

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 766 (Delegate A. Johnson)
 Government, Labor, and Elections

Retail Tobacco Businesses and Establishment of a Premium Cigar Lounge
 Alcoholic Beverages License (Maryland Premium Cigar Lounge Act of 2026)

This bill authorizes a local board of license commissioners in the State to issue a Class C- PCL (premium cigar lounge) license to the holder of a tobacconist license, as specified. The board may issue one Class C-PCL license per 150,000 residents of a county. If a county has fewer than 150,000 residents, a board may issue one Class C-PCL license in the county. The license authorizes the holder to allow a customer to consume alcoholic beverages on the premises Monday through Sunday from 10 a.m. to 1 a.m. the following day, if specified conditions are met. The licensed premises is exempt from the requirements of the Clean Indoor Air Act (CIAA) under the provisions of the Health – General Article. **The bill takes effect July 2, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase beginning in FY 2027, primarily for the Alcohol, Tobacco, and Cannabis Commission (ATCC) to hire additional staff, and for programming costs at ATCC and the Judiciary. *Under one set of assumptions*, general fund expenditures for ATCC increase by \$131,513 in FY 2027 and by *at least* \$100,000 annually thereafter, as discussed below. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	152,300	100,400	104,900	109,400	114,000
Net Effect	(\$152,300)	(\$100,400)	(\$104,900)	(\$109,400)	(\$114,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government revenues increase minimally for each Class C-PCL license issued under the bill, as discussed below. Local governments can likely monitor any additional licenses with existing resources.

Small Business Effect: Meaningful.

Analysis

Premium Cigar Lounge License (Class C-PCL) Requirements

The bill authorizes the board to issue a Class C-PCL license to the holder of a tobacconist license issued under the applicable provisions of the Business Regulation Article if the holder (1) operates an establishment in which premium cigars and pipe tobacco are sold at retail for on-premises and off-premises use and (2) meets the requirements of the bill.

The license authorizes the holder to allow a customer to consume alcoholic beverages on the premises Monday through Sunday from 10 a.m. to 1 a.m. the following day, if (1) the alcoholic beverages are brought to the premises by the customer; (2) the customer purchases and consumes a product sold by the license holder during the time the customer is on the premises; and (3) the license holder has at least one employee present and working who is certified in an alcohol awareness program, as specified.

Under the bill, a board must require (1) a license application to include a building plan demonstrating sufficient air filtration and exhaust; (2) a license holder to display in a conspicuous place that smoking is allowed on the premises; and (3) any employee of a licensed establishment to sign an acknowledgement that the employee will be subjected to secondhand smoke.

Also, the license holder must (1) have average daily receipts from the sale of premium cigars, pipe tobacco, and related accessories that are at least 70% of the total daily receipts from the establishment and (2) annually submit to the Executive Director of ATCC and the board, in a form the executive director requires, a sales ratio compliance report.

The annual license fee is \$100.

Prohibition – Tobacconist License

The bill specifies that the clerk of the circuit court may not issue a license to act as a tobacconist if the place of business listed on the application for the license is adjacent to a licensed health care facility or licensed child care facility.

Clean Indoor Air Act – Modifications

The bill modifies CIAA under the provisions of the Health – General Article by specifying that (1) CIAA does not apply a retail tobacco business, as specified, in which the sale of

other products *constitutes not more than 30% of the retail tobacco business's gross annual revenue*, instead of in which the sale of other products is incidental and (2) ATCC must maintain a registry of retail tobacco businesses that are exempt from CIAA under the bill's provisions.

Annual Reporting – Alcohol, Tobacco, and Cannabis Commission

By July 1, 2028, and annually thereafter, a person who holds a tobacconist license *and* holds a Class C-PCL alcoholic beverages license, authorized under the bill, must provide documentation to the Executive Director of ATCC that shows not less than 70% of the annual gross revenue from the business operated under both licenses is derived from the sale of other tobacco products (OTP) and related accessories.

Current Law:

Local Boards of License Commissioners

Maryland's 23 counties, Baltimore City, and the City of Annapolis all have boards of license commissioners who issue and enforce retail alcoholic beverages licenses in their jurisdictions. Within each jurisdiction, the most common types of retail licenses are Class A, Class B, Class C, and Class D licenses. Each license authorizes the sale of alcoholic beverages in a different manner and may authorize the sale of alcohol for on- and off-premises consumption, as specified. For example, Class A licenses generally only allow the sale of alcoholic beverages for off-premises consumption, and Class B licenses are generally issued to restaurants and allow the sale of alcoholic beverages with food.

