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Spending Affordability Committee

THE SENATE OF MARYLAND ANNAPOLIS, MARYLAND 21401

March 24, 2026

SB249 Tobacco Product Licensees Additional Licensure for Electronic Smoking Devices

Good afternoon, Chairman Valderrama, Vice Chair Charkoudian and Members of the Economic Matters Committee;

Thank you for the opportunity to present Senate Bill 249, Tobacco Product Licensees – Additional Licensure for Electronic Smoking Devices. SB249 **requires** manufacturers, retailers, wholesalers, and importers of Electronic Smoking Devices (ESDs) to obtain product-specific licenses that already exist but are not being widely used. While the bill requires retailers to obtain a license endorsement for each product type sold, it does not create new fees or increase existing fees.

Under current law, businesses with a Cigarette or Other Tobacco Product (OTP) license frequently sell ESDs without a separate license, creating a regulatory gap. According to the ATCC's *Maryland Tobacco Retail Modernization Act Report of 2024*, as of December 31, 2024, Maryland had over 6,000 OTP and cigarette retailers, but only 125 identifiable ESD-specific licenses, making oversight difficult. While requiring retailers of ESDs to obtain the license, there is no additional fee if the retailer already possesses a cigarette and/or an OTP license.

SB249 requires retailers of ESDs to obtain the license, ensuring the ATCC, local health departments, and other partners can accurately identify and regulate ESD retailers in a market dominated by high-nicotine disposable products that remain widely accessible.

Maryland collected approximately \$390.4 million in cigarette excise taxes and \$65.4 million in OTP taxes from wholesale sales in FY2025, while ESDs are not subject to any excise taxes. Rather, ESDs are subject to an enhanced sales tax (20%), which requires collection and reporting by each retailer. However, according to the ATCC's *2025 Retailer Adherence to Maryland Tax Requirements Report*, nearly $\frac{2}{3}$ of ESD retailers were charging the incorrect tax rate or no tax rate at all. Requiring ESD licensure will strengthen tax compliance oversight by the ATCC and the Comptroller's Office.

SB249 will improve regulatory transparency, strengthen enforcement and public health protections, and provide policymakers with reliable data, without placing unnecessary burdens on retailers. SB249 passed the Senate 43 to 0. I respectfully request a "Favorable Report" for SB 249.