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January 29, 2020

To: The Honorable Guy Guzonne
Chair, Budget and Taxation Committee

From: The Office of the Attorney General
John M. Leovy, Chief Counsel, Tobacco Enforcement Unit

Re: Senate Bill 3 (Electronic Smoking Devices, Other Tobacco Products, and Cigarettes -
Taxation and Regulation): **SUPPORT**

The Office of the Attorney General submits the following written testimony in support of Senate Bill 3. This bill increases the tobacco tax on cigarettes from \$2.00 to \$4.00 per pack; increases the tax rate on other tobacco products from 30% to 86% of the wholesale price; and, for the first time, taxes the sale of electronic smoking devices (ESD) at the same 86% rate.

Wholesalers are responsible for the tax in quarterly payments to the Comptroller. If wholesalers fail to pay the tax, the licensed ESD retailer or vape shop vendor shall pay the tax in quarterly payments. The tax paid by the retailer or vape shop vendor will be based on the invoice amount charged by the ESD manufacturer, exclusive of any discount, trade allowance, rebate, or other reduction. A person who willfully possesses, sells, or attempts to sell ESDs on which the tobacco tax has not been paid is guilty of a misdemeanor and is subject to a fine not exceeding \$500 or imprisonment not exceeding 3 months, or both.

Studies show that increasing tobacco taxes deter and decrease use of tobacco products and ESD initiation and use should likewise decrease in response to taxation. The best current data show that a \$2.00 per pack tax increase will reduce smoking among those aged 18-24 by 12 %, and a 10% increase in the price of e-cigarettes will reduce youth use of these products by as much as 19%. Reducing youth use of tobacco products now will prevent Maryland's taxpayers from



spending billions in future medical expenses and save its businesses from untold sums in future lost medical insurance costs and lost productivity at work.

For these reasons, we ask that this Committee return a favorable report on this bill.

cc: Members of the Budget and Taxation Committee