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Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

**Q & A on the Cigarette Tax Increase Effective
July 1, 2007, for Licensed Cigarette Distributors**

Purpose: This Informational Publication describes recently enacted legislation increasing the cigarette tax rate effective July 1, 2007. The legislation also imposes a tax, as of the close of business on June 30, 2007, on each licensed cigarette distributor's inventory of packages of cigarettes, including those in cartons, that have an old cigarette tax stamp attached.

Effective Date: July 1, 2007.

Tax Rate Increase: The cigarette tax rate will increase from 75.5 mills to 100 mills per cigarette on July 1, 2007.

	Tax before 7-01-2007	Tax on or after 7-01-2007
Packages		
20 cigarettes per package	\$1.51	\$2.00
25 cigarettes per package	1.8875	2.50
Cartons		
5 packs per carton (20s)	\$7.55	\$10.00
10 packs per carton (20s)	15.10	20.00
8 packs per carton (25s)	15.10	20.00
10 packs per carton (25s)	18.875	25.00

Tax on Cigarette Inventory as of Close of Business on June 30, 2007: As of the close of business on June 30, 2007, if you have any packages of cigarettes, including those in cartons, that have an old cigarette tax stamp attached to them, you are liable for a tax (known as a floor tax) on those packages. The floor tax is the difference between the old cigarette tax rate and the new cigarette tax rate.

Close of Business on June 30, 2007: If your business closes after 11:59 p.m. on June 30, 2007, you must take the cigarette inventory as of 11:59 p.m. on June 30, 2007.

1. When do I take the inventory of packages of cigarettes that have old cigarette tax stamps attached?

You must take an inventory as of the close of business on June 30, 2007. The inventory must include a physical count of all packages of cigarettes, including those in cartons, that have an old cigarette tax stamp attached. This inventory must also include promotional packages of cigarettes that have an old cigarette tax stamp attached. You must immediately enter this information from *Schedule A*, which is located on the back of **Form FT-TFT, Floor Tax Form for Cigarette Tax**, and sign the report. (See Question 4 for information on filing the report.)

Old cigarette tax stamp means either a purple \$1.51 Connecticut cigarette tax stamp (for packages of 20 cigarettes) or a tan \$1.8875 Connecticut cigarette tax stamp (for packages of 25 cigarettes).

2. Am I required to purchase and affix floor tax stamps to packages of cigarettes in inventory as of the close of business on June 30, 2007?

You are not required to purchase and affix floor tax stamps to packages of cigarettes in your inventory as of the close of business on June 30, 2007.

3. What if I have packages of cigarettes in inventory at the close of business on June 30, 2007, that have new cigarette tax stamps already attached?

Do not include in your inventory any packages of cigarettes that have a new cigarette tax stamp attached. *New cigarette tax stamp* means either a yellow \$2.00 Connecticut cigarette tax stamp for packages of 20 cigarettes or a blue \$2.50 Connecticut cigarette tax stamp for packages of 25 cigarettes.

Additional Information for Stampers

4. When do I file Form FT-TFT?

You must complete and sign Form FT-TFT as of the close of business on June 30, 2007, and keep a copy of the signed Form FT-TFT on your premises for inspection by Department of Revenue Services (DRS) agents.

You must file the original Form FT-TFT and pay the tax to DRS no later than August 15, 2007. You must file Form FT-TFT whether or not you have packages of cigarettes in your inventory that have old cigarette tax stamps attached. If you fail to file Form FT-TFT with DRS on or before August 15, 2007, your dealer's license may be revoked.

5. When do I pay the floor tax?

You must pay the floor tax on or before August 15, 2007. The tax is due on each package of cigarettes, including those in cartons, that you have in inventory as of the close of business on June 30, 2007, which have an old cigarette tax stamp attached. If you fail to pay the floor tax, your dealer's license may be revoked.

