

## Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
1			Who is the incumbent vendor that provides these services currently? Or is this a new requirement?	The current vendor is Bank of America.
2			Is there an estimated value available for this program? Or how much was budgeted for this project?	Based on current contract data, the estimated value for the base term of the contract is \$1,500,000.00. This number can fluctuate based on the number of rolls sold.
3			<p>Does NYS have any Agents located outside of the state?</p> <p>If yes, how do they get their emergency indicia?</p> <p>Also, how does this affect the “next day delivery” requirements given the fact that the USPS will not guarantee next day delivery for anything mailed from one state to another?</p>	<p>Yes</p> <p>They would pick up at an emergency site or be sent a second order if the first order was lost. If the first order were to show up, delivery should be refused and sent back to the contractor.</p> <p>In the instance where the agent does not pick up the stamps at the emergency site, we expect next day delivery to the extent possible utilizing USPS.</p>
4			Could you please provide the name and contact information for the vendor currently performing housing of your cigarette indicia stamps? In addition, could you provide the name of the bank you are currently using for this process?	Currently Bank of America performs all aspects of the Program and utilizes Loomis Armored US for additional stamp storage as necessary.
5			How are indicia returned to the State by Agents handled? How is the credit for these stamps issued, etc.?	If stamps are returned to the State by the agent, refund requests are processed by NYSDTF. In rare instances, the contractor may be asked by NYSDTF to issue a credit to the agents account for a future stamp purchase.

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
6			Who is responsible for the cost of returning unused indicia? Agent? Contractor?	The contractor would be responsible for the cost of returning the indicia if it is the result of errors with an order. The agent is responsible for the cost of returning indicia in all other instances.
7			<p>Does the State and / or City have Agent registration account information they will provide the contractor electronically? If yes please answer the following questions:</p> <ul style="list-style-type: none"> <li>a. What type of legacy system would the contractor interface with to receive this information?</li>   <li>b. Does the Agent registration account information contain address and shipping information?</li>   <li>c. Does the authorized Agent information in the registration contain type of stamps an agent can purchase or are they allowed to purchase any type of stamp as long as they have a sufficient bond or line of credit?</li> </ul>	<p>Yes</p> <ul style="list-style-type: none"> <li>a. DTF and NYC Department of Finance will work with the successful bidder to provide a secure method to exchange this information electronically.</li>   <li>b. Yes</li>   <li>c. The agent information will identify the types of stamps the agent can purchase.</li> </ul>
8			Does the State and or City have the agent bond and line of credit information they will provide the contractor electronically? If yes, what type of legacy system would the contractor interface with to receive this information?	Yes. As indicated in response to Question 7, DTF and NYC Department of Finance will work with the successful bidder to provide a secure method to exchange this information electronically.
9	III. A	9	<i>Page 9, Item A Systems: "The Bidder shall develop, implement, and maintain a fully functional system or set of integrated systems that will be used to implement, monitor and maintain the Program. DTF will provide current program data during</i>	

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p><i>the implementation phase.”</i></p> <p><b>Question:</b> Will current program data be provided immediately upon award of the contract so that development may begin without delay?</p>	<p>Yes. As indicated in response to Question 7, DTF and NYC Department of Finance will work with the successful bidder to provide a secure method to exchange this information electronically.</p>
10	III.B	10	<p><i>Page 10, Item B Order Processing: “The Bidder shall provide, implement, operate, and maintain a fully functioning processing center within New York State, which includes at a minimum toll-free access, receipt, recording, validating, filing, delivery via USPS, tracking and problem resolution to ensure timely delivery.”</i></p> <p><b>Questions:</b></p> <p>(1) Is it correct to conclude that this means that indicia orders must be mailed from the center within the State of New York instead of warehousing the indicia outside of the State and mailing them from that location?</p> <p>(2) Would an alternative solution be considered if the next day delivery requirement can be fulfilled?</p> <p>(3) Can indicia be shipped via another carrier, e.g., Federal Express or UPS, for shipments that are <i>not</i> going to post office boxes?</p> <p>(4) Is it essential to have the ability to ship to a post office box?</p> <p>(5) How will the Post Office department’s proposal to eliminate delivery on the slowest mail day (as yet undetermined) affect this requirement?</p>	<p>1. Yes</p> <p>2. No. Per Section I.A of the RFP – operations must be within New York State</p> <p>3. No</p> <p>4. Yes</p> <p>5. If and when the Post Office changes the days they are open, we will modify the requirement to reflect the change.</p>

