



ATCC

Alcohol, Tobacco, and Cannabis Commission

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Governor

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March 24, 2026

BILL: SB249 - Tobacco Product Licensees – Additional Licensure for Electronic Smoking Devices

COMMITTEE: Economic Matters

POSITION: Favorable

Chair Valderrama and members of the House Economic Matters Committee:

I write on behalf of the Alcohol, Tobacco, and Cannabis Commission (ATCC) to request a **Favorable Report for SB249 - Tobacco Product Licensees – Additional Licensure for Electronic Smoking Devices.**

SB249 would require manufacturers, retailers, wholesalers, and wholesale importers engaged in the production or sale of Electronic Smoking Devices (ESDs) to obtain an additional, product-specific license authorizing that activity. Under current law, businesses holding a Cigarette or Other Tobacco Product (OTP) license may also sell ESDs without any distinct licensure, despite the unique regulatory, public health, and enforcement considerations associated with these products. SB249 appropriately addresses that regulatory gap.

SB249 would ensure that the ATCC, local health departments, and other stakeholders can accurately identify those businesses engaged in the ESD market. This clarity is essential to effective oversight within the State's tobacco products' retail marketplace. In December 2025, the ATCC issued its report entitled [Maryland Tobacco Retail Modernization Act of 2024](#), as required by SB1056 (Chapter 462 of 2024).¹ That report attempted to identify the locations of retail businesses selling ESDs within Maryland, but it also highlighted the difficulty of doing so under the current licensure structure, where a Cigarette or OTP license alone authorizes ESD sales. As of December 31st, 2024, there were more than 6,000 OTP and cigarette businesses spread throughout the state, and only 125 businesses which held an identifiable ESD-specific license.

To fully evaluate the feasibility and potential impact that tobacco products' retailer sales have on the Maryland market, the ATCC must first obtain a complete and accurate understanding of the retail landscape, particularly with respect to ESDs. The absence of a mandatory, product-specific ESD license creates significant challenges in determining how many retailers are actively engaged in this segment of the market. SB249 directly responds to those challenges. To be clear, SB249 does not prevent tobacco products retailers from holding other tobacco-related licenses, but rather requires retailers to

¹ <https://sb1056.glide.page/dl/948810>

obtain an endorsement or license for each product type they sell, without creating any new fees or increasing any existing fees for retailers. This structure would allow the State to maintain a definitive count of ESD retailers and support a more accurate assessment of the overall tobacco retail industry.

Fiscal considerations further underscore the importance of this legislation. In FY25, Maryland collected approximately \$390.4 million in cigarette excise taxes and \$65.4 million from OTP excise taxes. By contrast, ESDs are not subject to excise taxation and therefore do not generate comparable revenue when produced or imported. While ESD products are subject to an enhanced sales tax, the ATCC has observed inconsistent awareness and application of that tax among retailers. In November 2025, the ATCC published a [report on tax adherence](#) throughout the ESD retail landscape.² One of the key findings was that nearly two-thirds of ESD retailers were charging the incorrect tax rate, or no tax rate at all. Requiring these retailers to obtain an additional license will allow for easier tax compliance oversight by both the ATCC and the Comptroller's Office.

Given the growing presence of ESDs in Maryland's retail market, it is essential for regulators and policymakers to understand the scope of their distribution and market share, particularly as shifts in consumer behavior may have downstream impacts on State revenues and enforcement priorities.

SB249 strengthens regulatory transparency without imposing unnecessary financial hardship on the State's tobacco products' retailers. By aligning licensure with product-specific offerings, this bill enhances public health protections, supports effective enforcement, and equips policymakers with the information necessary to make informed decisions about future tobacco and nicotine regulation in Maryland.

For these reasons, I respectfully urge the House Economic Matters Committee to issue a Favorable Report for SB249 - Tobacco Product Licensees – Additional Licensure for Electronic Smoking Devices.

Thank you for your consideration and I am available to answer any questions or concerns that you may have related to my testimony on this piece of legislation.

Sincerely,



Jeffrey A. Kelly
Executive Director

² <https://online.fliphtml5.com/leeye/tfxa/#p=1>