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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2006(26)

INFORMATIONAL PUBLICATION

**Licensed Cigarette Dealer's Guide to Connecticut Cigarette Tax
Laws and Other Cigarette-Related Laws**

Purpose: This Informational Publication describes what the requirements of Connecticut cigarette tax laws and other cigarette-related laws are for you as a licensed cigarette dealer. However, this Informational Publication does not address the requirements of Connecticut cigarette tax laws and other cigarette-related laws for persons who are licensed cigarette dealers on account of their operating and servicing cigarette vending machines. Those persons should see **Informational Publication 2006(27), Guide to Connecticut Cigarette Tax Law and Other Cigarette-Related Laws for Persons Operating and Servicing Fewer Than 25 Cigarette Vending Machines.**

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-285 to 12-330p, inclusive, as amended by 2006 Conn. Pub. Acts 194, §§10 to 16, inclusive; and Conn. Gen. Stat. §53-344.

Definitions: For purposes of this Informational Publication:

- **Cigarette** means any roll for smoking made wholly or in part of tobacco, irrespective of size or shape and irrespective of whether the tobacco is flavored, adulterated, or mixed with any other ingredient, where the roll has a wrapper or cover made of paper or any other material. **Cigarette** includes any roll for smoking that has a wrapper made of homogenized tobacco or natural leaf tobacco where the roll is a cigarette size and weighs three pounds or less per thousand. **Cigarette** does not include any roll for smoking, where such roll has a wrapper wholly or in greater part made of tobacco and weighs over three pounds per thousand.
- **Connecticut Tobacco Directory** means the directory of each manufacturer of cigarettes or roll-your-own tobacco that has completed and submitted a current and accurate **Form TPM-2**,

Certification for Listing in Connecticut Directory, and all brand families listed on the form. The Connecticut Tobacco Directory is organized alphabetically both by brand and by manufacturer. Only cigarettes and roll-your-own tobacco listed in the Connecticut Tobacco Directory may be sold, offered for sale, possessed for sale, or distributed in Connecticut.

- **DRS** means the Department of Revenue Services.
- **Licensed cigarette dealer** means a person issued a cigarette dealer's license by DRS.
- **Licensed cigarette distributor** means a person issued a cigarette distributor's license by DRS.
- **Licensed tobacco products distributor** means a person issued a tobacco products distributor's license by DRS.
- **Little cigar** or **small cigar** means any roll for smoking that has a wrapper made of homogenized tobacco or natural leaf tobacco where the roll is a cigarette size and weighs three pounds or less per thousand. **Little cigars** or **small cigars** are treated as cigarettes for Connecticut cigarette tax purposes.
- **Taxed tobacco products** means tobacco products purchased from licensed tobacco products distributors. These are tobacco products on which the Connecticut tobacco products tax has been paid.
- **Tobacco products** means cigars, cheroots, stogies, periques, granulated, plug cut, crimp cut, ready rubbed and other smoking tobacco, cavendish, plug and twist tobacco, fine cut and other chewing tobaccos, shorts, refuse scraps, clippings, cuttings and sweepings of tobacco, and all other kinds and forms of tobacco prepared in a manner as to be suitable for chewing or smoking in a pipe or otherwise for both chewing and smoking. **Tobacco products** do not include cigarettes

- **Untaxed tobacco products** means tobacco products purchased from persons who are not licensed tobacco products distributors. These are tobacco products on which the Connecticut tobacco products tax has not been paid.

What does a cigarette dealer's license allow me to do?

