



INFORMATIONAL PUBLICATION

Licensed Stamping Distributor's Guide to Connecticut Cigarette
Tax Laws and Other Cigarette-Related Laws

Purpose: This Informational Publication describes the requirements of Connecticut cigarette tax laws and other cigarette-related laws are for you as a licensed stamping distributor. However, this Informational Publication does not describe what the requirements of Connecticut cigarette tax laws and other cigarette-related laws are for licensed non-stamping distributors or for persons who are licensed cigarette distributors on account of their operating and servicing cigarette vending machines. Those persons should see **Informational Publication 2006(29)**, *Licensed Non-Stamping Distributor's Guide to Connecticut Cigarette Tax Law and Other Cigarette-Related Laws*, and **Informational Publication 2006(30)**, *Guide to Connecticut Cigarette Tax Law and Other Cigarette-Related Laws for Persons Operating and Servicing 25 or More Cigarette Vending Machines*, respectively.

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. §§4-28k to 4-28r, inclusive; and Conn. Gen. Stat. §§12-285 to 12-330p, inclusive, as amended by 2006 Conn. Pub. Acts 194, §§10 to 16, inclusive.

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 the 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 stamped, 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 dealer** includes a person operating and servicing fewer than 25 cigarette vending machines.
- **Licensed cigarette distributor** means a person issued a cigarette distributor's license by DRS. **Licensed cigarette distributor** includes a person operating and servicing 25 or more cigarette vending machines.
- **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.
- **Licensed stamping distributor** means a licensed cigarette distributor allowed to purchase unstamped packages of cigarettes and required to affix Connecticut cigarette tax stamps to those packages before the packages are transferred out of the licensed stamping distributor's possession

(unless a transfer from one licensed stamping distributor to another licensed stamping distributor is involved). A licensed stamping distributor may transfer unstamped packages of cigarettes to another licensed stamping distributor, as long as the packages of cigarettes meet the conditions for being stamped described in *What does a cigarette distributor's license allow me to do?*

- **Licensed non-stamping distributor** means a licensed cigarette distributor that is not a licensed stamping distributor and allowed to purchase and sell stamped packages of cigarettes (and prohibited from purchasing and selling unstamped packages of cigarettes).
- **Licensed tobacco products distributor** means a person issued a tobacco products distributor's license by DRS.
- **Tobacco products** mean cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff tobacco products; 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 such manner as to be suitable for chewing or smoking in a pipe or otherwise or for both chewing and smoking. **Tobacco products** do not include cigarettes.
- **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.
- **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 distributor's license allow me to do?

A Connecticut cigarette distributor's license permits you to make sales at wholesale of cigarettes in Connecticut. Without a Connecticut cigarette distributor's license, you could not lawfully make sales at wholesale of cigarettes in Connecticut. You must inspect all packages of cigarettes (including packages of cigarettes in cartons) before stamping

them and selling them to ensure that the following conditions are met:

- Each package of cigarettes must contain not less than 20 cigarettes. You may not purchase, stamp, or sell packages of cigarettes that contain less than 20 cigarettes.
 - Each package of cigarettes must bear the Surgeon General's warning except as otherwise noted. You may not purchase, stamp, or sell packages of cigarettes that do not bear the Surgeon General's warning. However, you may purchase, stamp, 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 may not purchase, stamp, or sell 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. (To view the Connecticut Tobacco Directory, see *Where do I get the information I need?*) You may not purchase, stamp, or sell packages of cigarettes 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 sales at wholesale of the cigarettes are subject to the following further condition:
- Your sales may only be made to licensed cigarette distributors and to licensed cigarette dealers (and may not be made to any person who is not a licensed cigarette distributor or not a licensed cigarette dealer). (To view a list of licensed cigarette distributors and a list of licensed cigarette dealers, see *Where do I get the information I need?*)
 - You may not sell the cigarettes below cost.