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
11	III. C	10	<p><i>Page 10, Item C Payment Processing: "Cash payment accounts require payment for indicia either 1) prior to sale (approximately 5 Agents purchase via this method) or 2) concurrent with the sale of indicia (approximately 50 Agents purchase via this method)."</i></p> <p><b>Questions:</b></p> <p>(1) Does Cash Payment include cash instruments such as certified check or cashier's check in addition to cash?</p> <p>(2) Please explain how cash payments currently are utilized by agents. How does NYS envision cash payments being handled under the new system?</p> <p>(3) If a payment is, indeed in cash, where is the cash delivered, e.g., to the State directly or to the Contractor's office in the State (not practicable for Agents at a great distance from the Contractor's office).</p> <p>(4) Prepaid cash payments: Does prepaid money go into an escrow account until indicia are ordered? How far in advance of the order can a cash payment be made? Does cash go to State or to the Contractor initially? If initial delivery of</p>	<ol style="list-style-type: none"> <li>1. Cash generally refers to an Automated Clearing House (ACH) debit against the agent's approved bank account. A certified check or "cash" could be delivered as payment, however we have not received a "cash" payment in over 10 years.</li>   <li>2. The ACH debit is processed on the date of the order.</li>   <li>3. In the event an agent pays with "cash", it would be delivered to the contractor's office. However, no "cash" payments have been received in over 10 years.</li>   <li>4. Generally, there is no cash prepayments allowed.</li> </ol>

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p>funds is to the State initially, how is the reconciled?</p> <p>(5) How does concurrent cash sale work given stamps are to be delivered via USPS? Are indicia picked up at time payment as made (and where are they picked up) or are indicia shipped via USPS upon receipt of payment?</p>	<p>5. Stamps are sent by USPS the day they are ordered and the ACH debit is placed the same day; or in the unlikely event that an agent brings cash into the site to purchase stamps, the agent may receive the stamps at that time.</p>
12	III. C.	10	<p><i>Page 10, Item C Payment Processing: "The Agents' accounts are classified upon authorization of each Agent as either: a cash payment; Fedwire; ACH debit or under a line of credit ... During the licensing process the Department will determine of an Agent is eligible for credit and the maximum credit line permitted."</i></p> <p><b>Questions:</b></p> <p>(1) Does this mean that the NYS carries the line of credit or that they set a limit for the amount of line of credit the Agent may obtain from their own bank(s)?</p> <p>(2) Please explain how line of credit purchases work. Does an Agent borrow against a line secured by its own bank and pay by cash or ACH debit, does the Contractor draw directly on the line of credit, or something else? Please provide an example of how this works.</p>	<p>1. Yes, NYS DTF carries the line of credit. The DTF evaluates the agents and sets limits based upon bonding, financial information, and past history.</p> <p>2. NYSDTF carries the line of credit. Purchases on credit are allowed by statute and are generally secured by a bond. The agent is given up to 30 days to pay for a purchase. The bank or contractor would put in ACH debits at the agents request. ACH debits are applied to the oldest orders until the agent is at or below their credit limit.</p>

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p>(3) Are Agents purchasing on credit also required to carry a bond? Are any other Agents required to carry a bond?</p>	<p>3. Only agents purchasing on credit are required to have a bond.</p>
13	Exhibit 2	76	<p><i>Page 76, Item 7: "The Contractor is responsible for ensuring that Agents receive indicia at a minimum of next day service."</i></p> <p><b>Questions:</b></p> <p>(1) Does this mean next <u>business</u> day service? Page 53, paragraph 6 covers the eventuality that the next day is a holiday, but does not cover orders for which "next day service" would mean Saturday or Sunday.</p> <p>(2) Can shipment of indicia be delayed until payment has been confirmed, e.g., until check clears the bank or until the Agent's bank confirms that an ACH debit payment has cleared?</p>	<p>1. Orders can be placed Monday through Friday except holidays. Deliveries can be made on Saturdays as long as the agent's business is open. Next business day does not refer to Federal holidays or Sundays.</p> <p>2. No.</p>
14	Exhibit 2	73	<p><i>Page 73, Last Paragraph: "Based on information furnished by the Contractor, ... In response to the directive to furnish an emergency supply of stamps, the Contractor contacts the Agent and determines which emergency facility is most convenient for pick-up and provides the address to the Agent."</i></p> <p><b>Questions:</b> This wording indicates that the agent is responsible for picking up emergency supplies of indicia. However,</p>	<p>Movement of indicia refers to the contractor's responsibility for stocking and replenishing the Emergency Sites.</p>

