

**MEMO**

**TO** Pennsylvania Licensed Cigarette Stamping Agents and Wholesalers

**DATE** Oct. 30, 2009

**RE** Temporary Stamping Procedure /Out-of-State Sales Exemption Procedure

### CIGARETTE TAX BULLETIN 09-19

#### Temporary Stamping Procedure

In response to industry comments, the Department of Revenue will recognize, for the period between November 1, 2009 and January 3, 2010, the following process to tax packages of little cigars containing 20-25 sticks in packages similar to regular cigarettes (hereinafter “stampable little cigars”). The current industry packaging of little cigars prevents Cigarette Stamping Agents (CSAs) from efficiently affixing tax stamps to packages of little cigars. Therefore, CSAs will be required to separate from its regular inventory of stamps one applicable cigarette stamp for each package of stampable little cigars sold by the CSAs. These separated stamps shall be kept in a secure location physically separate from the CSA’s regular inventory of stamps and shall be kept by the CSA until the Department audits the CSA. At that time, the stamps shall be turned over to the Department.

In order to follow the procedure set forth in the previous paragraph, the CSA is required to provide the purchaser with an invoice containing the following:

1. Date of sale.
2. Seller’s and buyer’s names.
3. Total quantities of each different brand name.
4. Total number of each type of package of each brand name.
5. Total number of little cigars in each package.
6. Purchase price of each product.

The authority to use this procedure expires after January 3, 2010. After that date, the applicable value tax stamp must be affixed to all packages of little cigars containing 20-25 sticks in packages similar to regular cigarettes.

#### Out-Of-State Sales Exemption Procedure

For stampable little cigars sold by CSAs or wholesalers to wholesalers or retailers who will sell the little cigars outside the Commonwealth, in lieu of paying the tax on the stampable little cigars, the CSA or wholesaler is required to obtain a Cigarette Tax Exemption Certificate (REV-1042) from the wholesaler or retailer. Until the form is changed to include the out-of-state sales exemption, the Exemption Certificate must contain a statement that the specified little cigars are being purchased for sale outside the Commonwealth. The seller must obtain a properly-completed Exemption Certificate or the tax must be paid by the seller. The seller must retain the Exemption Certificates for a period of four years after the date of the sale.

In addition to providing the seller with an Exemption Certificate, any wholesaler or retailer claiming the out-of-state exemption must complete and file a Stamp Affixing Agency Monthly Report of Cigarettes & Cigarette Tax Stamps form (REV-1030) with the Department for every month the wholesaler or retailer claims the exemption. The wholesaler or retailer is required to complete Section 1 and Schedules B and D of this form. This procedure must be followed beginning for sales on November 1, 2009 and will remain in place until further notice.

For little cigars in packages of 21, 22, 23 or 24 sticks, the tax due shall be the same as for a package of 25 little cigars.