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INFORMATIONAL PUBLICATION

**Q & A on the Cigarette Tax Increase for
Licensed Cigarette Distributors That Are Stampers**

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 stamper's inventory of packages of cigarettes that have only an old cigarette tax stamp attached to them.

- *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 that were taxed under the old rate will have an old cigarette tax stamp attached to them. Packages that are taxed under the new rate will have a new cigarette tax stamp attached to them.

- *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, you are liable for a tax (known as a *floor tax*) on those packages. The floor tax is the difference between the old tax rate and the new tax 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.

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 to it. 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 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 May 1, 2002 (April 19, 2002, if you bought the floor tax stamps from a participating distributor). (See Question 13 for more information about returning floor tax stamps).

If you underestimate your inventory and buy too few 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 to them on or after April 3, 2002.

6. Where may I buy floor tax stamps?

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

Purchasing from DRS. If you buy floor tax stamps from DRS, you must buy them by mail or in person at a DRS office from which you customarily purchase cigarette tax stamps. Complete form **OP-419-61, Order Form for Cigarette Floor Tax Stamps**, that DRS mailed to you before coming to the office. You will be entitled to a 1% discount on the purchase of the stamps.

Keep track of the number of floor tax stamps you buy and from whom and when you buy them, and enter that information in **Part II** of form **AU-930-61, Distributor's Cigarette Inventory Report**, that DRS mailed to you. (You must file form **AU-930-61** 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?

DRS will offer extended hours at DRS headquarters and DRS field offices for stampers to buy floor tax stamps on **Saturday, March 30, 2002**, from 9:00 a.m. to 1:00 p.m., and on **Monday and Tuesday, April 1 and 2, 2002**, from 8:00 a.m. to 8:00 p.m.

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.

8. May I be a participating distributor?

Any licensed distributor, whether or not a stamper, may choose to be a participating distributor by purchasing floor tax stamps from DRS for resale to other licensed distributors or to licensed dealers. If you choose to be a participating distributor, those to whom you sell floor tax stamps must be able to return unused floor tax stamps to you. As long as they return the stamps to you no later than April 19, 2002, you must allow a credit or refund to them. You must also complete Parts IV and V of form **AU-930-61** that DRS mailed to you.

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

You must pay for the floor tax stamps by 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 DRS office other than DRS headquarters in Hartford. If you have not filed a surety bond with DRS, you may not buy floor tax stamps on credit. If you have filed a surety bond with DRS, you may pay for the stamps within 30 days after the date of purchase. The purchase of floor tax stamps will have no effect on the surety bond as long as you pay for the floor tax stamps within 30 days after the date of purchase.

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 to them. Enter this information in **Part I** of form **AU-930-61** that DRS mailed to you. (You must file form **AU-930-61** 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 to them, 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 to them. *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 bought more floor tax stamps than you needed, you may return the stamps for credit or refund.

- a. If you bought floor tax stamps from a participating distributor, and you do not use some of those stamps, you must return the unused stamps to the distributor. If you return those unused stamps to the participating distributor no later than April 19, 2002, the 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 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:
 - Form **OP-420**, *Refund Request for Unused Cigarette 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-419-61** that you completed when you bought the unused stamps from DRS.

If you return those unused stamps to DRS no later than May 1, 2002, along with form **OP-420** 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 floor tax stamps you return and to whom and when you return them, and enter that information in **Part III** of form **AU-930-61** that DRS mailed to you. (You must file form **AU-930-61** 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-930-61** with DRS no later than May 1, 2002, but you may file the report sooner if all the required information is available sooner. If you fail to complete and file form **AU-930-61** on or before May 1, 2002, your distributor's license may be revoked. You must also keep a copy of your signed cigarette inventory report on your premises for inspection by DRS agents. There are five 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 to them 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 bought and from whom and when you bought 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.)
- If you are a participating distributor, **Part IV** is a record of the number of floor tax stamps that you sold to other licensed distributors or to licensed dealers and to whom and when you sold those stamps.
- If you are a participating distributor, **Part V** is a record of the number of floor tax stamps that other licensed distributors or licensed dealers returned to you and by whom and when those stamps were returned.

15. When may I buy new cigarette tax stamps?

You may buy new cigarette tax stamps from DRS starting March 20, 2002. After March 30, 2002 (for stamps purchased in person at a DRS office) or after March 28, 2002 (for stamps to be shipped), DRS will not sell old cigarette tax stamps, and will sell new cigarette tax stamps only.

16. When may I return old cigarette tax stamps?

You may return old cigarette tax stamps to DRS at any time, either by mail or in person at the DRS office where you customarily purchase cigarette tax stamps.

17. 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 distributor 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, imprisonment, or both. (If more than 20,000 cigarettes are involved, the crime is a felony.)
- Any stamper 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 stamper's license or stamping privileges, or both.

18. How do I report those who violate 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.