

**Frequently Asked Questions
Regarding the
Cigarette Floor Tax**

1. When is the cigarette tax increase effective and is there a floor tax requirement?

The tax increase is effective 1/1/08 and yes there is a floor tax due on the inventory of cigarette packs.

2. When do we have to count the inventory?

As the tax increase is effective 1/1/08, the inventory should be counted at the close of business 12/31/07.

3. When is the floor tax return due to be submitted and how do I get the form?

The floor tax return must be submitted after January 1, and no later than April 30, 2008. The forms will be sent to all retailers and wholesalers December 3, 2007 along with a bulletin regarding the tax increase. The bulletins and forms can also be obtained online at:

http://www.marylandtaxes.com/special_session/default.asp.

4. How much is the floor tax and is there a discount?

The floor tax is \$1.00 per pack. The discount rate does not apply to the floor tax, because there is no purchase of tax stamps. Under Article 2B, sec., 12-303(b), the Comptroller can only allow a licensed wholesaler a discount of 0.82% for the purchase price of tax stamps. The floor tax is not a purchase of stamps and a discount has already been applied.

5. I don't sell cigarettes anymore or I haven't been in business for a while, what do I need to do?

Write on the tax return that you no longer sell cigarettes or that you are out of business and send it back in the return envelope.

6. What about other tobacco products (OTP), do I have to do a floor tax on OTP?

No, there is no floor tax on OTP. However the retailer OTP tax rate will increase from 13% to 14% and the consumer OTP tax rate increase from 8% to 9.85% effective with purchases made on or after January 1, 2008. These new rates are based on an analysis of average markups of OTP at the wholesale and retail levels as required in Section 03.02.02.08F of the Code of Maryland Regulations. The wholesaler rate for OTP products remains at 15%. See Bulletin TT-55 for details.

7. What is the new minimum price that can be charged for cigarettes?

Actual minimum prices are not available due to the differences in wholesaler markups. The retailer to consumer minimum selling price is marked up 8% from the retailer's purchase price from their wholesaler. The new 6% sales tax rate (effective January 3, 2008) is then applied to the selling price.

Wholesalers should refer to the cigarette minimum price calculator on our website at:

http://compnet.comp.state.md.us/MATT_Regulatory_Division/Alcohol_and_Tobacco_Tax/Online_Services/Calculators/MinPrice.asp.

The calculator will be updated effective 1/1/08 for new calculations.

8. If I have more than one store, can I combine them and send in one check for all stores?

Yes, but you must submit the floor tax returns for each store and identify the Central Registration Numbers #s on the combined check.

9. Can I pay the floor tax by direct debit?

Yes, contact Denise Davis at 410-260-7321 for details if you are not already set up to make direct debit payments.

10. Do I need to raise my cigarette price up \$1.00?

Yes, you should because now the cigarettes have cost you one dollar more.

11. Where can I get additional information?

Contact MATT Taxpayer Service at 410-260-7314 or 7131. Please see the Bulletins TT 53 and TT 54 and the floor tax return at:

http://www.marylandtaxes.com/special_session/default.asp. You can also email us at: att@comp.state.md.us.