

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



September 8, 2015

OTR NOTICE 2015-02

TO TOBACCO AND VAPOR PRODUCTS RETAILERS

**VAPOR PRODUCTS SUBJECT TO EXCISE TAX EFFECTIVE OCTOBER 1, 2015;
EXEMPT FROM SALES TAX**

The excise tax on other tobacco products has been expanded to include vapor products. The rate of the excise tax applicable to vapor products is 67% effective October 1, 2015. The excise tax is imposed on the first person to possess or sell the vapor products in the District. If a retailer purchases vapor products from a wholesaler or other vendor who does not pay the excise tax on the vapor products, the retailer will be responsible for paying the tax.

The term “vapor product” means any non-lighting, noncombustible product that employs a mechanical heating element, battery, or electronic circuit, regardless of shape or size, that can be used to produce aerosol from nicotine in a solution 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 excise tax will be imposed on devices that can be used to produce aerosol from nicotine in a solution, whether sold with or separately from nicotine in a solution. The tax on such devices also applies to the component parts of such devices when sold separately, including batteries, atomizers, cartridges, tanks, cartomizers, and mouthpieces. Accessories that are not component pieces of the devices, such as battery rechargers, are not vapor products and not subject to the excise tax. Accessories will continue to be subject to the sales tax.

Effective October 1, 2015, sales of vapor products have been exempted from the District of Columbia sales tax.

The tax on vapor products is to be reported on the FR-1000Q Tobacco Products Excise Quarterly Tax Return. The FR-1000Q return is being revised to reflect changes described in this notice. The first quarterly return reflecting the tax on vapor products will cover the calendar quarter ending December 31, 2015, and is due January 21, 2016.

OTHER TOBACCO TAX RATE DECREASE TO 67% EFFECTIVE OCTOBER 1, 2015

Effective October 1, 2015, the tax rate on other tobacco products is decreased from 70% to 67% of wholesale sales of other tobacco products.

CIGARETTE TAX RATE INCREASE TO \$2.91 EFFECTIVE OCTOBER 1, 2015

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, 2015, the surtax is increased from \$.40 to \$.41 cents per package of 20 cigarettes, resulting in a combined cigarette excise tax of \$2.91 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.