cigarette tax is paid through the purchase of tax stamps, which are affixed to each package of cigarettes as evidence of payment. Licensed wholesalers are allowed a discount of 0.82% of the purchase price of tax stamps.

In addition, the State sales and use tax rate of 6% is imposed on the final retail price of cigarettes.

**State Revenues:** General fund revenues increase by an estimated \$54.1 million in fiscal 2025, which reflects increased tobacco stamp proceeds and one-time floor tax collections. General fund revenues increase by an estimated \$46.1 million in fiscal 2026 and by decreasing amounts annually thereafter, reflecting ongoing cigarette tax revenues and projected declines in cigarette consumption. This estimate is based on the current tobacco tax revenue forecast as well as an analysis of the effect of previous cigarette tax rate increases on Maryland cigarette consumption and tobacco tax revenues.

**Small Business Effect:** Small business cigarette retailers are negatively impacted by the increased cigarette tax rate and one-time floor tax imposed under the bill. The actual impact on affected small businesses depends on the extent to which the tax increase affects cigarette sales and the extent to which the tax increase is passed on to consumers.

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### Additional Information

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

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Orzechowski and Walker, *The Tax Burden on Tobacco*; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2024  
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