Cigarettes: A Connecticut cigarette dealer's license permits you to make retail sales of cigarettes in Connecticut. Without a Connecticut cigarette dealer's license, you could not lawfully make retail sales of cigarettes in Connecticut. You must purchase your cigarette inventory only from licensed cigarette distributors (and are prohibited from purchasing your cigarette inventory from anyone other than a licensed cigarette distributor). (For information on how to view a list of licensed cigarette distributors, see *Where do I get the information I need?*) However, you must inspect all packages of cigarettes (including packages of cigarettes in cartons) before selling them to ensure the following conditions are met:

- Each package of cigarettes must have Connecticut cigarette tax stamps attached to them. (If the packages either have no Connecticut cigarette tax stamps attached to them, or have the cigarette tax stamps of other states attached to them, or if the Connecticut cigarette tax stamps do not look genuine, see *How do I report suspected violations by other licensed cigarette dealers or by licensed cigarette distributors to DRS?* for further instructions.) You are prohibited from purchasing or selling packages of cigarettes that do not have Connecticut cigarette tax stamps attached to them.
- Each package of cigarettes must contain not less than 20 cigarettes. You are prohibited from purchasing or selling loose cigarettes or packages of cigarettes containing less than 20 cigarettes.
- Each package of cigarettes must bear the Surgeon General's warning, except as otherwise noted. You are prohibited from purchasing or selling packages of cigarettes that do not bear the Surgeon General's warning. However, you may purchase or sell packages of little cigars not bearing the Surgeon General's warning, because packages of little cigars are not required to bear the Surgeon General's warning. See **Announcement 2004(4)**, *The Connecticut Cigarette Tax Treatment of Little Cigars*, for more information.

- Each package of cigarettes must not bear any label or notice identifying that the cigarettes were intended for export, including "For export only," "U.S. Tax-Exempt," "For use outside U.S." or similar wording. You are prohibited from purchasing or selling packages of cigarettes that bear any label or notice identifying that the cigarettes were intended for export.
- Each package of cigarettes must be of a tobacco product manufacturer and brand family listed in the Connecticut Tobacco Directory. (For information on how to view the Connecticut Tobacco Directory, see *Where do I get the information I need?*) You are prohibited from purchasing or selling packages of cigarettes that are of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory.

If your inspection of the cigarettes discloses no violations of the conditions listed above, your retail sales of cigarettes are subject to the following further conditions:

- Your retail sales of cigarettes must be face-to-face, in-store sales, and you must verify that your retail customers are not under the age of 18. You are prohibited from making delivery sales of cigarettes.
- You must not purchase or sell cigarettes below cost.

Taxed tobacco products: A Connecticut cigarette dealer's license also permits you to make retail sales of taxed tobacco products in Connecticut. Without a Connecticut cigarette dealer's license, you could not lawfully make retail sales of taxed tobacco products in Connecticut. You must purchase your taxed tobacco products inventory from a licensed tobacco products distributor (and are prohibited from purchasing your tobacco products inventory from anyone other than a licensed tobacco products distributor). (For information on how to view a list of licensed tobacco products distributors, see *Where do I get the information I need?*) However, you must inspect all packages of roll-your-own tobacco before selling them to ensure that the following condition is met:

- Each package of roll-your-own tobacco must be of a tobacco product manufacturer and brand family listed in the Connecticut Tobacco Directory. (For information on how to view the Connecticut Tobacco Directory, see *Where do I get the information I need?*) You are prohibited from purchasing or selling packages of roll-your-own tobacco that are of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory.

If the packages of roll-your-own tobacco are of a tobacco product manufacturer and brand family

listed in the Connecticut Tobacco Directory, your retail sales of taxed tobacco products are subject to the following conditions:

- Your retail sales of taxed tobacco products must be face-to-face, in-store sales, and you must verify that your retail customers are not under the age of 18. You are prohibited from making delivery sales of taxed tobacco products.

As a licensed cigarette dealer, what am I required to do?

