



Montgomery County

Office of Intergovernmental Relations

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SB 3

DATE: January 29, 2020

SPONSOR: Senator McCray

ASSIGNED TO: Budget and Taxation

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POSITION: SUPPORT

Electronic Smoking Devices, Other Tobacco Products, and Cigarettes – Taxation and Regulation

This bill (1) increases the tobacco tax rate from \$2.00 to \$4.00 per pack of cigarettes; (2) generally increases the other tobacco products (OTP) tax rate from 30% to 86% of the wholesale price; (3) imposes an electronic smoking device tax equal to 86% of the wholesale price; (4) requires the Governor to include at least \$21 million in annual funding for the Tobacco Use Prevention and Cessation Program; (5) removes the prohibition from local governments imposing a tax on OTP and cigarettes; and (6) alters the definitions of electronic smoking devices and OTP.

Montgomery County strongly supports Senate Bill 3 because increases in tobacco taxes decrease tobacco use: raising taxes on tobacco and thereby increasing its price is one of the most effective ways to reduce tobacco use. Prices affect virtually all measures of cigarette use, including per-capita consumption, smoking rate, and the number of cigarettes smoked daily.¹⁻⁴ These effects apply across a wide range of racial and socioeconomic groups.⁵

¹ U.S. Department of Health and Human Services. The health consequences of smoking – 50 years of progress: a report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health;2014.

² Hu TW, Sung HY, Keeler TE. Reducing cigarette consumption in California: tobacco taxes vs an anti-smoking media campaign. American journal of public health. 1995;85(9):1218-1222

³Ahmad S, Franz GA. Raising taxes to reduce smoking prevalence in the US: a simulation of the anticipated health and economic impacts. Public health. 2008;122(1):3-10.

⁴ Hu TW, Ren QF, Keeler TE, Bartlett J. The demand for cigarettes in California and behavioral risk factors. Health economics. 1995;4(1):7-14.

⁵ Centers for Disease Control and Prevention. Response to increases in cigarette prices by race/ethnicity, income, and age groups-- United States, 1976-1993. MMWR Morbidity and mortality weekly report. 1998;47(29):605-609.

Currently in Montgomery County, retailers must pay a tax for cigars, cigarette tobacco, pipe tobacco, snuff, or spit tobacco (i.e. any tobacco product that is not subject to the State tobacco tax). An excise tax is imposed on distributors of electronic smoking devices in the County at the rate of 30% of the wholesale price of the electronic smoking device. Under current law, the County does not have authority to tax cigarettes. If Senate Bill 3 is enacted as introduced, the County would gain the authority to tax all tobacco products, including cigarettes.

In addition to the public health imperative to decrease tobacco and nicotine use, counties across the state are searching for new revenue sources as they face impending funding demands for schools, school construction, and the like. Montgomery County urges the Committee to move the bill favorably as introduced and preserve this critical element of the bill.