



2011 Sales Tax Law Change OTR TAX NOTICE 2011-04

September 9, 2011

Effective October 1, 2011, sales of cigarettes at retail are exempt from the Sales and Use tax.

In lieu of sales tax collected by vendors, there will be a cigarette surtax levied on cigarettes sold in the District of Columbia. The cigarette surtax will be 36¢ for a package of 20 cigarettes, which raises the total tax to \$2.86 per pack of 20 cigarettes. For packages that contain more than 20, there will be an additional 1.8¢ for each cigarette above 20. The tax will be \$3.575 per pack of 25 cigarettes.

The new surtax applies to previously stamped and loose stamp floor stock of cigarettes, including cigarettes in vending machines, held by wholesalers, retailers and street vendors for commercial distribution in DC.

You are required to take a physical inventory before the start of business on October 1, 2011, of all DC stamped cigarettes and/or loose tax stamps in stock to determine your floor tax. Enclosed is the floor tax return and instructions. Please submit the return and payment by October 21, 2011 to:

The Office of Tax and Revenue
Audit Division, Tobacco Tax Enforcement Unit
PO Box 556
Washington, DC 20044

Failure to file a floor tax return and make payment by October 21, 2011 will result in the imposition of penalty and interest and may result in criminal prosecution. In addition, the cigarette license issued to you may be subject to suspension or revocation.

Corporate filers may elect to file a consolidated return and remittance on behalf of all subsidiary locations. The consolidated return should include a summary report of each subsidiary inventory subject to the cigarette floor tax. In addition, each subsidiary is required to maintain a copy of the inventory and the floor tax return at the business location for inspection. Should a corporate filer choose to allow each subsidiary to file a floor tax return, filing instructions for filing an individual floor tax return apply.

Vending machine operators must send a list of all vending machines showing the location of machines with the floor tax return. 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 return.

The Office of Tax and Revenue, Audit Division, may elect to do a physical inventory at selected DC licensed wholesalers or retailers on or before October 1, 2011. If you are selected, you will be notified in advance by a representative of the Audit Division.

A copy of this notice is available at www.taxpayerservicecenter.com. Also, our website provides the floor tax return and instructions.

Wholesalers will be able to purchase rolls or sheets of cigarette tax stamps at the new rate from the District of Columbia Office of Finance and Treasury. Although packs may be stamped prior to October 1, 2011, they must not be sold prior to this date. The DC cigarette tax law provides for penalties if such violations occur. Damaged and other unsalable cigarettes with the “old stamp” should be returned to the cigarette manufacturer on or before September 30, 2011 in order to receive credit from DC Treasury.

Questions relating to this law change should be directed to the Office of Tax and Revenue, Audit Division, at (202) 442-6602, or via email at sherri.weithers@dc.gov.

Thank you for your cooperation.

2011 CIGARETTE FLOOR TAX RETURN

WHOLESALEERS, VENDING MACHINE OPERATORS, RETAILERS AND STREET VENDORS

Due Date: October 21, 2011
 Instructions on Reverse Side

Name	FEIN#	D.C. Cigarette License #	
Street Address	City	State	Zip Code

Description of Package Size		(A) Quantity on Hand as of Oct. 1, 2011	(B) Floor Stock Conversion Rate/ Additional Tax	(C) Computed Tax Column (A) x (B)
1	Half cases of 300 packs of 20's		\$108.00 per half case	\$
2	Full cartons of 10 packs of 20's		\$3.60 per carton	\$
3	Full cartons of 10 packs of 25's		\$4.50 per carton	\$
4	Full cartons of 8 packs of 25's		\$3.60 per carton	\$
5	Loose packs of 20's		\$.36 per pack	\$
6	Loose packs of 25's		\$.45 per pack	\$
7	Half cases of 240 packs of 10/25's		\$108.00 per half case	\$
8	Half cases of 240 packs of 8/25's		\$108.00 per half case	\$
9	Loose tax stamps – 20's		\$.36 per stamp	\$
10	Loose tax stamps – 25's		\$.45 per stamp	\$
11a	Number of packs of 20's in Vending Machines		\$.36 per pack	\$
11b	Number of packs of 25's in Vending Machines		\$.45 per pack	\$
11c	Number of Vending Machines (Alternate Method)		\$180.00 per machine	\$
12	Total Tax Due			\$

Under penalties of law, I declare that I have examined this return and, to the best of my knowledge, it is correct.

Print Name

Business Phone Number

Signature

Title

Date

INSTRUCTIONS

Effective October 1, 2011, a surtax will be imposed on the sale or possession of all cigarettes in the District at the rate of 36¢ per package of 20 or fewer cigarettes. If there are more than 20 cigarettes in the package, the surtax will be incrementally increased by 1.8¢ for each cigarette above 20. The cigarette surtax will replace the 6% sales tax on cigarettes; therefore you will no longer be required to charge sales tax on cigarettes in the District of Columbia. The cigarette surtax for each pack of cigarettes will raise the cigarette stamp tax from \$2.50 to \$2.86 per pack of 20 cigarettes and \$3.125 to \$3.575 per pack of 25 cigarettes.

Check any Applicable Category:

- Retail Dealer and Street Vendor – Complete lines 1 through 8 and line 12
 - Wholesaler – Complete lines 1 through 10 and line 12
 - Vending Machine Operator – (see B below) Complete lines 1, 2, 11a, 11b, and 12 or complete lines 1, 2, 11c and 12.
 - Retailer Dealer with Vending Machines - Complete lines 1 through 8, 11a, 11b, and 12 or lines 1 through 8, 11c, and 12.
- A. Inventory all District of Columbia stamped cigarettes and/or loose tax stamps on hand beginning on October 1, 2011 (include warehouse, racks, and vending machines, if applicable). If this is a consolidated return, include a summary report of each subsidiary inventory subject to the cigarette floor tax.
- B. Vending machine operators can either inventory all machines and enter the tax on lines 11a and 11b or use the “alternate method” fixed rate (\$180.00) per machine on line 11c. A list of vending machine locations must accompany this return.
- C. Multiply the quantity on hand (A) by the additional tax (B) for each applicable line item. Enter the result in the “Computed Tax” column (C). Total lines and enter the sum on line 12, total tax due.
- D. Make your check or money order payable to “DC Treasurer” (No Cash). Mail your payment and this tax return by October 21, 2011 in the enclosed envelope to the Office of Tax and Revenue, Audit Division, Cigarette Tax Enforcement Unit, P.O. Box 556, Washington, DC 20044. You must file a return even though you have no taxes to report.
- E. Failure to file this return and pay the floor tax due by October 21, 2011, will result in the imposition of penalties and interest and may result in criminal prosecution and suspension or revocation of your license. The penalty for failure to file a return on time or failure to pay any tax when due is an additional 5 percent per month not to exceed 25 percent of the tax due. The interest is computed from the due date of the tax return until the day the tax is paid. The rate is 10 percent per year compounded daily.
- F. Direct questions to Audit Division, Tobacco Tax Enforcement Unit at (202) 442-6602 or via email at sherri.weithers@dc.gov.