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Third Reader - Revised

Senate Bill 623

(Senators Watson and Harris)

Finance

Government, Labor, and Elections

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

This bill authorizes local boards of license commissioners to issue a Class C-PCL (premium cigar lounge) license to the holder of a tobacconist license, as specified. The Class C-PCL license holder is authorized to sell alcoholic beverages for on-premises consumption Monday through Sunday from 10 a.m. to 1 a.m. the following day. The licensed premises is exempt from the requirements of the Clean Indoor Air Act (CIAA) under the provisions of the Health – General Article but subject to requirements of a local licensing board. A local licensing board must establish a scoring or weighted review process for applications for a Class C-PCL license, as specified, and set the annual license fee between \$500 and \$2,500. The bill also establishes requirements and related prohibitions for a tobacconist that *does not* hold an alcoholic beverages license but is authorized by a local board to allow customers to bring alcoholic beverages onto the premises for personal consumption, as specified. The bill does not apply in Montgomery County. **The bill takes effect July 2, 2026.**

Fiscal Summary

State Effect: General fund expenditures for the Judiciary increase by \$20,700 in FY 2027 only, for one-time programming costs. The Alcohol, Tobacco, and Cannabis Commission (ATCC) can implement the bill with existing resources. Revenues are not affected.

Local Effect: Local government revenues increase to the extent Class C-PCL licenses are issued under the bill. Local governments can likely monitor any additional licenses with existing resources.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “Social equity applicant” means an applicant for a Class C-PCL license that has at least 65% ownership and control held by one or more individuals who (1) have lived in a disproportionately impacted area for at least five of the 10 years immediately preceding the submission of the application; (2) attended a public school in a disproportionately impacted area for at least five years; or (3) for at least two years, attended a four-year institution of higher education in the State where at least 40% of the individuals who attend the institution of higher education are eligible for a Pell Grant.

“Tobacconist” means a retail tobacco business that holds a tobacconist license under § 16.5-204 of the Business Regulation Article.

Premium Cigar Lounge License (Class C-PCL)

Except in Montgomery County, a local licensing board may 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 sell alcoholic beverages for on-premises consumption Monday through Sunday from 10 a.m. to 1 a.m. the following day, if the customer purchases and consumes a premium cigar or pipe tobacco sold by the license holder, and the license holder has at least one employee present and working who is certified in an alcohol awareness program, as specified.

A local licensing board may not issue more than two new Class C-PCL licenses in a single jurisdiction during a calendar year. A 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. A new Class-PCL license may not be issued to an establishment within five miles of an existing licensed establishment. The issuance of a Class C-PCL license is subject to local regulations regarding the total number of alcoholic beverages licenses that may be issued in a single jurisdiction.

The bill requires a local board to establish a scoring or weighted review process for applications for a Class C-PCL licenses, which must consider:

- whether the applicant qualifies as a social equity applicant, as defined under the bill;
- the applicant’s business acumen and operational capacity;
- the applicant’s years of experience in the tobacco, hospitality, or related industry;
- whether the applicant resides in the county or municipality in which the license is sought;

- any written input or approval, as required by the board, from relevant local stakeholders, including the county, a municipal corporation, or a recognized community or business association;
- the economic benefit the proposed business is expected to provide to the local jurisdiction, including job creation, capital investment, and support for local commerce; and
- any other factor that the board determines is necessary to promote equity, community compatibility, and responsible business operations.

Under the bill, a local board must require (1) a license application to include a building plan demonstrating detailed specifications for air filtration systems and exhaust systems; (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 enumerates the dangers of secondhand smoke and states that the employee will be subjected to secondhand smoke. However, this acknowledgement does not waive the employee's rights under federal, State, or local workplace safety regulations.

A Class C-PCL license holder must annually submit to the Executive Director of ATCC and the local board a statement of average daily receipts and an affidavit of a certified public accountant that verify that the license holder has met the requirements of a tobacconist under the applicable provisions of the Business Regulation Article. If a local board determines that a license holder does not meet the requirements of a tobacconist based on the annual submission, or any other information, the board may revoke or suspend the Class C-PCL license or otherwise discipline the license holder in accordance with the enforcement powers under the Alcoholic Beverages and Cannabis Article and any applicable local law or regulation.

A Class C-PCL license holder may not (1) allow a person to use cigarettes, electronic smoking devices, or cannabis on the licensed premises; (2) allow an individual younger than 21 on the licensed premises; (3) have live entertainment; or (4) operate a commercial kitchen.

Conversion to a Class C-PCL License

Notwithstanding the bill's provisions, a local alcoholic beverages license held by a tobacconist prior to July 1, 2024, must be converted to a Class C-PCL license under the bill, regardless of whether the conversion would cause the number of Class C-PCL licenses in the jurisdiction to exceed the maximum number of licenses otherwise authorized under the bill. A local board may not suspend or revoke a converted Class C-PCL license of a tobacconist for noncompliance with the required sales percentages to be a tobacconist under the Business Regulation Article before July 1, 2028, at which point the license holder must demonstrate compliance with the bill.

For purposes of determining whether a local board may issue any additional Class C-PCL licenses in the jurisdiction, a board must count any Class C-PCL license converted under the bill toward the total number of (1) Class C-PCL licenses allowed in a single jurisdiction and (2) alcoholic beverages licenses issued in a jurisdiction that has local laws or regulations limiting the total amount of alcoholic beverages licenses issued in the jurisdiction.

