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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2006(31)

INFORMATIONAL PUBLICATION

Licensed Tobacco Products Distributor's Guide to
Connecticut Tobacco Products Tax Laws and
Other Tobacco Products-Related Laws

Purpose: This Informational Publication describes what the requirements of Connecticut tobacco products tax laws and other tobacco products-related laws are for you as a licensed tobacco products distributor.

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-330a 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 of a tobacco product manufacturer and brand family 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.

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 a 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 tobacco products distributor's license allow me to do?

A Connecticut tobacco products distributor's license allows you to purchase untaxed tobacco products for resale. Without a Connecticut tobacco products distributor's license, you could not lawfully purchase untaxed tobacco products for resale. When you, as a licensed tobacco products distributor, purchase tobacco products for resale from a supplier who is not a licensed tobacco products distributor and you report your purchases of the untaxed tobacco products (and compute your Connecticut tobacco products tax liability on these purchases) by filing **Form OP-300, Tobacco Products Tax Return**, with DRS, these tobacco products then become taxed tobacco products. When you resell these tobacco products, you are reselling (and your customers are purchasing) taxed tobacco products.

Your tobacco products distributor's license allows you to sell taxed tobacco products at wholesale to other licensed tobacco products distributors or to licensed cigarette dealers only. (To view a list of licensed cigarette dealers and a list of tobacco products distributors, see *Where do I get the information I need?* on page 5.) If you are a licensed cigarette dealer, your tobacco products distributor's license also allows you to sell taxed tobacco products at retail to your own retail customers. You may not sell taxed tobacco products at retail unless you are a licensed cigarette dealer.

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

You are required to:

- Conspicuously display your tobacco products distributor's license at the premises covered by the license;
- File monthly reports with DRS. For further information see *What forms am I required to file?*; **and**
- Inspect all packages of roll-your-own tobacco before you purchase and sell them to ensure that they are 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?* on page 5.) You may not purchase or sell 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 only tobacco products that I purchase for resale are taxed tobacco products, do I need a tobacco products distributor's license?

No. If the only tobacco products that you purchase for resale are taxed tobacco products (because you purchase your tobacco products exclusively from one or more licensed tobacco products distributors), you do not need a tobacco products distributor's license. The only license you need to sell taxed tobacco products is a cigarette dealer's license.

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

No. You are prohibited from purchasing cigarettes for resale unless you are a licensed cigarette distributor or a licensed cigarette dealer. A Connecticut tobacco products distributor's license does not allow you to make sales, either at retail or wholesale, of cigarettes in Connecticut. A Connecticut cigarette distributor's license allows you to make sales at wholesale of cigarettes in Connecticut. For more information, see **Informational Publication 2006(28)**, *Licensed Stamping Distributor's Guide to Connecticut Cigarette Tax Laws and Other Cigarette-Related Laws*, and **Informational Publication 2006(29)**, *Licensed Non-Stamping Distributor's Guide to Connecticut Cigarette Tax Laws and Other Cigarette-Related Laws*. A Connecticut cigarette dealer's license allows you to make sales at retail of cigarettes in Connecticut. For more information, see **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 tobacco products distributor's license?

A tobacco products distributor's license is an annual license and expires on June 30. You are automatically billed for the license renewal fee, which is \$100. After you pay the bill, the new license is mailed to you.

What records am I required to maintain?

You are required to keep a sales journal that shows your daily sales (by package, by type of tobacco product, and purchaser) of tobacco products; a copy of each sales invoice showing the date, the name and address of the purchaser, and the quantity (by

package and type) of tobacco products sold; a purchases journal that shows your daily purchases (by package, by type of tobacco product, and supplier) of tobacco products; and a copy of each purchase invoice showing the date, the name and address of the supplier, the quantity (by package and type) of tobacco products purchased, and the cost to you of the tobacco products. 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 roll-your-own tobacco manufactured by nonparticipating manufacturers, you are required to preserve 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 tobacco products purchased or sold by you, without prior notice, during your normal business hours.

