



25 Sigourney Street
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Q & A on the Cigarette Tax Increase for Licensed Cigarette Dealers

Purpose: This Informational Publication describes recently enacted legislation increasing the cigarette tax rate effective April 3, 2002, and imposing a tax, as of the close of business on April 2, 2002, on each licensed cigarette dealer’s inventory of stamped packages of cigarettes.

- *New cigarette tax stamp* means either a green \$1.11 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a blue \$1.3875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).

Effective Date: April 3, 2002.

Statutory Authority: 2002 Conn. Pub. Acts 1, §1 (amending Conn. Gen. Stat. §12-296), §2 (amending Conn. Gen. Stat. §12-316) and §3.

Tax Rate Increase: The cigarette tax rate will increase from 25 mills to 55.5 mills per cigarette on April 3, 2002.

	Tax before 4-3-2002	Tax on or after 4-3-2002
Packages		
20 cigarettes per package	\$.50	\$1.11
25 cigarettes per package	.625	1.3875
Cartons		
10 packs per carton (20s)	\$5.00	\$11.10
10 packs per carton (25s)	6.25	13.875
8 packs per carton (25s)	5.00	11.10

Packages of cigarettes (including those in cartons) that were taxed under the old rate will have an old cigarette tax stamp attached to them. Packages of cigarettes (including those in cartons) that are taxed under the new rate will have a new cigarette tax stamp attached.

- *Old cigarette tax stamp* means either a yellow \$.50 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or an orange \$.625 Connecticut cigarette tax stamp (for packages of 25 cigarettes).

Tax on Cigarette Inventory as of Close of Business on April 2, 2002: As of the close of business on April 2, 2002, if you have any packages of cigarettes (including those in cartons) that have only an *old cigarette tax stamp* attached to them, you are liable for a tax (known as a *floor tax*) on those packages. The floor tax is the difference between the old rate and the new rate. You may not sell those packages of cigarettes on or after April 3, 2002, unless you have proof that you paid the floor tax on those packages by having attached a floor tax stamp to them.

1. How do I pay the floor tax?

You pay the floor tax by purchasing *floor tax stamps*. A *floor tax stamp* is either a red \$.61 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a brown \$.7625 Connecticut cigarette tax stamp (for packages of 25 cigarettes). The floor tax stamp is a self-adhesive, peel-and-stick stamp.

2. How do I prove that I paid the floor tax?

You prove that you paid the floor tax on a package of cigarettes by attaching a floor tax stamp to it. Once you attach the floor tax stamp to a package that already has an old cigarette tax stamp on it, you may sell the package on or after April 3, 2002. (See Question 11 for more information on attaching floor tax stamps.)

3. How many floor tax stamps do I need?

You need one floor tax stamp for every package of cigarettes (including those in cartons) that you will have in inventory as of the close of business on April 2, 2002, that has only an old cigarette tax stamp attached. Because you may not be able to buy floor tax stamps if you wait until the close of business on April 2, you should estimate the number

of packages of cigarettes that you will have in inventory as of the close of business on that date with only an old cigarette tax stamp attached.

4. When should I buy the floor tax stamps?

You can buy stamps beginning on Wednesday, March 20, 2002. DRS recommends that you buy the stamps as early as possible to avoid the possibility of long lines and other delays.

5. What if I buy too many or too few floor tax stamps?

If you overestimate your inventory and buy too many floor tax stamps, you may return the stamps for credit or refund as long as you do so no later than April 19, 2002. Follow the procedure for returning stamps described in Question 13 below.

If you underestimate your inventory and buy too few floor tax stamps, you will have to buy additional floor tax stamps before April 3, 2002. It is **illegal to sell packages of cigarettes** with only an old cigarette tax stamp attached on or after April 3, 2002.

6. Where may I purchase floor tax stamps?

You may buy floor tax stamps from a participating licensed cigarette distributor or from DRS.

- a. *Buying from a participating distributor.* You will find a list of licensed distributors that sell cigarettes to licensed dealers on the DRS Web site at www.drs.state.ct.us by clicking on "Cigarette Tax Increase." Not all of these distributors will be selling floor tax stamps. Call the distributors on the list to find out if they are participating distributors.

