



25 Sigourney Street  
Hartford CT 06106-5032

**INFORMATIONAL PUBLICATION**

**Q & A on the Cigarette Tax Increase That Is Effective  
March 15, 2003, for Licensed Cigarette Distributors**

**Purpose:** This Informational Publication describes recently enacted legislation increasing the cigarette tax rate effective March 15, 2003. The legislation also imposes a tax, as of the close of business on March 14, 2003, on each licensed cigarette distributor's inventory of packages of cigarettes, including those in cartons, that have an old cigarette tax stamp attached.

**Effective Date:** March 15, 2003.

**Statutory Authority:** Conn. Gen. Stat. §§12-296 and 12-316, as amended by 2003 House Bill No. 6495, §§29 and 30; and §31 of the same bill.

**Tax Rate Increase:** The cigarette tax rate will increase from 55.5 mills to 75.5 mills per cigarette on March 15, 2003.

	<b>Tax before 3-15-2003</b>	<b>Tax on or after 3-15-2003</b>
<b>Packages</b>		
20 cigarettes per package	\$1.11	\$1.51
25 cigarettes per package	1.3875	1.8875
<b>Cartons</b>		
5 packs per carton (20s)	\$5.55	\$7.55
10 packs per carton (20s)	11.10	15.10
8 packs per carton (25s)	11.10	15.10
10 packs per carton (25s)	13.875	18.875

**Tax on Cigarette Inventory as of Close of Business on March 14, 2003:** As of the close of business on March 14, 2003, if you have any packages of cigarettes, including those in cartons, that have 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 cigarette tax rate and the new cigarette tax rate.

*Close of Business on March 14, 2003:* If your business closes after 11:59 p.m. on March 14, 2003, you must take the cigarette inventory as of 11:59 p.m. on March 14, 2003.

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

You must take an inventory as of the close of business on March 14, 2003. The inventory must include a physical count of all packages of cigarettes, including those in cartons, that have an old cigarette tax stamp attached. The inventory must also include promotional packages that have an old cigarette tax stamp attached. You must immediately enter this information on form **AU-930, Cigarette Inventory Report**, and sign the report. (See Question 4 for more information on filing the report.)

*Old 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).

**2. Am I required to purchase and affix floor tax stamps to packages of cigarettes in inventory as of the close of business on March 14, 2003?**

You are **not required** to purchase and affix floor tax stamps to packages of cigarettes in your inventory as of the close of business on March 14, 2003.

**3. What if I have packages of cigarettes in inventory at the close of business on March 14, 2003, that have new cigarette tax stamps already attached?**

Do not include in your inventory report any packages of cigarettes that have a new cigarette tax stamp attached. *New cigarette tax stamp* means either a purple \$1.51 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a tan \$1.8875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).

#### 4. When do I file form AU-930?

You must complete and sign form **AU-930** as of the close of business on March 14, 2003, and keep a copy of the signed form **AU-930** on your premises for inspection by Department of Revenue Services (DRS) agents.

You must file the original form **AU-930** and pay the tax to DRS no later than April 15, 2003. You must file form **AU-930** whether or not you have packages of cigarettes in your inventory that have old cigarette tax stamps attached. If you fail to file form **AU-930** on or before April 15, 2003, your distributor's license may be revoked.

#### 5. When do I pay the floor tax?

You must pay the floor tax on or before April 15, 2003, on each package of cigarettes, including those in cartons, that you have in inventory as of the close of business on March 14, 2003, and that has an old cigarette tax stamp attached. If you fail to pay the floor tax, your distributor's license may be revoked.

Make your check payable to **Commissioner of Revenue Services** and remit the tax with form **AU-930** on or before April 15, 2003. Mail your payment and form **AU-930** to:

Department of Revenue Services  
PO Box 2997  
Hartford CT 06104-2997

#### 6. 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 verify that you correctly accounted for the inventory of packages of cigarettes, including those in cartons, that have old cigarette tax stamps attached as of the close of business on March 14, 2003. If you fail to report and pay the correct amount of floor tax, you will be subject to penalty and interest. The penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both.

#### 7. 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.

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### Additional Information for Stampers:

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#### 8. When will the new cigarette tax stamps be available for purchase?

Sales of new cigarette tax stamps will begin immediately. Stampers may purchase new stamps by mail or in person at the DRS office at which they customarily purchase their stamps. New cigarette tax stamps for packages of 25 cigarettes may be purchased only at DRS headquarters in Hartford.

Continue to use your existing invoice book to purchase cigarette stamps until you are issued a new invoice book with the new rates. Old cigarette tax stamps and new cigarette tax stamps may not be ordered on the same invoice. Stampers must use one invoice for old cigarette tax stamps purchases and a separate invoice for new cigarette tax stamps purchases.

Use the following lines to purchase old cigarette tax stamps:

- Use Line 1 for packages of 20 @ \$1.11
- Use Line 2 for packages of 25 @ \$1.3875

Use the following lines to purchase new cigarette tax stamps (on a separate invoice):

- Use Line 3 for packages of 20 @ \$1.51
- Use Line 4 for packages of 25 @ \$1.8875

#### 9. How long will the old cigarette tax stamps be available for purchase?

DRS will continue to sell old cigarette tax stamps at all DRS offices until March 12, 2003. However, mail orders must be received no later than March 10, 2003.

#### 10. How does a distributor return unaffixed old cigarette tax stamps?

Old cigarette tax stamps must be returned to DRS headquarters in Hartford on or before March 14, 2003. They cannot be returned to any other DRS office. Stamps must be counted and the information must be entered on an invoice. Write **Credit Invoice** at the top of the invoice.

#### 11. Will the monthly reports for distributors be revised?

The following monthly reports that stampers are required to file with DRS for the month of March 2003 are being revised by DRS to cover the periods March 1, 2003, through March 14, 2003, and March 15, 2003, through March 31, 2003, respectively, and will be mailed by DRS to stampers:

### Resident Distributors

- **Form CT-15**, *Monthly Tax Stamp and Cigarette Report/Resident Distributor*
- **Form CT-31**, *Cigarette and Unaffixed Stamp Inventory Report for Resident Distributors*
- **Form CT-39**, *Record of Cigarette Stamps Purchased/Resident Distributor*

### Nonresident Distributors

- **Form CT-15A**, *Monthly Tax Stamp and Cigarette Report/Nonresident Distributor*
- **Form CT-31A**, *Cigarette and Unaffixed Stamp Inventory Report for Nonresident Distributors*
- **Form CT-38**, *Record of Cigarette Stamps Purchased/Nonresident Distributor*

### 12. Should distributors who stamp cigarettes increase their surety bond?

Due to the cigarette tax increase, each stamper may wish to consider increasing the amount of its surety bond. In general, a stamper's purchases of cigarette tax stamps on credit may not exceed the amount of the stamper's surety bond.

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**Effect on Other Documents:** None affected.

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**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.

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**For Further Information on the Cigarette Tax Increase and the Floor Tax:** Please call DRS during business hours, Monday through Friday, at **860-541-3225**, or visit the DRS Web site at **www.drs.state.ct.us** and click on Cigarette Tax Increase.

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**For Further Information:** Please call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), 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.

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**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** (in-state) and select **Option 2** from a touch-tone phone.
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**Paperless Filing Methods (fast, easy, free, and confidential):**

- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *Fast File Program*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *File Tax Returns On-Line*.