

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Tax and Revenue



CIGARETTE, LITTLE CIGAR AND MOIST SNUFF FLOOR TAX RETURN

Frequently Asked Questions (FAQs)

What is the new cigarette tax rate and when did it become effective?

Effective October 1, 2009, the District of Columbia cigarette excise tax will increase from 10¢ to 12.5¢ for each cigarette as described by DC Code section 47-2402(a). Thus, the excise tax will increase from \$2.00 to \$2.50 per pack of 20 cigarettes and \$2.50 to \$3.125 per pack of 25 cigarettes.

What is the new tax on little cigars and moist snuff and when did it become effective?

Effective October 1, 2009, the District of Columbia will impose a tax on “little cigars” and “moist snuff.”

“Little cigar” means any cigar, other than a premium cigar, that weighs not more than 4 1/2 pounds per thousand. A tax is imposed on the sale or possession of little cigars at the rate of 12.5¢ per little cigar. “Moist snuff” means any finely cut, ground, or powdered tobacco that is not intended to be smoked and not intended to be placed in the nasal cavity. A tax is imposed on the sale or possession of moist snuff at the rate of 30¢ per ounce and a proportionate tax at the same rate on all fractional parts of an ounce.

Wholesalers/Retailers/Vending Machine Operators

What is a floor tax?

A floor tax is a tax on your cigarette inventory previously taxed at the old rate and a new tax on the inventory of little cigars and moist snuff that has not been sold to the consumer. The floor tax applies 50¢ for a pack of 20 cigarettes and 62.5¢ for a pack of 25 cigarettes on the old rate inventory, and 12.5¢ per little cigar and 30¢ per ounce of moist snuff with a proportionate tax at the same rate on all fractional parts of an ounce.

Who is required to pay the floor tax?

The new excise tax rate applies to previously stamped and loose stamp floor stock of cigarettes, including cigarettes in vending machines, held by Wholesalers, Retailers and Street Vendors for commercial distribution in DC. However, wholesalers, with the exception of sub-wholesalers in the District, are not responsible for paying the floor tax on “little cigars” and “moist snuff” on inventories held outside the District.

In addition to the excise tax, retailers are required to collect the new sales tax rate of 6 percent on all cigarette sales to consumers, effective October 1, 2009. The sales tax rate of 12 percent on other tobacco products has not changed.

When is the floor tax return due?

The Cigarette, Little Cigar and Moist Snuff Floor Tax return (FR-463) must be submitted to the Office of Tax and Revenue no later than October 21, 2009. Make your payment by check or money order payable to the *D.C. Treasurer*. Mail your Floor Tax return and payment to the Office of Tax and Revenue, Audit Division, Cigarette Tax Enforcement Unit, P.O. Box 556, Washington, DC 20044.

What will happen if the floor tax return has not been filed and the tax due have not been paid by October 21, 2009?

Failure to file a floor tax return and failure to pay the floor tax due by October 21, 2009 will result in a tax assessment, including penalties and interest and may result in criminal prosecution. In addition, your cigarette license may be subject to suspension or revocation for violation.

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

The minimum price that can be charged is based on the manufacturer's base price of a pack of cigarettes plus the mandatory mark-up of 2 percent for wholesalers and 8 percent for retailers. The cigarette wholesaler must calculate the mark-up after the excise tax increase has been applied in order to establish the minimum price for which the cigarette product can be sold.

Cigarette Wholesalers

How does a cigarette wholesaler account for non-salable cigarettes?

The cigarette wholesaler is required to verify that non-salable cigarettes have been returned to the manufacturer prior to October 1, 2009. Therefore, no inventory of non-salable cigarettes should be on the cigarette wholesaler's premises as of October 1, 2009.

How does a cigarette wholesaler account for cigarettes in transit?

Cigarettes in transit that have not been delivered to the purchaser do not need to be included in the inventory. However, the delivery must be evidenced by an invoice or bill of sale. Without the required supporting documentation, a cigarette wholesaler is required to pay the floor tax on all claimed "in transit" cigarettes on October 1, 2009.

When will the new stamps be available to purchase from District of Columbia Treasury?

The rolls or sheets of cigarette tax stamps at the new rate may be purchased from District of Columbia, Office of Finance and Treasury beginning September 25, 2009. Although these packs may be stamped prior to October 1, 2009, they must

not be sold by retailers prior to this date. The DC cigarette tax law provides for penalties if such violations occur.

Any Questions?

If I have more questions or need further assistance with the cigarette floor tax return, who should I contact?

If you have any questions or need further assistance regarding the cigarette excise tax increase requirements, please call the Office of Tax and Revenue, Audit Division, at (202) 442-6602, via email at sherri.weithers@dc.gov or visit our Web site at www.taxpayerservicecenter.com.