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**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE**

DATE: December 31, 2003

SUBJECT: Cigarette Floor Tax Return
REV-779

TO: All Pennsylvania Cigarette Wholesalers, Retailers, and Vending Machine Operators

CIGARETTE TAX BULLETIN 03-16

On December 23, 2003, Governor Edward Rendell signed into law Act 46 of 2003 (HB 200 PN 3160) raising the excise tax on a pack of 20 cigarettes from \$1.00 to \$1.35 effective January 7, 2004, an increase of \$.35 cents per pack. Cigarette tax on packs of 25 cigarettes will increase from \$1.25 cents to \$1.6875 per pack, an increase of \$.4375 per pack. The new cigarette tax rate applies to all floor stock and to all cigarettes in vending machines located within Pennsylvania on January 7, 2004.

In order to properly report and remit the floor tax due on your cigarette inventory, it will be necessary to take an immediate physical inventory of all Pennsylvania stamped cigarettes held in your possession as of 12:01 A.M. on January 7, 2004, complete and file the enclosed Cigarette Dealer Floor Tax Return (REV-779) by the due date of April 6, 2004. Please refer to the filing instructions on the reverse side of the floor tax return.

The top portion of the enclosed return marked "Retain this copy for your records" is to be retained by the licensee for a period of three (3) years. **Detach the floor tax return coupon and send it, along with your floor tax payment, in the enclosed return envelope provided (E203).** Please make sure the Department of Revenue return address appears in the window of the envelope. The Cigarette Dealer Floor Tax Return and payment may be filed anytime after January 7, 2004, but must be submitted no later than April 6, 2004.

Failure to file a floor tax return and pay the floor tax due by April 6, 2004 will result in the imposition of penalties and interest and may result in criminal prosecution.

Visit the Department of Revenue's Web site www.revenue.state.pa.us for the Cigarette Dealer Floor Tax Return and additional information.

Should you have questions regarding this matter, please telephone (717) 772-6919 or FAX (717) 705-8413.

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 CIGARETTE DEALER FLOOR TAX RETURN



REV-779 AS AFP (12-03)
 FAX NO. (717) 705-8413

The below Cigarette Dealer Floor Tax Return (REV-779) must be filed by each licensed wholesale, retail and vending location on or before April 6, 2004. Please make checks payable to the PA Dept of Revenue.

RETAIN FOR YOUR RECORDS

REV-779 AS AFP (12-03) PA DEPARTMENT OF REVENUE	CIGARETTE LICENSE # -	2004 CIGARETTE DEALER FLOOR TAX RETURN	SALES TAX #
NAME AND ADDRESS (MAKE CORRECTIONS AS NECESSARY)			

WHOLESALE, RETAIL AND VENDING INVENTORY OF PACKS OF PENNSYLVANIA STAMPED CIGARETTES

- Number of packs of 20 cigarettes..... x \$.35 = \$
- Number of packs of 25 cigarettes..... x \$.4375 = \$
- Balance due from inventory of packs of cigarettes (add Lines 1 and 2)..... \$
- Penalty and interest if filed after April 6, 2004, see instructions on the back of this form. \$

5. Total amount due (add Lines 3 & 4). Please remit this amount \$

Number of vending machines.....

 SIGNATURE TITLE DATE

DETACH AT PERFORATION

REV-779 AS AFP (12-03) PA DEPARTMENT OF REVENUE	CIGARETTE LICENSE # -	2004 CIGARETTE DEALER FLOOR TAX RETURN	SALES TAX #
NAME AND ADDRESS (MAKE CORRECTIONS AS NECESSARY)			

WHOLESALE, RETAIL AND VENDING INVENTORY OF PACKS OF PENNSYLVANIA STAMPED CIGARETTES

- Number of packs of 20 cigarettes..... x \$.35 = \$
- Number of packs of 25 cigarettes..... x \$.4375 = \$
- Balance due from inventory of packs of cigarettes (add Lines 1 and 2)..... \$
- Penalty and interest if filed after April 6, 2004, see instructions on the back of this form. \$

5. Total amount due (add Lines 3 & 4). Please remit this amount \$

Number of vending machines.....

Important: Failure to file this return and pay the floor tax due will result in the imposition of penalties and interest and may result in criminal prosecution.
 I hereby certify that this return is true and correct.