DRS agents may investigate and examine your tobacco products inventory in or upon the premises where your tobacco products inventory is possessed, stored, or sold.

If you are in possession of any packages of tobacco products that you are prohibited from purchasing or selling in Connecticut (such as packages of roll-your-own tobacco that are of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory), DRS agents will seize those tobacco products as contraband. For more information on tobacco products you are prohibited from purchasing and selling, see *What does a tobacco products distributor's license allow me to do?* on page 2.

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

Any vehicle used to transport contraband 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 tobacco products distributors are prohibited from doing?

- If you purchased untaxed tobacco products for resale without a tobacco products 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 unauthorized operation is deemed to be a separate offense.
- If you purchase untaxed tobacco products and sell, offer for sale, display for sale, or possess with intent to sell those tobacco products without having paid the Connecticut tobacco products tax on those tobacco products, you are subject to being fined not more than \$1,000 or imprisoned not more than one year, or both. If you purchase untaxed tobacco products and sell, offer for sale, display for sale, or possess with intent to sell those tobacco products without having paid the Connecticut tobacco products tax, and a tax of \$2,500 or more is payable on those tobacco products, 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.
- If you willfully attempt to evade the Connecticut tobacco products tax on tobacco products, and a tax of \$2,500 or more is payable on those tobacco products, 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.
- If you sell, offer for sale, possess for sale, or distribute in Connecticut roll-your-own tobacco that is of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory, you are subject to being fined not more than \$2,000, or imprisoned 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 tobacco products 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 roll-your-own tobacco or \$5,000, whichever is greater, if DRS determines that you sold, offered for sale, possessed for sale, or distributed in Connecticut roll-your-own tobacco that are of a tobacco product manufacturer and brand

family not listed 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 offering for sale, possessing for sale, or distributing in Connecticut roll-your-own tobacco of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory. If the State of Connecticut is the prevailing party:

- The State of Connecticut 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 offering for sale, possessing for sale, or distributing in Connecticut roll-your-own tobacco of a tobacco product manufacturer and brand family not listed in the Connecticut Tobacco Directory will be required to be paid over by you to the State.

How do I report suspected violations by other licensed tobacco products distributors 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 at www.ct.gov/DRS 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 tobacco products tax statutes and regulations;
- Special Notices, Announcements, Policy Statements and Informational Publications affecting the Connecticut tobacco products tax;
- A list of licensed cigarette distributors;
- A list of licensed cigarette dealers;
- A list of licensed tobacco products distributors; **and**
- The Connecticut Tobacco Directory.

What forms am I required to file?

As a licensed tobacco products distributor, you are required to file monthly a **Form OP-300, Tobacco Products Tax Return**, with all the schedules cross-referenced on the form. You are also required

to file **Schedule E, Roll-Your-Own Tobacco Purchased, Acquired, or Shipped into Connecticut During the Month**, with Form OP-300.

How do I complete Schedule E?

- On Part I of *Schedule E*, you will report, by name of participating manufacturer and by brand the total weight of roll-your-own tobacco you purchased (or had shipped to you in Connecticut) during the month where the tobacco was manufactured by a participating manufacturer and was purchased by you directly from the participating manufacturer.
- On Part II, Subpart A, of *Schedule E*, you will report, by name of supplier, by name of participating manufacturer and by brand the total weight of roll-your-own tobacco you purchased (or had shipped to you in Connecticut) during the month where the tobacco was manufactured by a participating manufacturer but was not purchased by you directly from the participating manufacturer.
- On Part II, Subpart B, of *Schedule E*, you will report, by name of supplier, by name of nonparticipating manufacturer and by brand, the total weight of roll-your-own tobacco you purchased (or had shipped to you in Connecticut) during the month, where the tobacco was not manufactured by a participating manufacturer.

Tobacco product manufacturers are identified in the Connecticut Tobacco Directory as either participating manufacturers or nonparticipating manufacturers.

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: 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).
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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*.
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- **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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