Participating distributor means a licensed distributor (whether or not a stamper) who purchases floor tax stamps for resale to other licensed distributors or to licensed dealers.

- b. *Buying from DRS.* If you buy floor tax stamps from DRS, you must buy them in person at a DRS office or at a temporary DRS office. Complete form **OP-419-63**, *Order Form for Cigarette Floor Tax Stamps*, that DRS mailed to you before coming to the office. (If you are a licensed dealer who owns and operates cigarette vending machines, complete form **OP-419-62**, *Order Form for Cigarette Floor Tax Stamps*, that DRS mailed to you before coming to the office.)

Keep track of the number of stamps that you buy, from whom and when you buy them and enter that information in **Part II** of form **AU-930-63**, *Dealer's*

Cigarette Inventory Report, that DRS mailed to you. (If you are a licensed dealer who owns and operates cigarette vending machines, enter that information in **Part II** of form **AU-930-62**, *Dealer's Cigarette Inventory Report*, that DRS mailed to you.) You must file the dealer's cigarette inventory report with DRS no later than May 1, 2002. (See Question 14 for more information on filing the report.)

7. When may I buy the floor tax stamps at DRS offices?

You may buy floor tax stamps at the following dates, times, and locations:

DRS headquarters and DRS field offices

March 20-22	from 8:00 a.m. to 5:00 p.m.
March 25-28	from 8:00 a.m. to 5:00 p.m.
March 29 (Friday)	closed for state holiday
March 30 (Saturday)	from 9:00 a.m. to 1:00 p.m.
April 1 and 2	from 8:00 a.m. to 8:00 p.m.

Location of DRS offices

Headquarters:	25 Sigourney St., Hartford
Field offices:	
Norwich:	2 Cliff Street
Bridgeport:	10 Middle Street
Waterbury:	55 West Main Street
Hamden:	3074 Whitney Avenue (Bldg. #2)

For directions to DRS offices, visit the DRS Web site at www.drs.state.ct.us and click on "Cigarette Tax Increase," or call 1-800-382-9463 (toll-free within Connecticut) or 860-297-5962 (from outside Connecticut) and press option "6."

8. Are there any other locations where I may buy floor tax stamps from DRS?

You may also buy floor tax stamps from DRS at a **temporary DRS office** in the Darien Town Hall and in the State Police Barracks for Troops C, E, F, and L but *only* at the following dates and times.

Darien Town Hall (2 Renshaw Road, Darien)

April 1 and 2	from 9:00 a.m. to 4:00 p.m.
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State Police Barracks for Troops C, E, F, and L

April 1 and 2	from 9:00 a.m. to 6:00 p.m.
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Location of State Police Barracks

Troop C:	1320 Tolland Stage Road, Tolland
Troop E:	Interstate 395 North (between Exit 79 and Exit 79A), Montville
Troop F:	Connecticut Turnpike West, Westbrook
Troop L:	452 Bantam Road, Litchfield

9. How do I pay for the floor tax stamps that I buy from DRS?

You must pay for the floor tax stamps by a check or money order made payable to “**Commissioner of Revenue Services**” at the time you buy them from DRS. DRS will not accept cash payments for floor tax stamps at any temporary DRS office or at any DRS office other than DRS headquarters in Hartford.

10. When do I take the inventory of packages of cigarettes that have only old cigarette tax stamps attached?

Take an inventory as of the close of business on April 2, 2002. The inventory must include a physical count of all packages of cigarettes (including those in cartons) that have only an old cigarette tax stamp attached. Enter this information in **Part I** of the *Dealer’s Cigarette Inventory Report* that DRS mailed to you. (You must file the dealer’s cigarette inventory report with DRS no later than May 1, 2002. See Question 14 for more information on filing the report.)

Close of Business on April 2, 2002: If your business closes after 11:59 p.m. on April 2, 2002, you must take the cigarette inventory as of 11:59 p.m. on April 2, 2002.

11. When and where do I attach the floor tax stamps to packages in inventory?

You must attach the floor tax stamps as of the close of business on April 2, 2002. Attach a floor tax stamp to the bottom of a package of cigarettes next to the old cigarette tax stamp. Both cigarette tax stamps must be visible. You must also open cartons containing packages of cigarettes that have only an old cigarette tax stamp attached, and attach a floor tax stamp to each package of cigarettes within the carton.

