DATE: July 2002

SUBJECT: Cigarette Tax Increase

TO: All Pennsylvania Cigarette Stamping Agents

CIGARETTE TAX BULLETIN 02-05

On June 29, 2002 Governor Mark Schweiker signed into law HB 1848, PN 4197 raising the excise tax on a pack of 20 cigarettes from $.31 to $1.00 effective July 15, 2002, an increase of $.69 cents per pack. Cigarette tax on packs of 25 cigarettes will increase from $.3875 cents to $1.25 per pack, an increase of $.8625 per pack. The new cigarette tax rate applies to all floor stock and to all cigarettes in vending machines located within Pennsylvania on July 15, 2002.

Cigarette tax stamps may continue to be purchased at the $.31 tax rate from the Harrisburg Office until 2:00 P.M. Tuesday, July 9, 2002, and from the Department’s district offices until 10:00 A.M. July 12, 2002. Rolls of cigarette tax stamps at the new $1.00 tax rate may be purchased from the Harrisburg Office beginning July 10, 2002, and from the Department’s district offices after 10:00 A.M. July 12, 2002. The cost of the new stamps will be $30,000 per roll.

The commission paid to cigarette stamping agents for expenses in affixing cigarette tax stamps has been reduced from 3% to 1.25%. Cigarette Stamping Agents purchasing cigarette tax stamps on a consignment basis must increase bond limits by forwarding a rider to the above address to increase the bond liability amount.

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 July 15, 2002. The Department will provide a floor tax return form the week of July 8, 2002. The floor tax return and payment due must be filed by October 15, 2002. The floor tax form and additional information will be made available on Revenue’s website www.revenue.state.pa.us.

No inventory of unsaleable cigarettes shall be permitted on the cigarette dealer’s premises as of July 15, 2002. All unsaleable cigarettes bearing a Pennsylvania excise tax stamp must be returned to the cigarette manufacturer on or before July 14, 2002. The cigarette dealer is required to establish by appropriate documentation that unsaleable cigarettes have been returned to the manufacturer prior to July 15, 2002.
Credits for unsaleable cigarettes in inventory on July 15, 2002 will not be issued by Department until the floor tax return and payment is received and the credit is verified.

Cigarettes which are alleged to be in transit as of July 15, 2002, will be deemed the property of the shipper. The shipper shall file a return and pay the floor tax imposed under 72 P.S. 8206.1 by October 15, 2002.

Failure to file a floor tax return and pay the floor tax due by October 15, 2002 will result in the imposition of penalties and interest and may result in criminal prosecution.

Should you have questions regarding this matter, please telephone (717) 787-5757 or FAX (717) 705-8413.