

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



August 29, 2014

**OTR NOTICE 2014-07**

**TO TOBACCO WHOLESALERS**

**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 1<sup>st</sup>. Cigarette stamps purchased on or after October 1<sup>st</sup> will be sold at the new tax rate.

**OTHER TOBACCO PRODUCTS TAX CONVERTED TO TAX  
ON WHOLESALE SALES**

Also effective October 1, 2014, 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 calculated tax rate shall be equal to the rate tax on a package of 20 cigarettes, expressed as a percentage of its average wholesale price as of the previous March.

The Office of Revenue Analysis has determined that the average wholesale price of a package of 20 cigarettes as of the previous March to be \$4.13, net of the cigarette excise tax. The combined cigarette excise tax has been set at \$2.90 per package of 20 cigarettes beginning October 1, 2014. Accordingly, the rate of tax applicable to wholesale sales of other tobacco products is 70%, effective October 1, 2014.

The tax rate shall be applied against gross receipts from sales of or charges for other tobacco products. For purposes of this legislation, "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-

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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, 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. A “premium cigar” is a cigar which the wholesaler reasonably anticipates will be sold at retail for a price of \$2.00 or more, assuming the 70% other tobacco product tax had been imposed upon it at the wholesale level. While not subject to the other tobacco products tax, premium cigars remain subject to the District’s 5.75% general sales tax when sold at retail.

The tax on other tobacco products is to be reported on the FR-1000Q Tobacco Products Excise Quarterly Tax Return. The FR-1000Q return is being revised to reflect the changes described in this notice. Revised forms will be mailed to wholesalers of other tobacco products before year-end. The first quarterly return reflecting the tax at the new rate will cover the calendar quarter ending December 31, 2014, and is due January 21, 2015.

Questions relating to this notice may be directed to the Office of Tax and Revenue, Audit Division, at (202) 442-6316 or by e-mail to [florence.sam@dc.gov](mailto:florence.sam@dc.gov).