

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



**CIGARETTE FLOOR TAX RETURN**

Frequently Asked Questions (FAQs)

**Wholesalers/Retailers/Street Vendors/Vending Machine Operators**

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

Effective October 1, 2018, the District of Columbia cigarette excise tax will increase from \$2.50 to \$4.50 per pack of 20 cigarettes and \$1.25 to \$2.50 per pack of 25 cigarettes as described by DC Code section 47-2402(a).

**What is a floor tax?**

A floor tax is a tax on your cigarette inventory previously taxed at the old rate that has not been sold to the consumer. The floor tax applies \$2.00 for a pack of 20 cigarettes and \$2.50 for a pack of 25 cigarettes on the old rate inventory.

**Who is required to pay the floor tax?**

The new excise tax rate applies to previously stamped floor stock, including cigarettes in vending machines and all stamped cigarettes held by wholesalers, street vendors and retailers for commercial distribution or sale in DC.

**When is the floor tax return due?**

The Cigarette Floor Tax return (FR-463) must be submitted to the Office of Tax and Revenue (OTR) no later than October 21, 2018. Payments must be made by check or money order payable to the *D.C. Treasurer*. Mail your Cigarette Floor Tax return and payment to the Office of Tax and Revenue, Audit Division, Tobacco 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 has not been paid by October 21, 2018?**

Failure to file a floor tax return and failure to pay the floor tax due by October 21, 2018, 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 of Chapter 24 (See D.C. Code, 2001 Ed. §§47-2404(f) & 47-2422(a)).

**What is the 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 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, 2018. Therefore, no inventory of non-salable cigarettes should be on the cigarette wholesaler's premises as of October 1, 2018.

**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, 2018.

### **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 DC Treasury on October 1, 2018. Although these packs may be stamped prior to October 1, 2018, they must not be sold by retailers prior to this date. The DC cigarette tax law provides for penalties if such violations occur.

### **What is the new other tobacco product tax rate and when did it become effective?**

Effective October 1, 2018, the tax rate on other tobacco products will increase from 60 percent to 96 percent of wholesale sales of other tobacco products.

### **Who is required to pay the Other Tobacco Product tax?**

The new other tobacco product rate is required to be paid by the tobacco and vapor product wholesalers on gross receipts sales of all roll your own tobacco, vapor products and all other tobacco products beginning October 1, 2018.

### **What is Other Tobacco Product?**

'Other tobacco product' means any product containing, made from, or derived from tobacco, other than a cigarette or premium cigar, that is intended or expected to be consumed. The term 'other tobacco product' includes vapor products; or any vapor cartridge or other container of nicotine in a solution or other form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. The term 'other tobacco product' does not include any product that has been approved by the U.S. Food and Drug Administration for sale as a tobacco cessation product, a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such approved purpose. A premium cigar means any cigar with a retail cost of \$2.00 or more or packaged unit of cigars averaging \$2.00 or more per packaged cigar at retail.

### **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 OTR's Customer Service Administration on (202) 727-4829 or visit our website at [www.taxpayerservicecenter.com](http://www.taxpayerservicecenter.com).

### **MyTax.DC.Gov**

Note: Effective October 29, 2018, OTR will require tobacco and vapor product wholesalers to file the cigarette (Forms FR-467 and FR-467E), and file and pay other tobacco (Form FR-1000Q) taxes via MyTax.DC.gov. In addition, payments of other tobacco products must be made at MyTax.DC.gov.