



**New York State excise tax on cigarettes  
to increase on June 3, 2008**

**Cigarette floor tax returns must be filed by August 20, 2008**

Effective June 3, 2008, the New York State excise tax rate on cigarettes increases \$1.25 (from \$1.50 to \$2.75) per pack of 20 cigarettes.

Retail dealers, wholesale dealers, and cigarette stamping agents must pay the increased tax on all stamped packs of cigarettes and unaffixed tax stamps in their possession as of the close of business June 2, 2008.

In order to comply with the new requirements:

- Dealers and agents must take a physical inventory of all stamped packs of cigarettes on hand as of the close of business June 2, 2008.
- Agents must also take a physical inventory of all unaffixed cigarette tax stamps and unstamped packs of cigarettes on hand as of this date.
- Dealers and agents must file a cigarette floor tax return by August 20, 2008, and pay a cigarette floor tax.

**Cigarette excise tax increase (effective June 3, 2008)**

	New York State (outside New York City)		Joint New York State/ New York City		Cigarette excise tax increase  (Floor tax due)
	Old rate	New rate	Old rate	New rate	
Pack of 20 cigarettes	\$1.50	<b>\$2.75</b>	\$3.00	<b>\$4.25</b>	\$1.25
Pack of 25 cigarettes	\$1.875	<b>\$3.4375</b>	\$3.755	<b>\$5.3175</b>	\$1.5625

**Inventory**

If you are a retail dealer, wholesale dealer, or stamping agent, please note:

- If you store or sell cigarettes at more than one business location, you must keep the original inventory report at each location for inspection.

- You must keep all records of the physical inventory used to arrive at the cigarette floor tax due. You will have to produce these records if you are audited by the Tax Department.
- You must take your own inventory. You may not rely on the random inventory counts made by Tax Department personnel.

## Vending machines

If you operate cigarette vending machines, it may not be possible for you to conduct a complete physical inventory as of the close of business June 2, 2008. You may calculate your inventory in the following way:

- Take a physical inventory of as many locations as you can with your available personnel.
- For vending machines that cannot be inventoried as of June 2, 2008, calculate your inventory at one half the machine's normal fill capacity.
- Base the machine's normal fill capacity on its individual inventory records.

## Floor tax returns

Retail dealers, wholesale dealers, and cigarette stamping agents must file Form CG-11, *Cigarette Tax Floor Tax Return*, on or before August 20, 2008. Use Form CG-11 to calculate the floor tax due based on the number of packs of stamped cigarettes possessed as of the June 2, 2008, inventory.

If you are an agent, also calculate the floor tax due on unaffixed cigarette tax stamps and indicate the quantity of unstamped packs of cigarettes possessed as of the June 2, 2008, inventory.

## Multiple locations

If you are a retail dealer, wholesale dealer, or cigarette stamping agent who stores or sells cigarettes at more than one location:

- File one consolidated cigarette floor tax return including inventory from all locations.
- Report the inventory of stamped packs of cigarettes at each separate location on *Schedule A* of Form CG-11.

## Payment methods

If your cigarette floor tax is \$500 or less, you must pay the entire amount when you file Form CG-11 on or before August 20, 2008.

If your cigarette floor tax liability is more than \$500, you may pay the tax in two installments.

- Your first installment is due when you file Form CG-11 on or before August 20, 2008, and must be at least \$500, but not less than 25% of your total cigarette floor tax liability.

- Your second installment, consisting of the balance of the floor tax that you owe, must be paid by December 22, 2008.

Examples:

- *Taxpayer A has a cigarette floor tax liability of \$400. The full amount must be paid with the filing of Form CG-11 on August 20, 2008.*
- *Taxpayer B has a cigarette floor tax liability of \$1,000. At least \$500 must be paid with the filing of Form CG-11 on August 20, 2008. The remainder must be paid by December 22, 2008.*
- *Taxpayer C has a cigarette floor tax liability of \$10,000. At least \$2,500 must be paid with the filing of Form CG-11 on August 20, 2008. The remainder must be paid by December 22, 2008.*

## Penalties and interest

Retail dealers, wholesale dealers, and cigarette stamping agents who are subject to the cigarette floor tax must file a return and pay the tax due by August 20, 2008. Failure to file a cigarette floor tax return or to pay the appropriate tax due by the due date:

- will subject you to the imposition of interest and civil penalties under Article 20 of the Tax Law, and
- may result in criminal penalties under Article 37 of the Tax Law.

If you have elected to pay the cigarette floor tax liability in installments and fail to pay the correct amount of the first installment by August 20, 2008:

- the entire amount of the cigarette floor tax liability will be due immediately, and
- interest and penalty will accrue on the amount that remains unpaid.

If the correct amount of the first installment was paid on time, but any amount of the second installment is not paid by December 22, 2008, interest and penalty will accrue on the amount that remains unpaid after that date.

## Amount of penalties

**Cigarette stamping agents** – Penalties imposed on agents are based on the period of time in which a return remains unfiled or the tax remains unpaid. The amount of the penalty is calculated as follows:

- 10% of the tax due for the first month or any fraction of a month, plus
- 1% of the tax due for each subsequent month or fraction of a month,
- up to a maximum of 30% of the amount of the tax due.

If a return is not filed within 60 days of the due date, the minimum penalty is the lesser of the tax due or \$100.

**Retail or wholesale dealers** - Penalties imposed on dealers are based on the period of time in which the tax remains unpaid. The amount of the penalty is calculated as follows:

- 50% of the tax due for the first month or any fraction of a month, plus
- 1% of the tax due for each subsequent month or fraction of a month.

### **Rate of interest**

Interest is computed at the rate set by the Commissioner of Taxation and Finance and is compounded daily. It is computed from the day the tax was due until the day the tax is paid. For help in computing interest:

- Visit our Web site at *www.nystax.gov* and click on *THE ONLINE TAX CENTER*, or
- Call the Business Tax Information Center at 1 800 972-1233.

### **Need forms?**

- Visit our Web site at *www.nystax.gov* or
- Call 1 800 462-8100.

NOTE: An Important Notice is generally issued to announce a singular event, such as an update to a previously issued tax form or instruction, or to announce a new due date for filing returns and making payments of tax because of a natural disaster. The Department does not revise previously issued N-Notices.