INFORMATIONAL NOTICE
LOCAL OPTION CIGARETTE TAX 2014-02

Issued September 24, 2014

Pennsylvania Local Option Cigarette Tax in a School District of the First Class: Rates and Floor Tax Guidelines

Act 131 of 2014, signed into law on Sept. 24, authorizes a $2-per-pack cigarette tax on all cigarettes and little cigars sold in Philadelphia, effective Oct. 1, 2014, in order to supplement public school funding in the city.

Philadelphia Cigarette Tax Stamps

Philadelphia tax stamps combining the new 10-cent-per-stick Philadelphia cigarette tax and the 8-cent-per-stick state tax – for a total cigarette excise tax of $3.60 per pack of 20 cigarettes/little cigars and $4.50 per pack of 25 cigarettes/little cigars sold in Philadelphia – have been created and are available to cigarette stamping agencies beginning Sept. 24.

To allow the new tax stamps to work their way into the product chain, for up to 30 days following the effective date of the Philadelphia cigarette tax, until Oct. 31, wholesalers may sell Pennsylvania-stamped cigarettes not reflecting the Philadelphia cigarette tax to Philadelphia retailers, so long as the wholesaler charges the Philadelphia cigarette tax ($20 per carton) to each retailer in Philadelphia and issues the retailer an invoice showing the Philadelphia tax was paid.

Cigarette Retailer and Vending Dealer Requirements

Each retailer and vending dealer must calculate, report and remit cigarette floor tax on all cigarettes and little cigars in inventory and vending machines in Philadelphia as of 12:01 a.m. on Oct. 1. A floor tax return (REV-779) will be provided to each retailer and vending dealer, and the return will also be available at www.revenue.pa.gov. Failure to file a complete and accurate floor tax return and pay the tax due will result in the imposition of penalties and interest, and may result in criminal prosecution.

Enforcement visits will be conducted to Philadelphia retailers to ensure retailers are selling correctly stamped and documented packs. Each retailer must maintain for inspection a copy of its floor tax return/inventory and all wholesaler invoices showing Philadelphia tax was paid on additional Pennsylvania-stamped product acquired between Oct. 1 and Oct. 31.

Retail evasion of the Philadelphia cigarette tax will violate state law and be punishable by suspension or revocation of the retailer’s cigarette license, criminal fines and/or imprisonment.

Cigarette Wholesaler Requirements

To facilitate monitoring of Philadelphia-stamped and Pennsylvania-stamped product across the state, as of Oct. 1 the department will require wholesalers to report their sales to retail and vending customers monthly. The return and accompanying schedules for this monthly report will be available on the department’s website, www.revenue.pa.gov.
For up to 30 days following the effective date of the Philadelphia cigarette tax, until Oct. 31, wholesalers may sell Pennsylvania-stamped cigarettes not reflecting the Philadelphia cigarette tax to Philadelphia retailers, so long as the wholesaler charges the Philadelphia cigarette tax ($20 per carton) to each retailer in Philadelphia and issues the retailer an invoice showing the Philadelphia tax was paid. Wholesalers must remit the Philadelphia cigarette tax collected to the Department of Revenue by the 20th day of the month following the sale, along with copies of invoices to verify the Philadelphia tax collected.

Alternatively, wholesalers can exhaust Pennsylvania-stamped product by selling to retailers and wholesalers located outside of Philadelphia or returning the state-stamped inventory to a CSA for a refund or a credit toward Philadelphia stamped cigarettes.

Additionally, a new return, REV-1142P, is in development for documentation of tax due on unstampable little cigars sold in Philadelphia.

If a wholesaler is unable to exhaust Pennsylvania-stamped product, it should inventory and segregate state-stamped product on Nov. 1 and contact the department at 717-783-9374.

**Cigarette Stamping Agent Requirements**

Cigarette stamping agents must purchase and affix Philadelphia tax stamps to product that will end up in retail and vending locations in Philadelphia, and Philadelphia tax stamps will be available to cigarette stamping agents beginning Sept. 24. Additionally, cigarette stamping agents will have to file a separate return (REV-1030P/REV-1036P) to account for cigarettes sold into Philadelphia and the stamps purchased and used on a monthly basis.

Administrative matters related to the Philadelphia cigarette tax:

- Philadelphia tax stamps will be sold in rolls of 7,200 stamps for both 20- and 25-packs of cigarettes.
- A revised REV-1043, Cigarette Stamping Agent Purchase Order, will be available at www.revenue.state.pa.us beginning Sept. 24.
- The 0.87 percent cigarette stamping agent commission does not apply to the Philadelphia cigarette tax, but the commission on state cigarette tax will apply to Philadelphia stamps.
- Cigarette stamping agents purchasing cigarette tax stamps on a consignment basis may need to increase their bond liability amounts by executing and submitting a bond rider to the department at the address below.
- A new return, REV-1142P, is in development for documentation of tax due on unstampable little cigars sold in Philadelphia.

Any cigarette stamping agent that wants to request a refund for Pennsylvania-stamped cigarettes is encouraged to call the Miscellaneous Tax Section at 717-783-9374.

Any cigarette licensee with questions regarding administration of the Philadelphia cigarette tax is encouraged to call the Miscellaneous Tax Section at 717-783-9374.