 SIGNATURE TITLE DATE

**INSTRUCTIONS FOR CIGARETTE DEALER FLOOR TAX RETURN
WHOLESALE, RETAIL, AND VENDING MACHINE OPERATORS**

Effective Date of Tax Increase - The Pennsylvania state cigarette tax will increase from \$1.00 to \$1.35 per pack of twenty (20) cigarettes and \$1.25 to \$1.6875 per pack of twenty-five (25) cigarettes as of January 7, 2004.

Who Must Report and Pay the Tax - When the rate increase goes into effect on January 7, 2004, stamping agents, wholesale, retail, and vending dealer with an inventory of PA stamped cigarettes, including unsaleable cigarettes, bearing the old tax rate will be required to pay a "floor tax" on all PA stamped cigarettes on hand as of 12:01 AM, January 7, 2004. Every cigarette dealer must file a return even if no cigarettes are in inventory.

Note - Vending machine operators have an option of reporting their inventory of Pennsylvania stamped cigarettes as either 1) an actual physical count of all cigarettes in the vending machines or 2) a calculated figure of sixty (60) percent of the charge-out inventory. Charge-out inventory is the amount of cigarettes shown as the normal fill capacity of each machine.

Rate of Tax - The Pennsylvania cigarette tax will increase from \$.05 per cigarette to \$.0675 per cigarette. The new tax rate per pack of twenty (20) cigarettes is \$1.35. The new tax rate per pack of twenty-five (25) cigarettes is \$1.6875. The floor tax per pack of twenty (20) cigarettes is \$.35. The floor tax per pack of twenty-five (25) cigarettes is \$.4375.

Filing Requirements - A floor tax return for each licensed location must be filed on or before April 6, 2004. Please make checks payable to the **PA Dept of Revenue**.

Corporate Filers - Corporate filers may elect to file a consolidated return and remittance on behalf of all subsidiary locations. The consolidated return should include each subsidiary cigarette dealer license number and a summary report of each subsidiary location's inventory subject to cigarette floor tax. The corporate filer is required to maintain a signed copy of the subsidiary location return at the corporate headquarters. In addition, each subsidiary location is required to maintain a copy of the inventory and the cigarette floor tax return at the business location for inspection. Corporate filers filing consolidated returns are secondarily liable for any floor tax deficiency assessed against subsidiary locations. Should a corporate account choose to allow each subsidiary location to file a cigarette floor tax return (Cigarette Dealer Floor Tax Return REV-779), filing instructions for filing individual cigarette floor tax returns apply.

Record Retention - You must retain a copy of the completed tax return and supporting inventory documents for a period of three (3) years. For your convenience, a copy of the tax report has been provided.

Unsaleable Cigarettes - Unsaleable cigarettes which are on the premises as of 12:01 AM, January 7, 2004 are subject to the cigarette floor tax. Credits for unsaleable cigarettes will not be issued by the Department until the floor tax return and payment is received and the credit is verified.

Cigarettes in Transit - Cigarettes which are alleged to be in transit as of January 7, 2004, will be deemed the property of the shipper. The shipper shall file a return and pay the floor tax imposed 72 P.S. 8206.1 by April 6, 2004.

Penalty and Interest - Failure to submit your tax return and payment by April 6, 2004 will require the settlement of Cigarette Floor Tax due, plus penalty and interest. Penalty is calculated at five percent (5%) of the tax due but unpaid for each month or fraction thereof the tax that remains unpaid. Interest for 2004 is computed at four percent (4%) (.000110 per diem) on such tax from the time the tax became due until the tax is paid.

Additional Penalties - In addition to settling penalty and interest, the Department has the authority to settle administrative penalties in an amount equal to the floor tax evaded plus interest and/or suspend or revoke a cigarette dealer's license, and pursue criminal prosecution for a willful failure to file a floor tax return by April 6, 2004.

Information and Forms - If you need help computing penalty or interest charges or have additional questions, contact a Department representative at one of the telephone numbers listed below or the Cigarette Tax Unit, Dept 280909, Harrisburg, PA 17128-0909. Telephone: (717) 772-6919 / Fax: (717) 705-8413

PA DEPARTMENT OF REVENUE
BIDM (CIG)
DEPT 280408
HARRISBURG PA 17128-0408