

Bulletin

Comptroller of Maryland • Field Enforcement Division • Motor-fuel, Alcohol and Tobacco Tax Regulatory Bureau
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TT-63

April 27, 2009

To: Other Tobacco Products (OTP) Wholesalers and Retailers

Subject: Federal Tobacco Floor Tax

The Children's Health Insurance Program Reauthorization Act of 2009 (H.R. 2) signed into law on February 4, 2009 increases federal excise taxes on tobacco products effective April 1, 2009. It also imposes a floor stocks tax on all tobacco products (except large cigars), cigarette papers, and cigarette tubes held for sale on April 1, 2009. This federal floor tax is being administered by Alcohol and Tobacco Tax and Trade Bureau (TTB). See <http://www.ttb.gov>.

In Maryland, the tobacco tax on "other tobacco products" (OTP) is 15% of the wholesale price. Maryland's OTP tax is imposed on the wholesale price, or whatever amount the wholesaler pays for the OTP. This wholesale price may or may not include the increased federal excise tax on tobacco products. Whether the OTP wholesale price for Maryland tax purposes includes the federal floor stocks tax will depend upon the price charged to the wholesaler by the manufacturer. If the wholesale price includes the federal floor stocks tax, the OTP tax base for Maryland will include that increased amount. If the wholesale price does not include the federal floor stocks tax, the OTP tax base for Maryland will not include the federal floor stocks tax.

Example #1: Invoice Costs

Item 1 - Wholesale Price for 1,000 cigars = \$500.00
Item 2 - Federal Floor Stocks Tax = \$48.50
Wholesale Price on Maryland OTP Tax Return = \$548.50
Maryland OTP Tax = \$82.28

Example #2: Invoice Costs

Item 1 - Wholesale Price for 1,000 Cigars = \$548.50 (*Federal floor stocks tax included.*)
Wholesale Price on Maryland OTP Tax Return = \$548.50
Maryland OTP Tax = \$82.28

Example #3: Invoice Costs

Item 1 - Wholesale Price for 1,000 Cigars = \$500.00 (*Federal floor stocks tax not passed on.*)
Wholesale Price on Maryland OTP Tax Return = \$500.00
Maryland OTP Tax = \$75.00

The net invoice amount reported by OTP retailers will follow the same rules.

Questions related to this bulletin can be directed to Ms. Irene Stevens, Returns Processing Associate at 410-260-7818.

Jeffrey A. Kelly
Director