

May 19, 2004

NOTICE

ALL TOBACCO DISTRIBUTORS

The Legislature has passed and the Governor has signed into law Act No. 2004-545 (House Bill 716) increasing the state tax on tobacco products sold, stored, received, used, consumed or delivered into Alabama. The new tax rates were effective immediately upon the Governor signing the Bill on May 18, 2004 at 8:30 AM. The new tobacco tax rates are shown on the enclosed tax rate schedule.

Regarding Cigarette Taxes:

Each WHOLESALER, DISTRIBUTOR, OR STAMPER is required to take a physical inventory of all stamped and unstamped cigarettes as of the beginning of business on May 19, 2004, and retain this information for auditing purposes. Each distributor must also revalue all State revenue stamps on hand which are not affixed to cigarette products as of the beginning of business on May 19, 2004 and remit the additional tax to the Department of Revenue. The 7 ½ percent discount shall be allowed to the permitted wholesale distributor on the revaluation. The reporting and payment of the additional tax is due within ten (10) days from the date of this notice and shall be on the form included with this notice.

The Act provides that all distributors authorized to place stamps on cigarettes shall have 45 days to dispose of the stamped products they have on hand on the effective date of this act which is May 18, 2004. All products which are not disposed of within the 45 days (July 2, 2004) will be subject to the additional tax levy.

Regarding Tobacco Products Other Than Cigarettes (OTP):

The Act also provides for an increase in OTP taxes effective May 18, 2004. Accordingly, all DISTRIBUTORS reporting OTP taxes must file two (2) reports for May 2004. The first report shall cover the tax period May 1, 2004 through May 17, 2004 reporting taxes at the old rates. The second report shall cover the tax period May 18, 2004 through May 31, 2004 reporting taxes at the new rates. Resident distributors are required to calculate their inventory as of the beginning of business on May 18, 2004 and revalue OTP products and remit the tax at the increased rate. Non-resident distributors are required to remit the tax at the increased rate based on sales into the state effective May 18, 2004. The reports and tax payment are due by June 21, 2004.

Locals:

Finally, the Act provided that local taxes imposed on the sale or use of cigarettes shall be paid to said local government through the use of stamps. More information will be provided regarding this requirement at a later date.

Bonds:

Due to the tax increase, distributors maintaining consignment and tobacco tax bonds should evaluate their bond limits to ensure the amount meets the tax requirements.

Alabama Department of Revenue • Sales, Use & Business Tax Division • Tobacco Tax Section
P.O. Box 327555 • Montgomery, AL 36132-7555 • (334) 242-9627

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Sales, Use & Business Tax Division
Tobacco Tax Section
P. O. Box 327555 • Montgomery, AL • 36132-7555
Telephone 334(242-9627)

ADDITIONAL CIGARETTE TAX REPORTING FORM PURSUANT TO ACT No. 2004-545

COMPANY NAME: _____ PERMIT/REG #: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

	Tax Due
No. of Unused Alabama 20 Cigarette Stamps _____ @ 26 cents/stamp	\$ _____
No. of Unused Alabama 25 Cigarette Stamps _____ @ 32.5 cents/stamp	\$ _____
Total Tax	\$ _____
Less 7 ½ Discount (permitted wholesalers only)	\$ _____
TOTAL TAX DUE	\$ _____

I hereby certify that a physical inventory has been calculated as the opening of business May 19, 2004, on all stamped cigarettes on hand and all unused cigarette tax stamps on hand and it has been determined that this entity owes additional State tobacco tax directly to the Department of Revenue according to Act No. 2004-545.

Signature: _____

Title: _____ Date: _____

All distributors must file this report and pay the required additional tax within ten (10) days from the date of this notice. Distributors who are required to remit tobacco taxes by Electronic Funds Transfer (EFT) are required to make this payment by EFT. Otherwise, payment must be made by certified funds or cashier's check unless you maintain a tobacco tax bond with this office. Tax payment must be within your bond limit. Failure to file and pay this additional tax will cause forfeiture of the 7 ½ percent discount and will subject you to penalties and interest.

Submit this form to the above address along with the appropriate payment.

**New Schedule of Taxes on Tobacco Products
Effective 5/18/2004**

Cigarettes (from 8.25 mills to 21.25 mills each cigarette)

	Tax
Each package of 20 cigarettes "20 Cigarettes" stamps	42.5¢
Each package of 25 cigarettes "25 Cigarettes" stamps	53.125¢

Cheroots, Stogies, Cigars, etc.

Retail Price	Tax Per M	Tax on Box of 50 Cigars	Tax per Cigar
3-1/3¢ each or less.....	\$ 3.00	\$0.15	\$0.003
Over 3-1/3¢ and not more than 5¢....	\$ 6.00	\$0.30	\$0.006
Over 5¢ and not more than 8¢.....	\$ 9.00	\$0.45	\$0.009
Over 8¢ and not more than 10¢.....	\$15.00	\$0.75	\$0.015
Over 10¢ and not more than 20¢.....	\$30.00	\$1.50	\$0.030
Over 20¢	\$40.50	\$2.025	\$0.0405

Little Cigars

Little cigars not weighing over three pounds per thousand:
\$0.04 for each ten cigars or fractional part thereof.

Smoking Tobacco

Weight	Tax
1-1/8 ounces or less.....	4¢
Over 1-1/8 ounces, not exceeding 2 ounces.....	10¢
Over 2 ounces, not exceeding 3 ounces.....	16¢
Over 3 ounces, not exceeding 4 ounces.....	21¢

Six cents additional tax for each ounce or fractional part thereof over 4 ounces.

Chewing Tobacco

	Tax
Each ounce or fractional part thereof	1.5¢

Snuff

Weight	Tax
5/8 ounces or less.....	1¢
Over 5/8 ounces, not exceeding 1-5/8 ounces.....	2¢
Over 1-5/8 ounces, not exceeding 2-1/2 ounces.....	4¢
Over 2-1/2 ounces, not exceeding 5 ounces (cans, packages, gullets).....	6¢
Over 3 ounces, not exceeding 5 ounces (glass, tumblers, bottles).....	7¢
Over 5 ounces, not exceeding 6 ounces	8¢

Twelve cents additional tax for each ounce or fractional part thereof over 6 ounces.