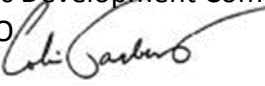




## MEMORANDUM

DATE: October 30, 2020  
TO: Taxation, Finance, and Economic Development Committee  
FROM: Colin Tarbert, President and CEO   
POSITION: Support  
SUBJECT: Council Bill No. 20-0631  
Excise Tax – Electronic Smoking Devices

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### **INTRODUCTION**

The Baltimore Development Corporation (BDC) is reporting on City Council Bill No. 20-0631 introduced by the Councilmembers Clarke, Middleton, Bullock, Reisinger, Dorsey, Cohen, Pinkett, Burnett, and President Scott.

### **PURPOSE**

For the purpose of repealing current Subtitle 27 {"Tobacco Tax"} as abrogated by function of law; establishing an excise tax on the distribution of electronic smoking devices; setting the rate of the tax; defining certain terms, authorizing the Director of Finance to issue certain regulations; providing for collection of the tax and payment of interest and penalties; providing or a special effective date.

### **BRIEF HISTORY**

This Bill will impose a 30% tax on the wholesale price of electronic smoking devices. It can be assumed that this tax would be passed onto the consumer and there would be multiple positive benefits that might occur from this tax.

Assuming that this tax on electronic smoking devices would have the same impacts as a tax on cigarettes, smokers who quit would receive a health-related benefit and there would be a reduction in the overall use of electronic smoking devices. Increased taxes also have a positive impact on non-smokers by reducing their exposure to second-hand smoke.

Research studies have found that raising the cost of cigarette and electronic smoking devices through increased taxes is a highly effective measure for reducing smoking among youth, young adults, and persons of lower socioeconomic status.

Additionally, in regards to government revenues, a tax on electronic smoking devices would not only increase government revenues, but also reduce smoking-related medical expenses.

Finally, it might be expected that this Bill would affect businesses that solely focus on the sale of electronic smoking devices and related components, parts, and accessories. It is possible that a number of these stores would experience a decrease in revenues if this tax is passed.

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**FISCAL IMPACT**

It is anticipated that the City will experience an increase in tax revenues associated with the sale of electronic smoking devices. This includes components, parts, and accessories.

**AGENCY POSITION**

The Baltimore Development Corporation **supports** City Council Bill No. 20-0631.

If you have any questions, please do not hesitate to contact Kimberly Clark at [kclark@baltimoredevelopment.com](mailto:kclark@baltimoredevelopment.com).

cc: Nicholas Blendy

[MK]