

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



Date: September 18, 2009

To: ALL WHOLESALERS OF DC CIGARETTES

Subject: Cigarette, Little Cigar and Moist Snuff Excise Tax Increase

Bulletin #: 2009-07

Effective October 1, 2009, there will be an increase in the District of Columbia cigarette excise tax and a new tax on “little cigars” and “moist snuff.” The cigarette excise tax will increase from 10¢ to 12.5¢ for each cigarette, which raises the tax to \$2.50 per pack of 20 cigarettes and \$3.125 per pack of 25 cigarettes. A tax is imposed on the sale or possession of “little cigars” at 12.5¢ per little cigar. “Little cigar” means any cigar, other than a premium cigar, that weighs not more than 4 1/2 pounds per thousand. In addition, a tax is imposed on the sale or possession of “moist snuff” at 30¢ per ounce. “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.

The new excise tax rate applies to previously stamped and loose stamp floor stock of cigarettes, including cigarettes in vending machines, and all floor stock of little cigars and moist snuff 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 inventory of “little cigars” and “moist snuff” held outside of the District.

You are required to take a physical inventory before the start of business on October 1, 2009, of all DC stamped cigarettes and/or loose tax stamps in stock to determine your floor tax. Enclosed is the floor tax return and instructions. Please submit the return and payment by October 21, 2009, to the Office of Tax and Revenue, Audit Division, Cigarette Tax Enforcement Unit, PO Box 556, Washington, DC 20044. Failure to file a floor tax return and make payment by October 21, 2009 will result in the imposition of penalty and interest and may result in criminal prosecution. In addition, the cigarette license issued to you may be subject to suspension or revocation.

The Office of Tax and Revenue, Audit Division, may elect to do a physical inventory at selected DC Licensed Wholesalers on or before October 1, 2009. If you are selected, you will be notified in advance by a representative of the Audit Division.

Rolls or sheets of cigarette tax stamps at the new rate may be purchased from the 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 prior to this date. The DC cigarette tax law provides for penalties if such violations occur. Damaged and other unsalable cigarettes with the "old stamp" should be returned to the cigarette manufacturer on or before September 30, 2009 in order to receive credit from DC Treasury.

We have enclosed in this notice a sheet of Frequently Asked Questions (FAQs) for the cigarette floor tax return. A copy of this notice and FAQ (including various translations) is available on our website at www.taxpayerservicecenter.com. Also, our website provides the floor tax return and instructions.

Questions relating to this law change should be directed to the Office of Tax and Revenue, Audit Division, at (202) 442-6602, or via email at sherri.weithers@dc.gov.

Thank you for your cooperation.