

Subject: Opposition to HB 1576

Dear Committee Members,

My name is Candice Gott. I am a Maryland small business owner and a board member of the Maryland Vapor Alliance. I am writing to respectfully oppose HB 1576.

The Maryland Vapor Alliance advocates for fair and enforceable regulations for licensed vape shop owners. We are not tobacco or smoke shops. Vape shops exist to provide adult smokers with an alternative to combustible tobacco products.

This bill will have severe impacts on my small business, which currently employs 15 Maryland residents. Because I operate a vape shop and do not sell combustible tobacco products, I will focus specifically on the 20 percent tax on e-liquid products 5mL or greater, which directly affects my business.

Two years ago, the legislature increased the tax on vapor products over 5mL to 20 percent late in session, without a full hearing on how the increase would impact compliant small businesses. Responsible business owners complied and paid the tax.

However, what would have been explained in a proper hearing is that many retailers were already failing to pay the previous 12 percent tax. Raising the rate to 20 percent did not fix that problem. It worsened it.

While I paid the full 20 percent tax, some competitors were effectively paying far less. This created an uneven playing field and made my prices appear inflated, even though I was simply complying with state law. In today's economic climate, customers are highly price sensitive. When faced with lower prices elsewhere, many chose the cheaper option regardless of whether that retailer was compliant.

The Maryland Vapor Alliance met with the Alcohol, Tobacco, and Cannabis Commission to present this concern. We provided receipts from 52 retailers across Maryland. Of those 52, only 2 were paying the proper tax. The ATCC conducted its own review and found that more than 60 percent of retailers were not paying the appropriate tax rate.

This is what happens when products are overtaxed without effective enforcement. Compliance declines. Raising the tax further will only exacerbate the problem and push more sales into noncompliant channels.

Additionally, vapor products are widely recognized as a reduced risk alternative to combustible cigarettes. Combustion is what creates the carcinogens associated with smoking. Vapor products do not involve combustion. Taxing vapor products under the premise of funding unrelated health initiatives lacks a clear public health nexus and disproportionately burdens small, compliant businesses.

While I respect the sponsor's intent to support important causes, funding those initiatives by further taxing a product that is not directly tied to the stated health issue sets a troubling precedent. It harms small businesses, rewards noncompliance, and undermines the goal of transitioning adults away from combustible tobacco.

I respectfully urge you to oppose HB 1576 and instead focus on enforcement of existing tax laws before considering additional increases.

Thank you for your time and consideration.

Respectfully,
Candice Gott
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