

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1056 (Delegate Conaway)

Environment and Transportation and  
Ways and Means

---

Local Government - Excise Tax on Plastic and Paper Carryout Bags

---

This bill requires a county that enacts a local law requiring a retailer to charge a fee for providing a plastic or paper carryout bag to a customer to impose an excise tax, as specified, on any amount of the fee a retailer charges that is in excess of the minimum amount required by the local law. The excise tax must be administered and collected in conjunction with a county's fee on plastic or paper carryout bags required by local law. A retailer means a person engaged in the retail sale of goods. **The bill takes effect July 1, 2025.**

---

Fiscal Summary

**State Effect:** General fund revenues from excise taxes increase by a minimal amount beginning in FY 2026. The Comptroller's Office can handle the bill's requirements with existing resources.

**Local Effect:** Local government revenues and expenditures may increase in some local jurisdictions by an indeterminate amount beginning in FY 2026, as discussed below.

**Small Business Effect:** Potential meaningful.

---

Analysis

**Bill Summary:** The amount of the excise tax imposed by a county must be on each cent the retailer charges in excess of the minimum amount required by local law and must be allocated as follows: (1) one-third of each cent to the county where the retailer is located; (2) one-third of each cent to the Comptroller to be credited to the State general fund; and (3) one-third of each cent to the retailer to cover administrative costs.

**Current Law:** Although local jurisdictions with general taxing powers (*e.g.*, Baltimore City and Baltimore and Montgomery counties) have the authority to levy a bag fee, State law does not broadly address carryout bags provided by retail establishments. Listed below are the local jurisdictions identified by the Department of Legislative Services that have enacted plastic bag bans and fees in recent years.

### *Local Plastic Bag Bans and Fees*

Anne Arundel County enacted legislation that generally (1) prohibits retailers from providing plastic checkout bags to customers and (2) requires a store to charge a 10-cent fee for paper bags supplied to customers. The legislation took effect January 1, 2024.

Baltimore City enacted the Comprehensive Bag Reduction Act, which generally (1) prohibits grocers and other retailers from providing plastic checkout bags to customers and (2) requires a store to charge a 5-cent fee for any other bag supplied to customers, including paper bags. Retailers are authorized to keep 4 cents from the fee for each alternative bag they supply. The remaining 1 cent is remitted to the city government. The prohibition and fee requirements took effect on October 1, 2021.

Baltimore County enacted legislation that generally (1) prohibits retailers from providing plastic checkout bags to customers and (2) requires a store to charge a 5-cent fee for paper bags supplied to customers. The legislation took effect November 1, 2023.

Chapter 725 of 2019 authorized Howard County to impose up to a 5-cent fee for the use of each disposable bag used as part of a retail sale of products. In December 2019, the Howard County Council used this authority and enacted a 5-cent fee on the use of disposable plastic bags. Fees are collected by each store at the point of sale and are remitted to the county government quarterly. Stores are authorized to retain up to 20% of the 5-cent fee collected. The fee took effect October 1, 2020.

Montgomery County enacted legislation that imposes a 5-cent charge on each paper or plastic carryout bag provided by retail establishments at the point of sale, pickup, or delivery. The law took effect January 1, 2012. However, the county recently enacted the Bring Your Own Bag law, banning the use of plastic carryout bags by specified retail establishments. The legislation raises the paper bag free from 5 cents to 10 cents. The legislation goes into effect January 1, 2026.

Prince George's County enacted legislation that generally (1) prohibits retailers from providing plastic checkout bags to customers and (2) requires a store to charge a 10-cent fee for paper bags supplied to customers. The legislation took effect on November 1, 2024.

The cities of Annapolis, College Park, Frederick, Laurel, Salisbury, Takoma Park, and Westminster and the towns of Centreville, Chestertown, and Easton also have local ordinances governing the distribution of plastic carryout bags.

**Local Fiscal Effect:** Under the bill, only fees set above the minimum rate provided in local law would be subject to the excise tax; therefore, the bill will not have an effect on local governments that do not authorize a retailer to charge a bag fee within a range of amounts or above a set amount provided in local statute. However, the bill will have an effect in local jurisdictions that authorize a retailer to charge additional fees in excess of the standard bag fees designated in local law to the extent retailers charge these additional fees. For example, Article 28 of the Baltimore City Code authorizes a dealer (*i.e.*, retailer) in the city to impose a separate purchase or service fee for a checkout bag provided to a customer. Since any such fee would be in excess of the standard 5-cent fee under city law, any amount above the 5 cents would be subject to the excise tax under the bill.

Prince George's County advises that the county has set a minimum 10-cent fee on each paper and reusable bag sold to customers but has not set a maximum charge for these types of bags. The county advises that since it has not currently identified how many retailers in the county charge a bag fee in excess of the county's minimum fee, the county cannot accurately estimate the additional amount of revenues that would be generated from the bill's excise tax. The county further advises it would likely need to hire a consultant to determine how many retailers the bill's excise tax would apply to, as well as how much additional staffing and operating expenses would be needed to implement the bill's requirements.

Howard County advises that while retailers in the county are authorized to charge a bag fee in excess of the 5-cent fee under county law, the county is not aware of any retailers who currently charge a higher rate than required by law.

**Small Business Effect:** The bill may have a potential meaningful impact on small businesses that currently charge a carryout bag fee in excess of the minimum amount required by local law. Under the bill, these additional fees would be subject to State and local excise taxes and the small business would only be authorized to retain one-third of the excess fees.

---

### **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; Howard and Prince George's counties;  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2025  
km/tso

---

Analysis by: Kayvon Samadani

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510