



25 Sigourney Street Ste 2  
Hartford CT 06106-5032

SPECIAL NOTICE

## 2015 Legislative Changes Affecting Cigarette Taxes

**October 1, 2015, Cigarette Tax Rate Increase:** On October 1, 2015, the tax rate on cigarettes increases from 17¢ (\$0.17) per cigarette to 18.25¢ (\$0.1825) per cigarette.

	<b>Tax Before 10/1/15</b>	<b>Tax on or after 10/1/15</b>
<b>Packs</b>		
20 cigarettes per pack	\$3.40	\$3.65
25 cigarettes per pack	4.25	4.5625
<b>Cartons</b>		
<u>Packs of 20 cigarettes</u>		
5 packs per carton	\$17.00	\$18.25
10 packs per carton	34.00	36.50
<u>Packs of 25 cigarettes</u>		
8 packs per carton	34.00	36.500
10 packs per carton	42.50	45.625

**Important Information Regarding New Cigarette Tax Stamps Required as a Result of the Increase in the Cigarette Tax Rate Effective October 1, 2015:** As a result of the increased cigarette tax, new stamps will be needed for cigarettes sold on or after October 1, 2015.

*Old cigarette tax stamps* means any Connecticut cigarette tax stamps other than the new cigarette tax stamps described below.

*New cigarette tax stamps* means yellow (\$3.65) Connecticut cigarette tax stamps for packs of 20 cigarettes, or blue (\$4.5625) Connecticut cigarette tax stamps for packs of 25 cigarettes.

### Information for All Cigarette Dealers and Distributors Regarding the Cigarette Floor Tax

**Tax on Cigarette Inventory as of Close of Business on September 30, 2015:** As of the close of business on September 30, 2015, any packs of cigarettes, including those in cartons, held by a cigarette dealer or distributor that have an old cigarette tax stamp attached to them, are subject to a tax (known as a floor tax). The floor tax is the difference between the old cigarette tax rate and the new cigarette tax rate.

Following are questions and answers for dealers and distributors related to the calculation and payment of such floor tax:

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

You must take an inventory as of the close of business on September 30, 2015. If your business closes after 11:59 p.m. on September 30, 2015, you must take the cigarette inventory as of 11:59 p.m. on September 30, 2015.

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

#### 2. Am I required to affix floor tax stamps or otherwise mark packs of cigarettes in inventory as of the close of business on September 30, 2015?

No. You are not required to affix floor tax stamps or otherwise mark packs of cigarettes in your inventory as of the close of business on September 30, 2015.

#### 3. What if I have packs of cigarettes in inventory at the close of business on September 30, 2015, that have new cigarette tax stamps already attached?

Do not include in your inventory any packs of cigarettes that have a new cigarette tax stamp attached.

#### 4. When do I file Form FT-TFT?

For the imposition of the floor tax on inventory as of the close of business on September 30, 2015, you must file the original Form FT-TFT and pay the tax to DRS no later than November 16, 2015. You must file Form FT-TFT whether or not you have packs 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 November 16, 2015, your license may not be renewed.

You must keep a copy of the signed Form FT-TFT on your premises for inspection by DRS agents.

#### 5. When do I pay the floor tax?

You must pay the floor tax on or before November 16, 2015.

Make your check payable to **Commissioner of Revenue Services** and remit the tax with Form FT-TFT on or before

November 16, 2015, for the tax due on inventory as of the close of business on September 30, 2015.

Mail your payment and completed Form FT-TFT to:

DEPT OF REVENUE SERVICES  
ATTN: PROCESSING-CIG FLOOR TAX  
PO Box 2938  
Hartford CT 06104-2938

If you fail to pay the floor tax, your license may not be renewed.

#### **6. What if I do not comply with the requirements described in this Special Notice?**

DRS audit and enforcement personnel will be out in force to verify that you correctly accounted for the inventory of packs of cigarettes, including those in cartons that have old cigarette tax stamps attached as of the close of business on September 30, 2015.

If you fail to report and pay the correct amount of floor tax, you will be subject to penalty and interest. Wilfully delivering a false return to DRS is a class D felony, and is subject to a penalty of a fine of not more than \$5,000, imprisonment for not more than five years, or both.

If any dealer or distributor fails to file Form FT-TFT on or before the due date of November 16, 2015, DRS will estimate the number of packs of cigarettes in inventory as of the close of business on September 30, 2015. This estimate will be used to compute the amount of tax, interest, and penalty due.

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

Contact the DRS MSA Tobacco Enforcement Unit at **860-541-7565**.

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### **Information for Stamping Distributors (Stampers) Regarding the Return and Purchase of Cigarette Tax Stamps and the Revision of Various Cigarette Reports**

**Return of old cigarette tax stamps:** Stampers must use **Form O-252, Order Form for Connecticut Cigarette Tax Stamps** (Rev. 6/11), to return unused cigarette tax stamps symbolizing the old tax rate by checking the appropriate box marked “credit” or “refund” on the invoice and entering the negative quantity in the appropriate field.

