



**Important Notice**

**June 2010**

**New York State excise tax on cigarettes to increase on July 1, 2010**

**Cigarette floor tax returns must be filed by September 20, 2010**

**Effective July 1, 2010, the New York State excise tax rate on cigarettes increases by \$1.60 (from \$2.75 to \$4.35) 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 30, 2010.

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 30, 2010.
- 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 September 20, 2010, and pay a cigarette floor tax.

**Cigarette excise tax increase (effective July 1, 2010)**

	New York State (outside New York City)		Joint New York State/ New York City		Cigarette excise tax increase  (Floor tax due)
	Old rate	<b>New rate</b>	Old rate	<b>New rate</b>	
Pack of 20 cigarettes	\$2.75	<b>\$4.35</b>	\$4.25	<b>\$5.85</b>	\$1.60
Pack of 25 cigarettes	\$3.4375	<b>\$5.4375</b>	\$5.3175	<b>\$7.3175</b>	\$2.00

**Inventory**

Retail dealers, wholesale dealers, and stamping agents, 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 30, 2010. 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 30, 2010, calculate your inventory at one half the machine's normal fill capacity.
- Base the machine's normal fill capacity on its individual inventory records.
- Report the inventory of stamped packs of cigarettes in each vending machine or warehouse on *Schedule B* of Form CG-11.

### **Floor tax returns**

Retail dealers, wholesale dealers, and cigarette stamping agents must file Form CG-11, *Cigarette Tax Floor Tax Return*, on or before September 20, 2010. Use Form CG-11 to calculate the floor tax due based on the number of packs of stamped cigarettes possessed as of the June 30, 2010, inventory.

If you are an agent, you must 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 30, 2010, 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**

You must pay the entire amount due when you file Form CG-11 on or before September 20, 2010.

### **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 September 20, 2010. 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.

### **Amount of penalties**

**Cigarette stamping agents** – Penalties imposed on agents are based on the period of time for 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 for 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.

### **Interest rate**

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](http://www.nystax.gov) and click on *Online Services*.

**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.