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

You are required to:

- Conspicuously display your cigarette distributor's license at the premises covered by the license; **and**
- File monthly reports with DRS. For further information see *What forms am I required to file?*

You are prohibited from selling or transferring any Connecticut cigarette tax stamps, unless, in connection with the imposition of a cigarette floor tax, you have received specific, written authorization from DRS to do so.

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

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

As a licensed cigarette distributor, am I allowed to sell tobacco products?

You are prohibited from purchasing and selling tobacco products unless you are a licensed tobacco products distributor or a licensed cigarette dealer. A Connecticut cigarette distributor's license does not allow you to make sales, either at retail or wholesale, of tobacco products in Connecticut. See **Informational Publication 2006(31)**, *Licensed Tobacco Products Distributor's Guide to Connecticut Tobacco Products Laws and Other Tobacco Products Related Laws*, and **Informational Publication 2006(26)**, *Licensed Cigarette Dealer's Guide to Connecticut Cigarette Tax Laws and Other Cigarette-Related Laws*.

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

A cigarette distributor's license is an annual license and expires on September 30. To renew your cigarette distributor's license, you must file the application for renewal (**Form REG-9**), which is automatically mailed to you by DRS before your current license expires. The license renewal fee is \$1,000.

What records am I required to maintain?

You are required to keep a sales journal that shows your daily sales (by package and purchaser) of cigarettes; a copy of each sales invoice showing the date, the name and address of the purchaser, the quantity (by package) of cigarettes sold, and the sales price of such cigarettes; a purchase journal that shows your daily purchases (by package and supplier) of cigarettes; and a copy of each purchase invoice showing the date, the name and address of the supplier, the quantity (by package) of cigarettes purchased, and the cost to you of the cigarettes. You are required to preserve these records for at least three years except, to the extent that these records pertain to purchases and sales of cigarettes manufactured by nonparticipating manufacturers, you are required to keep these records for at least five 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 purchased or sold by you, without prior notice, during your normal business hours.

DRS agents may investigate and examine your cigarette inventory in or upon the premises where your cigarette inventory is possessed, stored, or sold. This examination may include the physical testing of the cigarettes 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 that you are prohibited from selling in Connecticut (such as packages of cigarettes of a tobacco product manufacturer or brand family not included in the Connecticut Tobacco Directory), DRS agents will seize those cigarettes as contraband. For more information on cigarettes you are prohibited from selling, see *What does a cigarette distributor's license allow me to do?*

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

Any vehicle used to transport contraband cigarettes, and all equipment or tangible personal property used in connection with such 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 distributors are prohibited from doing?

- If you sell cigarettes without a cigarette distributor's license, you are subject to a criminal fine of not more than \$500 or imprisonment for not more than three months, or both, for each offense. Each day of such 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 in Connecticut, you are subject to a fine of not more than \$1,000 or imprisonment for not more than one year, or both. For more information on cigarettes you are prohibited from selling, see *What does a cigarette distributor'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 in Connecticut, you are subject to a fine of not more than \$5,000 or imprisonment for not less than one year nor more than five years, or both.
- If you affix Connecticut cigarette tax stamps to, or sell, offer for sale, possess for sale or distribute in Connecticut, cigarettes of a tobacco product manufacturer or brand family not included in the Connecticut Tobacco Directory, you are subject to a fine of not more than \$2,000, or imprisonment for not more than one year, or both. You will also have engaged in an unfair and deceptive trade practice in violation of Conn. Gen. Stat. §42-110b.

In addition to the criminal sanctions for the offenses mentioned above, your cigarette distributor'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.

You are also subject to a civil penalty equal to 500% of the retail value of the cigarettes, or \$5,000, whichever is greater, if DRS determines that you affixed Connecticut cigarette tax stamps to, or sold, offered for sale, possessed for sale, or distributed in Connecticut, cigarettes of a tobacco product manufacturer or brand family not included in the Connecticut Tobacco Directory.