You are required to:

- Conspicuously display your cigarette dealer's license at the retail premises covered by the license (along with your Connecticut sales tax permit, which also must be conspicuously displayed at the retail premises covered by the permit).
- Place and maintain in legible condition at each point of sale to your retail customers a notice that states:
 - That the sale, giving, or delivering of cigarettes or tobacco products to any person under the age of 18 is prohibited by Conn. Gen. Stat. §53-344;
 - That the purchase or misrepresentation of age by a person under the age of 18 to purchase cigarettes or tobacco products is prohibited by Conn. Gen. Stat. §53-344; **and**
 - The civil penalties and criminal fines for violating Conn. Gen. Stat. §§12-295a and 53-344. (For information see *What penalties or fines (or both) apply if I or my employees sell cigarettes or tobacco products to customers under the age of 18?*)

As a licensed cigarette dealer, may I distribute sample cigarettes?

You are prohibited from distributing sample cigarettes unless you have received specific, written authorization from DRS to do so.

How frequently must I renew my cigarette dealer's license?

A cigarette dealer's license is an annual license and expires on September 30. You are automatically billed for the license renewal fee, which is \$25. After you pay the bill, the new license is mailed to you.

Am I allowed to deliver cigarettes or tobacco products to my customers?

No. You are only allowed to make face-to-face, in-store sales of cigarettes or tobacco products.

What records am I required to maintain?

Cigarettes: You are required to keep a sales journal that shows your daily sales (by package) of cigarettes, a purchases journal that shows your daily purchases (by package) of cigarettes, and a copy of each purchase invoice showing the date, the name and address of the distributor, the quantity (by package) of cigarettes purchased, the cost to you of the cigarettes, and whether or not you were allowed a trade discount other than a cash discount. You are required to preserve these records for at least three years.

Taxed tobacco products: You are required to keep a sales journal that shows your daily sales (by category) of taxed tobacco products, a purchases journal that shows your daily purchases (by category) of taxed tobacco products, and a copy of each purchase invoice showing the date, the name and address of the licensed tobacco products distributor, and the quantity of taxed tobacco products purchased. You are required to preserve these records for at least three years.

Is my inventory and are my records subject to inspection during normal business hours?

DRS agents may examine your books, papers, and records relating to cigarettes and tobacco products purchased or sold by you, without prior notice, during your normal business hours.

DRS agents may investigate and examine your cigarette or tobacco products inventory in or upon the premises where your cigarette or tobacco products inventory is possessed, stored, or sold. This examination may include the physical testing of the cigarettes or tobacco products or their packaging and the testing of Connecticut cigarette tax stamps by electronic or chemical means.

If you are in possession of any packages of cigarettes you are prohibited from selling (such as packages of cigarettes that either have no Connecticut cigarette tax stamps attached to them or that have the tax stamps of other states attached to them), DRS agents will seize those cigarettes as contraband. (For more information on cigarettes you are prohibited from selling, see *What does a cigarette dealer's license allow me to do?*)

Any house, building, or other premises and any vehicle or other conveyance suspected of containing untaxed cigarettes or untaxed tobacco products may be searched by DRS agents under due process of law, and the cigarettes or tobacco products may be seized without a warrant.

Any vehicle used to transport untaxed cigarettes or untaxed tobacco products, and all equipment or tangible personal property used in connection with the transport, are contraband and may be seized by DRS agents without a warrant.

What criminal sanctions am I subject to if I engage in activities that licensed cigarette dealers are prohibited from doing?

- If you fail to post notice concerning sales of cigarettes and tobacco products to persons under the age of 18, you are subject to a criminal fine of not more than \$100. (For a description of the notice required to be posted, see *As a licensed cigarette dealer, what am I required to do?*)
- If you sell cigarettes or taxed tobacco products without a cigarette dealer's license, you are subject to a criminal fine of not more than \$500 or imprisonment for not more than 3 months, or both, for each offense. Each day of unauthorized operation is deemed to be a separate offense.
- If you sell, offer for sale, display for sale, or possess with intent to sell any cigarettes you are prohibited from selling, you are subject to being fined not more than \$1,000 or imprisoned not more than one year, or both fined and imprisoned. (For more information on cigarettes you are prohibited from selling, see *What does a cigarette dealer's license allow me to do?*) If you sell, offer for sale, display for sale, or possess with intent to sell 20,000 or more cigarettes you are prohibited from selling, you are subject to being fined not more than \$5,000 or imprisoned not less than one year nor more than five years, or both fined and imprisoned.

