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**Important Notice**

6/28/02

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**Computation of Sales Tax on Cigarettes  
Sold Within the City of New York**

On July 2, 2002, the city of New York increased its excise tax on cigarettes from \$0.08 to \$1.50 on a pack of 20 cigarettes. The purpose of this notice is to remind retailers of the proper way to calculate the New York State and local sales tax on the sale of cigarettes within the city of New York.

To calculate the correct amount of sales tax due on the sale of cigarettes within the city of New York, the amount of the city excise tax (\$15.00 per carton, \$1.50 per pack) must be subtracted from the retail selling price of the cigarettes before the sales tax (8 1/4% in NYC) is computed on the resulting amount.

Example:	Carton	Pack
Retail selling price of cigarettes (excluding sales tax)	\$65.00	\$ 6.50
Amount of city excise tax (included in selling price)	\$15.00	\$ 1.50
Basis for computation of sales tax	\$50.00	\$ 5.00
Rate of sales tax in the city of New York	<u>.0825</u>	<u>.0825</u>
Amount of sales tax due	\$ 4.13	\$ .41
Total selling price to the consumer (retail selling price plus sales tax)	\$69.13	\$ 6.91