

Bulletin



Comptroller of Maryland • Alcohol and Tobacco Tax Division • Goldstein Treasury Building • P.O. Box 2999
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Web Site: <http://compnet.comp.state.md.us/attd/>

No. TT-34

May 10, 2002

TO: All Cigarette Wholesalers, Subwholesalers and Vending Machine Operators

SUBJECT: Cigarette Tax Increase

The 2002 Session of the Maryland General Assembly enacted legislation raising the excise tax on cigarettes from 66 cents to \$1.00 per pack effective June 1, 2002, an increase of 34 cents per pack of 20. The Governor is expected to sign this legislation shortly. The new tax rate applies to all Maryland loose stamps, floor stock and to all cigarettes in vending machines located anywhere in Maryland on June 1.

On May 31, 2002 at midnight, every pack of cigarettes held for sale in the State of Maryland bearing an excise tax stamp is subject to the additional tax. In order to account for the additional tax, you must complete an inventory of all affixed and *unaffixed* Maryland excise tax stamps and remit the tax using the enclosed Cigarette Floor Tax Return. Please read the form carefully and complete it before moving or selling any cigarettes on June 1, 2002. We request that this report be mailed to our Annapolis Office. This report and the additional tax due can be filed anytime after June 1, but must be submitted no later than **September 30, 2002**.

The Comptroller's office may elect to do a physical inventory at selected wholesale accounts on

or about June 1. If you are selected, you will be notified in advance by a representative of the Compliance Division.

All cigarettes stamped on or after June 1, 2002 must be stamped with either an old stamp that has been inventoried and listed on the Floor Tax Return or a new stamp to evidence payment of the increased tax. The new stamps will be available for purchase at the new rate on or about May 24, 2002.

Cigarette wholesalers need to be aware that they will need to proportionally increase their surety bond if they wish to continue to have the ability to purchase the same quantity of stamps on credit. Failure to do so will necessitate stamp purchases by cash for any purchase order in excess of a wholesaler's credit limit.

Vending machine operators must send a list of all vending machines showing the location of machines. The tax can be computed on an actual physical inventory by machine or by paying a flat tax assessment per machine as indicated on the returns.

All unsalable cigarettes must be returned to the cigarette manufacturers before May 31, 2002. All

(over)

manufacturers have been notified concerning this requirement.

If you are a wholesaler or subwholesaler, we will revise the "Cigarette Sales Below Cost Act Minimum Price Calculator" which is available on our Web site at <http://compnet.comp.state.md.us/attd/>. This calculator with the new tax rate should be used effective June 1, 2002.

Should you have any questions regarding the above, please contact Ms. Michele Lindsay at (410) 260-7383. We ask for your usual cooperation to help make this a smooth transition.

Charles W. Ehart, DPA
Director
Alcohol and Tobacco Tax Division