In addition to the criminal sanctions for the offenses mentioned above, your cigarette dealer's license may, after a hearing ordered by DRS, be suspended or revoked by DRS, if DRS determines that you have committed any of these offenses.

How do I report suspected violations by other licensed cigarette dealers or by licensed cigarette distributors to DRS?

Suspected violations should be reported to the DRS Special Investigations Unit at (860) 566-4914.

What civil penalties or criminal fines (or both) apply if I or my employees sell cigarettes or tobacco products to customers under the age of 18?

Civil penalties:

- If you sell cigarettes or tobacco products to a person under the age of 18, you are subject to a penalty of \$250 for the first violation and \$500 for a second violation within 18 months. For a third violation within 18 months, you are subject to a penalty of \$500 and a cigarette dealer's license suspension for not less than 30 days.
- If one of your employees sells cigarettes or tobacco products to a person under the age of 18, your employee is subject to a penalty of \$100 for the first violation and \$150 for a second or subsequent violation within 18 months.
- The person under the age of 18 to whom you or your employee sold cigarettes or tobacco products is subject to a penalty of \$50 for the first offense and not more than \$150 for a second or subsequent violation within 18 months.

Criminal fines:

- Any person who sells cigarettes or tobacco products to a person under the age of 18 is subject to a fine of not more than \$250 for the first offense, not more than \$350 for a second offense within 18 months, and not more than \$500 for each subsequent offense within 18 months.
- Any person under the age of 18 who purchases or misrepresents such person's age to purchase cigarettes or tobacco products is subject to a fine of not more than \$50 for the first offense and not less than \$50 or more than \$100 for each subsequent offense.

In addition to the criminal fines and civil penalties discussed above, your cigarette dealer's license may, after a hearing ordered by DRS, be suspended or revoked by DRS, if DRS determines that cigarettes or tobacco products have been sold to any person under the age of 18.

Where do I get the information I need?

You may visit the DRS Web site 24 hours a day, seven days a week. By clicking on the *Cigarette and Tobacco Products Taxes* quick link, you will have instant access to:

- Connecticut cigarette tax statutes and regulations;
- Connecticut tobacco products tax statutes and regulations;
- Special Notices, Announcements, Policy Statements and Informational Publications affecting the Connecticut cigarette tax or the Connecticut tobacco products tax;
- A list of licensed cigarette dealers;
- A list of licensed cigarette distributors;
- A list of licensed tobacco products distributors; **and**
- The Connecticut Tobacco Directory.

What forms am I required to file?

As a licensed cigarette dealer, you are not required to file any cigarette tax forms or tobacco products tax forms with DRS. You are automatically billed for the license renewal fee, which is \$25. After you pay the bill, the new license is mailed to you.

Are my customers allowed to purchase cigarettes over the internet or by mail order for delivery in Connecticut?

No. Connecticut law prohibits companies engaged in the business of selling cigarettes from shipping or transporting cigarettes to any individual in Connecticut. Connecticut law also prohibits common or contract carriers from transporting cigarettes to any individual in Connecticut or to any residential address in Connecticut.

Are my customers permitted to purchase cigarettes out-of-state and bring them back on their person or in their accompanying baggage?

Yes, as long as the quantity of cigarettes that they bring back on their person or in their accompanying baggage is 200 or fewer. (This quantity represents one carton of cigarettes, (assuming ten packages of cigarettes, each of which contains 20 cigarettes.)

Effect on Other Documents: None affected.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at **www.ct.gov/DRS** to download and print Connecticut tax forms; **or**
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*

- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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