



State of Alabama Department of Revenue

Montgomery, Alabama 36132
(www.ador.state.al.us)

CYNTHIA UNDERWOOD
Assistant Commissioner

LEWIS A. EASTERLY
Secretary

G. THOMAS SURTEES
Commissioner

June 10, 2004

Dear Sir/Madam:

On May 20, 2004, I had an opportunity to meet with several representatives from tobacco wholesalers to discuss the recently enacted legislation. Since that time, there have been numerous meetings within the Department of Revenue with practitioners and legal counsel to discuss issues initiated in that meeting. Our goal was always to administer Act 2004-545 in such a manner that was consistent with the new law as written while treating all parties involved in a fair manner.

Our position remains that only those tobacco products stamped as of the effective date of the new law can be sold at the rates in effect prior to May 18, 2004. Stamps purchased after the effective date and time of the law or those not placed on product prior to the effective date and time must be sold at the new rate.

We understand the position taken by your representatives that all stamps purchased prior to the effective date should be regarded as stamped product, but we do not believe the new law to allow such. Since an uncharacteristic amount of stamps were purchased immediately preceding the effective date, we understand the financial burden this may place on you and have taken this into consideration.

Therefore, all stamps purchased after the effective time and date of the Act will be at the new rate. However, we will allow payment of the amounts due because of the rate increase to be extended to forty-five (45) days beyond May 18 to July 2, 2004. You may also return unused stamps to us for credit against your revaluation liability. If you purchased stamps on consignment, then you may return the consigned stamps to us for a credit against your bond limit. You may also need to reevaluate your bond limit to allow for the increased rate. A notice will also be distributed to you outlining the new procedures.

I want to thank you for your participation in this process and look forward to working with you in the future.

Sincerely,

G. Thomas Surtees
Commissioner of Revenue



G. THOMAS SURTEES
Commissioner

State of Alabama Department of Revenue

Montgomery, Alabama 36132
(www.ador.state.al.us)

CYNTHIA UNDERWOOD
Assistant Commissioner

LEWIS A. EASTERLY
Secretary

June 10, 2004

SECOND NOTICE TO ALL TOBACCO DISTRIBUTORS

This is a follow-up notice to our May 19, 2004 notice of Act No. 2004-545 (House Bill 716) which increased the state tax on tobacco products sold, stored, received, used, consumed or delivered into Alabama.

Cigarette Stamps:

Each distributor must revalue all State revenue stamps on hand which were 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 on or before July 2, 2004 and should be paid on the form sent with our original notice dated May 19, 2004.

Another option authorized by Commissioner G. Thomas Surtees is to allow permitted wholesalers to return any unused full rolls of tobacco stamps that were over purchased prior to the tobacco tax increase. Cash taxpayers are able to use the credit against the revaluation of tobacco stamps. Consignment taxpayers are allowed to credit the return against the balance in their consignment stamp account. Please contact this office to schedule an appointment to return your stamps.

To summarize, you may pay the entire revaluation by July 2, 2004 or return any unused stamps to the Department for a credit and pay an adjusted revaluation by July 2, 2004.

Monthly Reports by Resident and NonResident Wholesale Dealers in Cigarette Products

All persons filing the above-referenced reports should file two (2) reports for May 2004. The first report shall cover the tax period May 1, 2004 through May 18, 2004. The second report shall reflect activity for the tax period of May 19, 2004 through May 31, 2004. If you return any stamps to the Department, you will be required to file amended reports.

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 and the second report shall cover the tax period May 18, 2004 through May 31, 2004 reporting taxes at the new rates. The reports and tax payment are due by June 21, 2004.

Resident distributors are required to calculate their inventory as of the beginning of business on May 18, 2004 in order to revalue OTP products and remit the tax at the increased rates by July 2, 2004.

Locals:

You should continue to report and remit the county tobacco taxes with the use of the county tobacco tax return.

Bonds:

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

Sales, Use & Business Tax Division
Tobacco Tax Section

Mailing Address

P. O. Box 327555
Montgomery, Alabama 36132-7555

Physical Address

50 N. Ripley St.
Room 3152
Montgomery, Alabama 36104

(334) 242-9627