



DATE ISSUED: Oct. 26, 2009

SUBJECT: Cigarette Tax Increase Effective Nov. 1, 2009, and Tax Expanded to Little Cigars

CIGARETTE TAX BULLETIN 09-14

On Oct. 9, 2009, Governor Edward G. Rendell signed into law Act 48 of 2009 raising the excise tax on cigarettes and expanding the definition of cigarettes to include little cigars.

Effective Nov. 1, 2009, the cigarette tax rate increases from 6.75 cents to 8 cents per stick. Therefore, the cigarette excise tax on a pack of 20 cigarettes increases from \$1.35 to \$1.60, an increase of \$0.25 cents per pack, and on a pack of 25 cigarettes the tax increases from \$1.6875 to \$2, an increase of \$0.3125 per pack.

Also beginning Nov. 1, 2009, any person who possesses little cigars in a package similar to a package of cigarettes, containing 20 to 25 little cigars, shall pay a tax at the rate of eight cents per little cigar. Therefore, the tax rate for each pack of 20 little cigars will be \$1.60 and on a pack of 25 little cigars the tax will be \$2.

The Cigarette Stamping Agents (CSAs) are responsible for stamping cigarettes and little cigars in packs of 20 and 25. The CSA commission, for the expense of affixing cigarette tax stamps, has been reduced from 0.0098 percent to 0.0087 percent. However, the cost of doing business for a CSA shall be presumed to be 1.7 percent of the basic cost of the cigarette. CSAs purchasing cigarette tax stamps on a consignment basis may need to increase the bond liability amount by executing and submitting a bond rider to the department at the address below.

In order to properly report and remit the floor tax due on your cigarette inventory, it will be necessary to take a physical inventory of all Pennsylvania stamped cigarettes and little cigars held in your possession as of 12:01 a.m. on Nov. 1, 2009. The department will provide a floor tax return form the week of Oct. 26, 2009. The floor tax form and additional information will be available on Revenue's Web site www.revenue.pa.gov.

NOTE: The Harrisburg Central Office will discontinue selling cigarette tax stamps at 3 p.m. on Oct. 28, 2009. CSAs will be required to file a monthly report for the period beginning Oct. 1, 2009, and ending Oct. 31, 2009.

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 with the appropriate documentation.

Cigarettes documented as "in transit" as of Nov. 1, 2009, will be deemed the property of the shipper. The shipper shall file a return and pay the floor tax by Jan. 29, 2010 (as imposed under 72 P.S. 8206.1).

Failure to file a floor tax return and pay the floor tax due by Jan. 29, 2010, will result in the imposition of penalties and interest and may result in criminal prosecution.