

Bulletin

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November 19, 2007

To: All Cigarette Manufacturers

Subject: Cigarette Tax Increase

The 2007 Special Session of the Maryland General Assembly enacted legislation signed by the Governor to increase the cigarette excise tax on cigarettes from \$1.00 to \$2.00 per pack of 20. As a result, effective January 1, 2008, a floor tax will be imposed on all cigarettes held in inventory bearing tax stamps affixed at the old rate. The tax increase and floor tax will impact cigarette manufacturers in two ways:

- 1) The procedures for the return of unsalable cigarettes by wholesalers; and
- 2) The stamped cigarette inventories held by manufacturers' representatives.

Cigarette distributors have been advised that all unsalable cigarettes bearing Maryland excise tax stamps must be returned to the cigarette manufacturers on or before December 31, 2007. This is essential as no inventory of Maryland taxed unsalable cigarettes shall be permitted on the distributor's premises at the close of business December 31, 2007.

Please instruct your sales representatives to return all unsalable cigarettes to the respective

wholesalers by December 24, 2007. This will allow the wholesalers to return all their unsalable cigarettes before December 31, 2007.

Enclosed is a copy of the tax return which manufacturers' representatives are required to file if they have Maryland cigarettes in their possession on December 31, 2007 bearing stamps at the old rates. All cigarettes held in the possession of the manufacturers' representative must be counted. This includes cigarettes in vehicles, home, storage areas, etc. Any cigarettes held for free distribution upon which the tax has been paid need an additional payment to cover the newly imposed tax. This return may be duplicated and distributed to your representatives.

For more information on the Special Session, see www.marylandtaxes.com. Any questions regarding the cigarette tax increase requirements should be directed to Taxpayer Services at (410) 260-7314 or (410) 260-7131. Thank you for your cooperation.

Thad Russell, Director
MATT Regulatory Division