The Attorney General may, on behalf of the State of Connecticut, bring a civil action against you to enjoin you from affixing Connecticut cigarette tax stamps to, or offering for sale, possessing for sale, or distributing in Connecticut, cigarettes of a tobacco

product manufacturer or brand family not included in the Connecticut Tobacco Directory. If the State of Connecticut is the prevailing party:

- The State will be entitled to recover from you the costs of investigation, expert witness fees, costs of the action, and reasonable attorneys' fees.
- Your profits, gains, gross receipts, or other benefits from affixing Connecticut cigarette tax stamps to, or offering for sale, possessing for sale or distributing in Connecticut, cigarettes of a tobacco product manufacturer or brand family not included in the Connecticut Tobacco Directory will be required to be paid over by you to the State.
- Your license to act as a stamping distributor will not be renewed unless you have certified in writing, under penalty for false statements, that you will comply with Conn. Gen. Stat. §§4-28k to 4-28p, inclusive.

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

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

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

What forms am I required to file?

As a licensed stamping distributor, you are required to file **Form CT-15, Monthly Tax Stamp and Cigarette Report/Resident Distributor**, if a resident distributor or **Form CT-15A, Monthly Tax Stamp and Cigarette Report/Nonresident Distributor**, if a nonresident distributor. You are also required to file:

- The monthly schedules cross-referenced on

Form CT-15 or Form CT-15A;

- **Schedule H, Cigarette Packages Stamped During the Month**, with Form CT-15 or Form CT-15A;
- **Form TPM-5, Stamper E-Mail Registration Form**, to report any change in the e-mail address you previously reported to DRS; **and**
- An application (Form REG-9) to renew your cigarette distributor's license. Form REG-9 will automatically be sent to you for your completion.

How do I complete *Schedule H*?

- Part I of *Schedule H*; You report, by name of participating manufacturer and by brand, the quantity of cigarettes manufactured by a participating manufacturer that you purchased directly from the participating manufacturer during the month and to the packages of which you affixed Connecticut cigarette tax stamps during the month.
- Part II, Subpart A of *Schedule H*; You report, by name of supplier, by name of participating manufacturer and by brand, the quantity of cigarettes manufactured by a participating manufacturer that you purchased (although not directly from the participating manufacturer) during the month and to the packages of which you affixed Connecticut cigarette tax stamps during the month.
- Part II, Subpart B of *Schedule H*; You report, by name of supplier, by name of nonparticipating manufacturer and by brand, the quantity of cigarettes manufactured by a nonparticipating manufacturer that you purchased during the month and to the packages of which you affixed Connecticut cigarette tax stamps during the month.

For purposes of *Schedule H*, little cigars or small cigars are:

- Treated as cigarettes if they are properly treated as cigarettes for purposes of the federal excise tax on cigarettes (26 U.S.C. §5701(b)); **and**
- Not treated as cigarettes if they are properly treated as small cigars for purposes of the federal excise tax on cigars (26 U.S.C. §5701(a)(1)).

In contrast, for all purposes **other than** *Schedule H* purposes, little cigars or small cigars are treated as cigarettes. For more information, see **Special Notice 2000(16.1), Revised Special Reporting Requirement for Cigarette Stampers and Tobacco Products**

Distributors, and **Announcement 2004(4), The Connecticut Cigarette Tax Treatment of Little Cigars.**

Remember: You may only affix Connecticut cigarette tax stamps to packages of cigarettes of a tobacco product manufacturer and brand family listed in the Connecticut Tobacco Directory.

What if I purchase another licensed distributor's business or cigarette inventory?

If you purchase another licensed distributor's business or cigarette inventory, you are liable (to the extent of the purchase price) for that distributor's cigarette tax liability, unless you make a timely request for a cigarette tax clearance certificate and, in connection with your request, follow the written instructions provided to you by DRS. For more information, see **Informational Publication 2004(26), Successor Liability for Cigarette Tax.**

Effect on Other Documents: None affected.

Effect of This Document: An Informational Publication issued by the 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 **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).

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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