

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE



August 29, 2014

OTR NOTICE 2014-08

TO TOBACCO RETAILERS

OTHER TOBACCO PRODUCTS EXEMPT FROM SALES TAX
EFFECTIVE OCTOBER 1, 2014

Effective October 1, 2014, sales of other tobacco products have been exempted from the District of Columbia sales tax and the 12% sales tax on other tobacco products has been eliminated. Premium cigars, defined as cigars retailing for \$2.00 or more, while not subject to the other tobacco products tax, remain subject to the District's 5.75% general sales tax when sold at retail.

“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” does not include an e-cigarette or any product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and that is being marketed and sold solely for such an approved purpose.

In conjunction with this change, the excise tax on other tobacco products, previously calculated on a per ounce basis, has been changed to a calculated rate on wholesale sales. The rate of tax applicable to wholesale sales of other tobacco products is 70%, effective October 1, 2014. The tax on other tobacco products is to be reported by wholesalers, and not by retailers.

CIGARETTE TAX INCREASED TO \$2.90 EFFECTIVE OCTOBER 1, 2014

The District of Columbia cigarette excise tax consists of fixed tax of \$2.50 per package of 20 cigarettes and a variable surtax levied in lieu of the sales tax. Effective October 1, 2014, the surtax is increased from \$0.36 to \$0.40 cents per package of 20 cigarettes, resulting in a combined cigarette excise tax of \$2.90 per package of 20 cigarettes.

The Office of Tax and Revenue will not administer a floor tax in connection with this increase in the cigarette tax, nor will the cigarette stamps currently in use be changed when the tax increases on October 1st. Cigarette stamps purchased on or after October 1st will be sold at the new tax rate. Sales of cigarettes at retail are not subject to the DC sales tax.

Questions should be directed to the Customer Service Administration at (202) 727-4829.