Tobacconist License

A tobacconist is an OTP business, licensed by the clerk of a circuit court under the Business Regulation Article, that derives at least 70% of its revenues, measured by average daily receipts, from the sale of OTP and tobacco-related accessories. A separate license is required for each place of business where a person acts as a tobacconist. The annual license fee is \$15.

“Other tobacco products” means a product that is intended for human consumption or likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled, or ingested in any manner that is made of, derived from, or contains tobacco or nicotine, with specified exclusions. “OTP” (1) includes cigars, premium cigars, pipe tobacco, chewing tobacco, snuff, snus, filters, rolling papers, pipes, and hookahs and (2) excludes cigarettes, electronic smoking devices, drugs, devices, or combination products authorized for sale by the U.S. Food and Drug Administration under the federal Food, Drug, and Cosmetic Act; or tobacco pipes (as defined in the Tax General Article).

Issuance of an Alcoholic Beverages License to a Tobacconist

Chapters 754 and 755 of 2024 prohibited the issuance of a local alcoholic beverages license to a tobacconist from July 1, 2024, to July 1, 2026 (which accounts for the bill’s effective date of July 2, 2026). Chapters 754 and 755 also established, in the Maryland Department of Health, a workgroup to study the issuance of alcoholic beverages licenses to tobacconists and report its findings and recommendations to the General Assembly by July 1, 2025. The workgroup’s recommendations in the July 2025 [report](#) align with many of the bill’s provisions and include:

- altering the statutory definition of “tobacconist” by specifying that at least 70% of its revenues, measured by average daily receipts, are derived from the sale of *premium cigars, pipe tobacco, and related accessories*, instead of the current broader category of OTP and tobacco-related accessories;
- permitting tobacconists to obtain an on-site consumption alcoholic beverages license, as determined by local liquor boards, and for purposes of tracking, a statewide bring-your-own (BYO) alcoholic beverages license;
- creating a statewide registry managed by ATCC for businesses operating under the CIAA exemption and granting existing tobacco retailers licensed to sell alcoholic beverages for on-site consumption a two-year period to comply with the recommended tobacconist license requirements; and
- not permitting a tobacconist license to be issued to properties adjacent to a health care or child care/child-related facility.

Clean Indoor Air Act

Pursuant to CIAA, a person may not smoke or vape in (1) an indoor area open to the public, including in any establishment licensed or permitted under the Alcoholic Beverages and Cannabis Article for the sale or possession of alcoholic beverages; (2) an indoor place in which meetings are open to the public; (3) a government-owned or -operated means of mass transportation; and (4) an indoor place of employment. However, the prohibition does not apply to (1) private homes or residences, except as specified above; (2) private vehicles, except as specified above; (3) a hotel or motel room as long as the total percent of rooms so used does not exceed 25%; (4) specified tobacco facilities and retail businesses; or (5) a laboratory for the purpose of conducting scientific research into the health effects of tobacco smoke.

Alcohol, Tobacco, and Cannabis Commission

ATCC is responsible for regulation and enforcement of the State’s alcoholic beverages and tobacco laws. ATCC manages the application, renewal, and processing of all State

alcoholic beverages and tobacco licenses for manufacturers and wholesalers, and various types of State permits; it is also responsible for enforcing laws related to the illegal sale and distribution of cannabis. The Comptroller collects alcoholic beverages taxes and tobacco taxes in the State. The Comptroller audits licensed businesses, including retail tobacco businesses, to ensure compliance with statutory requirements in collaboration with ATCC. For retail tobacco businesses that are licensed to sell alcoholic beverages, local liquor boards and ATCC are jointly responsible for enforcing the statutory requirements of the alcoholic beverages license.

State Expenditures: General fund expenditures increase by *at least* \$152,257 in fiscal 2027. Most of these costs are ongoing and incurred by ATCC; however, the Judiciary also incurs one-time programming costs as discussed below. The Maryland Department of Health can implement the bill’s requirements with existing resources.