Make your check payable to **Commissioner of Revenue Services** and remit the tax with Form FT-TFT on or before August 15, 2007. Mail your payment and Form FT-TFT to:

Department of Revenue Services
PO Box 5031
Hartford CT 06102-5031

6. What if I do not comply with the requirements described in this Informational Publication?

DRS audit and enforcement personnel will be out in force to verify that you correctly accounted for the inventory of packages of cigarettes, including those in cartons, that have old cigarette tax stamps attached as of the close of business on June 30, 2007. If you fail to report and pay the correct amount of floor tax, you will be subject to penalty and interest. The penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both.

7. How do I report those who are in violation of the law?

Contact the DRS Special Investigations Section at **860-297-5877** during business hours, Monday through Friday, 8:30 a.m. to 4:30 p.m.

8. When will the new cigarette tax stamps be available for purchase?

Sales of new cigarette tax stamps will begin on June 28, 2007. DRS will be contacting each distributor to set up appointments for the return of the unused old cigarette tax stamps and to purchase new cigarette tax stamps at the new rate. These appointments, along with the return of the old cigarette tax stamps will be conducted only at DRS headquarters in Hartford. If you have any questions about your appointment, contact DRS at 860-297-4895.

A separate invoice must be completed for return of old cigarette tax stamps and the purchase of new cigarette tax stamps.

Return of old cigarette tax stamps: Stampers must use **Form O-252, Order form for Connecticut Cigarette Tax Stamps, (Rev. 02/06)** to return unused cigarette tax stamps at the old rate, by checking the appropriate credit or refund box on the invoice and entering the negative quantity in the appropriate field.

Purchase of new cigarette tax stamps: Before July 1, 2007 stampers must use Form O-252, *Order form for Connecticut Cigarette Tax Stamps, (Rev. 02/06)* to purchase the new cigarette tax stamps by placing the quantity for 20 pack cigarettes on Line 5 or by placing the quantity for 25 pack cigarettes on Line 6.

On or after July 1, 2007, stampers must use Form O-252 (**Rev. 07/07**) to purchase the new cigarette tax stamps.

9. How long will the old cigarette tax stamps be available for purchase?

Prior to June 28, 2007, DRS will continue to sell old cigarette tax stamps at all DRS offices. However, mail orders for old cigarette tax stamps must be received no later than June 25, 2007.

10. How does a distributor return unaffixed old cigarette tax stamps?

Old cigarette tax stamps must be returned to DRS headquarters in Hartford during your appointment on June 28 or June 29, 2007. They cannot be returned to any other DRS office. Stamps must be counted and the information must be entered on an invoice. Check the appropriate box for credit or refund.

11. Will the monthly reports for distributors be revised?

The following monthly reports that stampers are required to file with DRS are being revised by DRS:

Resident Distributors

- **Form CT-15**, *Monthly Tax Stamp and Cigarette Report/Resident Distributor*
- **Form CT-31**, *Cigarette and Unaffixed Stamp Inventory Report for Resident Distributors*
- **Form CT-39**, *Record of Cigarette Stamps Purchased/Resident Distributor*

Nonresident Distributors

- **Form CT-15A**, *Monthly Tax Stamp and Cigarette Report/Nonresident Distributor*
- **Form CT-31A**, *Cigarette and Unaffixed Stamp Inventory Report for Nonresident Distributors*
- **Form CT-38**, *Record of Cigarette Stamps Purchased/Nonresident Distributor*

12. Should distributors who stamp cigarettes increase their surety bond?

Due to the cigarette tax increase, each stamper may consider increasing the amount of its surety bond. In general, a stamper's purchases of cigarette tax stamps on credit may not exceed the amount of the stamper's surety bond.

Effect on Other Documents: None affected.

Effect of This Document: An Informational Publication is a document issued by DRS that addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information on the Cigarette Tax Increase and the Floor Tax: Please call DRS during business hours, Monday through Friday, at **860-541-3224**.

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 website 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 website 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 website 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 website 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 website at www.ct.gov/DRS and click on *File/Register OnLine*.