Close of Business on April 2, 2002: If your business closes after 11:59 p.m. on April 2, 2002, you must attach the floor tax stamps by 11:59 p.m. on April 2, 2002.

12. What if I have packages of cigarettes in inventory at the close of business on April 2, 2002, to which new cigarette tax stamps are already attached?

You do not have to attach floor tax stamps to packages of cigarettes that have a new cigarette tax stamp attached. *New cigarette tax stamp* means either a green \$1.11 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a blue \$1.3875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).

13. How do I return floor tax stamps if I buy too many?

If you overestimated your inventory and buy more floor tax stamps than you needed, you may return the stamps for credit or refund no later than April 19, 2002.

- a. If you bought floor tax stamps from a participating distributor, and you do not use some of those floor tax stamps, you must return the unused stamps to the participating distributor. If you return those unused stamps to the participating distributor no later than April 19, 2002, the participating distributor must allow you a refund or credit.
- b. If you bought floor tax stamps from DRS, and you did not use some of those floor tax stamps, you must return the unused stamps to DRS either by mail or in person at a DRS office (but not at a temporary DRS office). In returning those stamps to DRS, you must bring or include both of the following items:
 - **OP-421, Refund Request for Unused Floor Tax Stamps.** DRS will furnish this form to you at the time you buy the floor tax stamps; **and**
 - Your taxpayer receipt copy of **OP-419-62** or **OP-419-63** that you completed when you bought the unused stamps from DRS.

If you return those unused stamps to DRS no later than April 19, 2002, along with form **OP-421** and your copy of the floor tax stamp order form, DRS will mail you a check refunding the floor tax paid on the unused stamps after DRS has examined your cigarette inventory report and found it to be satisfactory. DRS **will not** refund the floor tax paid on the unused stamps at the time you return the unused stamps.

Keep track of the number of stamps that you return and to whom and when you return them and enter that information in **Part III** of the *Dealer’s Cigarette Inventory Report* that DRS mailed to you. (You must file the dealer’s cigarette inventory report with DRS no later than May 1, 2002. See Question 14 for more information on filing the report.)

14. When do I file the cigarette inventory report?

You must complete and file form **AU-930-62** or **AU-930-63** with DRS no later than May 1, 2002, but you may file the report sooner if all the required information is available. If you fail to complete and

file a cigarette inventory report on or before May 1, 2002, your dealer's license may be revoked. You also must keep a copy of your signed cigarette inventory report on your premises for inspection by DRS agents. There are three parts to the report.

- **Part I** is a record of the inventory of packages of cigarettes (including those in cartons) with only an old cigarette tax stamp attached as of the close of business on April 2, 2002. (See Question 10.)
- **Part II** is a record of the number of floor tax stamps that you purchased and from whom and when you purchased them. (See Question 6.)
- **Part III** is a record of the number of floor tax stamps that you returned and to whom and when you returned them. (See Question 13.)

15. What if I do not comply with the requirements described in this informational publication?

DRS audit and enforcement personnel will be out in force to ensure that floor tax stamps are properly attached and to confiscate improperly stamped packages of cigarettes.

- On or after April 3, 2002, packages of cigarettes that have only an old cigarette tax stamp attached are contraband, subject to confiscation.
- On or after April 3, 2002, any licensed dealer selling or offering to sell packages of cigarettes that do not have either a new cigarette tax stamp attached, or both a floor tax stamp and an old cigarette tax stamp attached, is subject to criminal sanctions including a fine or imprisonment, or both. (If more than 20,000 cigarettes are involved, the crime is a felony.)
- Any licensed dealer violating the law will also be liable for tax, penalty, and interest on improperly stamped packages of cigarettes and subject to civil sanctions including the suspension or revocation of the dealer's license.

16. How do I report those who are in violation of the law?

Contact the DRS Special Investigations Section at **860-297-5877** during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m.

Effect on Other Documents: None affected.

Effect of This Document: An Informational Publication is a document issued by DRS that addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information on the Cigarette Tax Increase and the Floor Tax: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, at **860-297-5770**, or visit the DRS Web site at www.drs.state.ct.us and click on "Cigarette Tax Increase."

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.