The Howard County and Baltimore County boards, when issuing a Class C-PCL license under the bill, must give preference to a licensed tobacconist that has been operating in the respective county for at least the five years immediately preceding the effective date of the bill.

Unlicensed Establishments

Except in Montgomery County, a local licensing board may authorize a tobacconist that *does not* hold an alcoholic beverages license (but is open to the public) to allow a customer age 21 or older to bring alcoholic beverages onto the premises for personal consumption, so long as the customer concurrently buys and consumes tobacco products.

The owner or operator of the tobacconist that allows such consumption of alcoholic beverages on the premises:

- may limit the amount and type of alcoholic beverages that may be consumed on the premises;
- must require that at least one employee who is working and present on the premises has been trained in an alcohol awareness program; and
- may not allow (1) an individual to consume alcoholic beverages on the tobacconist premises from 1 a.m. through 10 a.m.; (2) a customer to disturb the peace, safety, and welfare of the community; (3) a person to use cigarettes, electronic smoking devices, or cannabis while on the premises; or (4) an individual younger than 21 to enter the premises.

If, based on the statement of average daily receipts and affidavit required under the Business Regulation Article or any other information, a local licensing board determines that a tobacconist authorized to allow on-premises consumption of alcoholic beverages does not meet the requirements of a tobacconist, the board may revoke the authorization to allow on-premises consumption or otherwise discipline the tobacconist in accordance with State and local law or regulation.

A local licensing board must notify the Executive Director of ATCC of each tobacconist that does not hold an alcoholic beverages license that is authorized to allow on-premises consumption of alcoholic beverages.

Tobacconist License Requirements

The bill specifies that an applicant for a license to act as tobacconist, who intends to allow on-premises consumption of premium cigars or pipe tobacco, must include with the application a building plan demonstrating detailed specifications for air filtration and exhaust systems.

A tobacconist must display in a conspicuous place that smoking is allowed on the premises, if applicable, and retain records related to average daily receipts of the tobacconist for a minimum of two years. A tobacconist is prohibited from selling alcoholic beverages unless the tobacconist holds a Class C-PCL license issued under the bill.

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 shares a wall with a licensed health care facility or licensed child care facility. The clerk may renew a tobacconist license if a licensed health care facility or licensed child care facility relocates to share a wall with the tobacconist.

The bill adds to the requirements for renewing a tobacconist license by specifying that the licensee file with the clerk of the circuit court a statement of average daily receipts and an affidavit of a licensed certified public accountant that verify the licensee has met the requirements of a tobacconist.

Clean Indoor Air Act – Modifications

The bill repeals provisions specifying that CIAA does not apply to a retail tobacco business, as specified, in which the primary activity is retail sale of tobacco products and accessories, and the sale of other products is incidental.

Other Provisions

The bill modifies, in the Business Regulation Article, the definition of (1) “pipe tobacco” by specifying it does not include tobacco that is intended for use in a hookah or similar smoking device and (2) “tobacconist” by specifying that it means an other tobacco products (OTP) business that derives at least 70% of its revenues, measured by average daily receipts, from the sale of premium cigars, pipe tobacco, and related accessories for on-premises or off-premises consumption.

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. Before a license expires, a licensee may renew a license for an additional one-year term if the licensee (1) otherwise is entitled to be licensed; (2) submits to the clerk of a circuit court a renewal application on the form required; and (3) pays the required license fee.

“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) specifically does not include 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).

“Pipe tobacco” means any tobacco that, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco to smoke in a pipe.

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](#) generally 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 (better known as BYO) alcoholic beverages license;
- prohibiting tobacco retailers from receiving an on-site consumption alcoholic beverages license if they do not meet the new definition of a tobacconist;
- clarifying that only products sold by the retailer may be smoked on-site in the licensed tobacconist facility, and specifically excluding the smoking of cigarettes and vaping;
- 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;
- requiring licensed facilities under the CIAA exemption to display signage indicating that smoking is allowed indoors;
- prohibiting individuals younger than 21 to enter the licensed tobacconist facilities; 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: The Administrative Office of the Courts advises that clerks of the circuit courts, who issue tobacco licenses, do not currently have a means of determining whether the business location of an applicant for a tobacco license shares a wall with a licensed health care facility or a licensed child care facility. As the bill prohibits issuance of a tobacco license to a business that shares a wall with 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.

The Maryland Department of Health can implement the bill's requirements with existing resources.

Local Fiscal Effect: Under the bill, a local licensing board may issue one Class C-PCL license per 150,000 residents of a county. However, the license does not apply in Montgomery 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 6 jurisdictions, the boards are authorized to issue the following number of Class C-PCL licenses, subject to the maximum of two licenses per calendar year: 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 39 Class C-PCL licenses may be issued in the State (based on fiscal 2025 population estimates), assuming the bill's other requirements are met.

Small Business Effect: Revenues likely increase for small businesses that are tobaccoists and utilize the Class C-PCL license authorized under the bill, due to sales of alcoholic beverages and potential additional sales of premium cigars and pipe tobacco on the licensed premises. Revenues may also increase for small business tobaccoists that do not seek a Class C-PCL license, due to customers' ability to bring and consume their own alcoholic

beverages on the licensed premises if they concurrently purchase and consume tobacco products, as specified.

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: HB 766 (Delegate A. Johnson) - Government, Labor, and Elections.

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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