**Purchase of new cigarette tax stamps:** Before October 1, 2015, stampers must use Form O-252 (Rev. 6/11) to purchase new cigarette tax stamps. For packs of 20 cigarettes, use Line 5 to enter the quantity (multiples of 150 or 30,000) and the unit cost of \$3.65. For packs of 25 cigarettes, use Line 6 to enter the quantity (multiples of 100) and the unit cost of \$4.5625. On or after October 1, 2015, stampers must use **Form O-252, Order Form for Connecticut Cigarette Tax Stamps** (Rev. 10/15) to purchase new cigarette tax stamps.

Following are questions and answers related to the return of old cigarette tax stamps and the purchase of new cigarette tax stamps:

#### **1. When will the new cigarette tax stamps be available for purchase?**

For the October 1, 2015, cigarette tax increase, new cigarette tax stamps will be available for purchase on September 28, 2015.

The Department of Revenue Services (DRS) will contact each distributor to set up appointments for the return of unused old cigarette tax stamps and to purchase new cigarette tax stamps. 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 regarding your appointment please contact DRS at 860-297-4895.

Separate invoices must be completed for the return of old cigarette tax stamps and for the purchase of new cigarette tax stamps.

#### **2. How long will the old cigarette tax stamps be available for purchase?**

DRS will continue to sell old cigarette tax stamps at all DRS offices through September 28, 2015. However, mail orders for old cigarette tax stamps must be received by DRS no later than September 24, 2015.

#### **3. How does a cigarette distributor return old unaffixed cigarette tax stamps?**

Old cigarette tax stamps must be returned to the DRS Hartford office during your appointment on September 29, 2015, or September 30, 2015. Old cigarette tax stamps cannot be returned to any other location. In addition, the stamps must be counted and the information entered on an invoice where you must check the appropriate box marked “credit” or “refund.”

#### **4. Will the monthly reports for distributors be revised?**

Yes. The following reports will be revised:

##### **Resident Distributors**

**CT-15 Monthly Tax Stamp and Cigarette Report Resident Distributor**

**CT-31 Cigarette and Unaffixed Stamp Inventory Report for Resident Distributors**

**CT-39 Record of Cigarette Stamps Purchased Resident Distributor**

##### **Nonresident Distributors**

**CT-15A Monthly Tax Stamp and Cigarette Report Nonresident Distributor**

**CT-31A Cigarette and Unaffixed Stamp Inventory Report for Nonresident Distributors**

**CT-38 Record of Cigarette Stamps Purchased Nonresident Distributor**

**5. Should stampers increase the amount of their surety bonds?**

Yes. Due to the cigarette tax increase, each stamper should 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.

**July 1, 2016, Cigarette Tax Rate Increase:** On July 1, 2016, the tax on cigarettes increases from 18.25¢ (\$0.1825) per cigarette to 19.5¢ (\$0.195) per cigarette.

	<b>Tax before 7/1/16</b>	<b>Tax on or after 7/1/16</b>
<b>Packs</b>		
20 cigarettes per pack	\$3.65	\$3.90
25 cigarettes per pack	4.5625	4.875
<b>Cartons</b>		
<u>Packs of 20 cigarettes</u>		
5 packs per carton	\$18.25	\$19.50
10 packs per carton	36.50	39.00
<u>Packs of 25 cigarettes</u>		
8 packs per carton	36.50	39.00
10 packs per carton	45.625	48.75

Additional information regarding new cigarette tax stamps needed to reflect this increase will be issued in 2016.

**Tax on Cigarette Inventory as of Close of Business on June 30, 2016:** As of the close of business on June 30, 2016, any packs of cigarettes, including those in cartons, held by a cigarette dealer or distributor that have an old cigarette tax stamp attached to them, are subject to an additional floor tax.

Additional information regarding the calculation and payment of this floor tax will be issued in 2016.

**Newly Enacted Criminal Sanctions:** Effective June 30, 2015, crimes related to the sale of unstamped cigarettes and fraudulent cigarette tax stamps are included in the definition of “racketeering activity” under the Corrupt Organizations and Racketeering Activity Act. This means that persons assisting in the commission of these crimes can also be subject to criminal prosecution.

**Statutory Authority:** 2015 Conn. Pub. Act 244, §§176 through 180, and Conn. Gen. Stat. §53-394(a), as amended by 2015 Conn. Pub. Acts 5, §128 (June Spec. Sess.).

**Effect on Other Documents:** DRS is in the process of identifying any additional documents affected by the legislative changes described herein, and will update those publications as soon as practicable.

**Effect of This Document:** A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the DRS.

**For Further Information:** Call the Excise Taxes Unit of the Audit Division of the DRS at **860-541-3224** during business hours, Monday through Friday, 8:30 a.m. to 4:30 p.m.

**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

**Paperless Filing/Payment Methods (fast, easy, free, and confidential):** Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the **Make Payment Only** option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer’s withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) and select *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.