Alcohol, Tobacco, and Cannabis Commission

General fund expenditures for ATCC increase beginning in fiscal 2027 to hire additional staff and to alter the existing licensing platform for the registry. *Under one set of assumptions*, general fund expenditures increase by *at least* \$131,513 in fiscal 2027, which accounts for a 90-day start-up delay, and by *at least* \$100,000 annually thereafter. This estimate reflects the cost of hiring one full-time revenue field auditor to (1) review for compliance the annual sales ratio compliance reports submitted by a license holder of a Class C-PCL license; (2) establish and maintain a registry of retail tobacco businesses exempt from CIAA under the bill, necessitating review of retail tobacco businesses sales; and (3) review for compliance the documentation submitted by July 1, 2028, and annually thereafter, by a holder of a tobacconist license *and* a Class C-PCL license, that 70% of the annual gross revenue from business operated under both licenses is derived from the sale of OTP and related accessories.

Under this set of assumptions, the estimate accounts for a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also factors in one-time programming costs of \$50,000 in fiscal 2027 for ATCC to alter its existing licensing platform and/or make necessary software changes to process the annual sales compliance reports and documented receipts from holders of a tobacconist license and a Class C-PCL license. Further, the estimate reflects the registry that must be maintained by ATCC applying *only* to holders of a tobacconist license, which, according to the workgroup’s report as of January 2025 is approximately 200 licensees.

Position	1.0
Salary and Fringe Benefits	\$72,372
One-time Programming Costs	50,000
Operating Expenses	<u>9,141</u>
Total FY 2027 ATCC Expenditures	\$131,513

Future year expenditures reflect a full salary with annual increases and employee turnover, as annual increases in ongoing operating expenses, and an annual cost of \$5,000 for software maintenance.

However, under an alternate set of assumptions, expenditures for ATCC are greater. ATCC estimates there are approximately 6,500 retail tobacco businesses in the State. Because the bill's provisions do not explicitly indicate that the CIAA exemption applies *only* to a tobacconist, if the registry maintained by ATCC were to apply to *all* retail tobacco businesses, ATCC would need to hire *at least* two additional full-time staff (a revenue auditor and a revenue auditor supervisor). The additional staffing needs would bring the estimated cost to \$300,000 in fiscal 2027 (including one-time programming costs and annual software maintenance costs), and up to \$340,000 by fiscal 2031, to handle the review of retail tobacco business sales to determine the applicability of the CIAA exemption.

Judiciary

The Administrative Office of the Courts advises that clerks of the circuit courts, who issue tobacconist licenses, do not currently have a means of determining whether the business location of an applicant for a tobacconist license is adjacent to a licensed health care facility or a licensed child care facility. As the bill prohibits issuance of a tobacconist license to a business that is adjacent to such facilities, the E-License system used by the clerks must be modified to allow an applicant to indicate compliance with this provision. Accordingly, general fund expenditures for the Judiciary increase by an estimated \$20,744 in fiscal 2027 for one-time programming and related costs.

Local Fiscal Effect: Under the bill, a local licensing board may issue one Class C-PCL license per 150,000 residents of a county. Based on fiscal 2025 population estimates compiled by the Maryland Department of Planning, the boards in 17 local jurisdictions are authorized to issue one Class C-PCL license, and in 7 jurisdictions, the boards are authorized to issue the following number of Class C-PCL licenses: Montgomery County – up to seven licenses; Prince George's County – up to six licenses; Baltimore County – up to five licenses; Anne Arundel County – up to four licenses; Baltimore City up to three licenses; and Frederick and Howard counties – up to two licenses each. A total of 46 Class C-PCL licenses may be issued annually in the State (based on fiscal 2025 population estimates), assuming the bill's other requirements are met.

Small Business Effect: Revenues may increase for small businesses that are tobacconist license holders and utilize the Class C-PCL license authorized under the bill, due to sales related to (1) customers' ability to bring and consume their own alcoholic beverages on the licensed premises and (2) an increase in customers, because of BYO privileges afforded under the Class C-PCL license.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 934 and HB 1318 of 2025.

Designated Cross File: SB 623 (Senators Watson and Harris) - Finance.

Information Source(s): Kent, Montgomery, Washington, and Worcester counties; Alcohol, Tobacco, and Cannabis Commission; Judiciary (Administrative Office of the Courts); Maryland Department of Health; Maryland Department of Planning; Department of Legislative Services

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