

In 1999, the General Assembly increased the cigarette tax by 30 cents per pack and reduced the wholesaler discount rate from 1.36 percent to .82 percent to avoid providing a windfall increase in the amount of the discount provided to purchasers of tax stamps. House Bill 698 is an attempt by the wholesalers to recoup a portion of this reduction, at a cost of approximately \$500,000 to the taxpayers of Maryland.

It is my opinion, and the opinion of many health advocates who opposed this legislation, that the discount rate is sufficient at .82 percent. In the event that there is any additional expense to the wholesaler for purchasing tax stamps, a premise with which I do not agree, this cost of doing business should be passed onto consumers in the form of higher cigarette prices. Increasing the discount rate could have the undesirable effect of lowering the cost of cigarettes at the retail level, a result that is entirely inconsistent with Maryland's effort to reduce the consumption of cigarettes, particularly by teenagers. For the past several years, through our tax policy and our nationally recognized use of our share of the national tobacco settlement, Maryland has taken steps to reduce tobacco consumption through increased prices, education, enforcement and treatment. Reversing this policy by potentially reducing the price of cigarettes would be unwise and unwarranted.

In addition, the 2001 Session of the General Assembly was, at times, dominated by a discussion of responsible fiscal policy. Much debate surrounded the adequacy of our efforts to meet the health care needs of our citizens. In addition, despite a \$1 billion increase in the State's base budget contribution to K-12 education over the past 7 years, there is continued and warranted interest in significantly enhancing funds for this purpose. In the midst of these debates, the General Assembly passed legislation, like House Bill 698, that reduced the amount of revenue available to the State to meet these needs. Overall, legislation passed in the 2001 Session resulted in increased mandated expenditures of over \$35 million in FY 2003, and revenue loss of over \$10 million next year. Several of these initiatives involve significant commitments in future years. While many of the policies adopted this year are defensible, it is clear to me that the \$500,000 that it would cost to fund the provisions of House Bill 698 will be better spent on programs to benefit the people of Maryland.

For the above reasons, I have vetoed House Bill 698.

Sincerely,
Parris N. Glendening
Governor

House Bill No. 698

AN ACT concerning

Tobacco Tax - Purchase of Tax Stamps

FOR the purpose of increasing the discount rate of the purchase price of tobacco tax stamps offered by the State Comptroller to certain wholesalers; repealing certain provisions authorizing the State Comptroller to exempt certain persons from posting security for the tobacco tax under certain circumstances; making