

Bulletin

Comptroller of Maryland • Motor-fuel, Alcohol and Tobacco Tax Regulatory Division • Goldstein Treasury Building
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November 19, 2007

To: All Cigarette Wholesalers, Subwholesalers,
Vending Machine Operators and Retail Dealers

Subject: Cigarette Tax Increase

The 2007 Special Session of the Maryland General Assembly enacted legislation signed by the Governor raising the excise tax on cigarettes from \$1.00 to \$2.00 per pack of 20 effective January 1, 2008. The new tax rate applies to all Maryland loose stamps, floor stock and to all cigarettes in vending machines located anywhere in Maryland on January 1.

At midnight, December 31, 2007 every pack of cigarettes held for sale in the State of Maryland bearing an excise tax stamp is subject to the additional tax. In order to account for the additional tax, you must complete an inventory of all affixed and *unaffixed* Maryland excise tax stamps and remit the tax using the enclosed Cigarette Floor Tax Return. Please read the form carefully and complete it before moving or selling any cigarettes on January 1, 2008. This report and the additional tax due can be filed anytime after January 1, but must be submitted no later than **April 30, 2008**.

The Comptroller's office may elect to do a physical inventory at selected wholesale accounts on or about January 1. If you are selected, you will be notified in advance by a representative of the Compliance Division.

All cigarettes stamped on or after January 1, 2008, must be stamped with either an old stamp that has been inventoried and listed on the Floor Tax Return or a new stamp to evidence payment of the increased tax. **The new stamps will be available for purchase at the new rate on or about December 20, 2007.**

Cigarette wholesalers need to be aware that they will need to proportionally increase their surety bond if they wish to continue to have the ability to purchase the same quantity of stamps on credit. Failure to do so will necessitate stamp purchases by cash for any purchase order in excess of a wholesaler's credit limit.

Vending machine operators must send a list of all vending machines showing the location of machines with the Floor Tax Return. The tax can be computed on an actual physical inventory by machine or by paying a flat tax assessment per machine as indicated on the return.

All unsalable cigarettes must be returned to the cigarette manufacturers before December 31, 2007. All manufacturers have been notified of this requirement.

If you are a wholesaler or subwholesaler, we will soon revise the "Cigarette Sales Below Act Minimum Price Calculator" on our Web site at: www.marylandtaxes.com/onlineservices. This calculator with the new tax rate should be used effective January 1, 2008.

For more information on the Special Session, see www.marylandtaxes.com. If you have any questions regarding the tax increase, please contact Taxpayer Services at (410) 260-7314 or (410) 260-7131. Thank you for your cooperation.

Thad Russell, Director
MATT Regulatory Division