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p>on Page 76, Item 8, the RFP states: <i>“Movement of indicia is the responsibility of the Contractor.”</i> Does NYS expect that the Contractor will ever be required to deliver emergency stamps to an Agent, or does this refer only to movement of the stamps from the printer to the emergency warehousing site(s)?</p> <p>Who bears the expense, if NYS requires indicia to be delivered to an Agent by a Contractor?</p>	<p>In most instances, the agent will pick up the stamps at the emergency site. If the agent doesn't, the contractor will ship the order via USPS.</p> <p>NYS will never require indicia to be delivered to an agent by a contractor.</p>
15	Exhibit 2	73	<p><i>Page 73, Item 1: “The process for cigarette indicia sales and distribution ... Contractor will be notified in writing by the Department/NYC when an Agent’s authorization has been revoked.”</i></p> <p><b>Questions:</b></p> <p>(1) Who is responsible for making changes or updates to agent information? If changes are made by the jurisdiction, how will the contractor be notified?</p> <p>(2) What constitutes notification “in writing”? What is the time frame for notification? It would be important to receive revocation information and new registrations immediately so that indicia are not withheld or provided improperly.</p>	<ol style="list-style-type: none"> <li>1. NYSDTF and/or NYC will provide or verify updated agent information. The contractor is responsible for making changes to the system.</li> <li>2. Email and/or hard copy documentation will be provided by NYSDTF and/or NYC. This notification would be provided as soon as it is available.</li> </ol>
16	Exhibit 2	75	<p><i>Page 75, Item 3b (Commission Rates)</i></p> <p><b>Question:</b> How often do commission rates change? What is the mechanism by</p>	<p>The rates are set by Tax Law and rarely change. There are two levels of commissions based on purchase volume within a</p>

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			which commission rates are changed?	calendar year for state only stamps and two levels for Joint stamps. The contractor will be responsible for applying the proper commission for each agent location. In the event of a rate change, the change control process will be initiated.
17	Exhibit 2	76	<p><i>Page 76, Item 9: "No files or records are to be destroyed without the consent of the Department. All accounting and Program records are to be maintained in a manner acceptable to the Department."</i></p> <p><b>Question:</b> Can NYS provide an example or explanation of acceptable accounting and Program record maintenance?</p>	Accounting and program records should be easily accessible for 3 years and archived for the remainder of the contract. The archival format will be determined between DTF and the winning bidder.
18	Exhibit 2	76	<p><i>Page 76, Item 9: "Individual Agent files are to be kept for the term of the contract and include documentation such as ... At the conclusion of the contract, all Agent and tax related information is returned to the Department."</i></p> <p><b>Question:</b> Our literal interpretation of this wording has led us to the conclusion that if the contract is renewed past the 7 years, no records will ever be culled or destroyed until the end of the contract, regardless of that length of time. Is this conclusion correct? If it is not, please specify the number of years of file retention required.</p>	See response to Question 17. If a contractual relationship remains beyond 7 years, the DTF will work with the contractor to determine if records can be purged.
19	Exhibit 2	76	<p><i>Page 76, Item 9: "In addition, the Contractor must communicate daily ledger and available balance and deposit information to the New York State Office of the state Comptroller, New York State Department of Taxation and Finance and the New York City Finance Administration</i></p>	



Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p><i>Cigarette Tax Unit.”</i></p> <p><b>Question:</b> How many interfaces will be required from the new Tobacco system to NYS/NYC agencies? What are the agencies to which interfaces will be required and what is the nature of each interface?</p>	<p>Online access will be required by NYSDTF, NYC Finance and NYS Office of the State Comptroller. See Exhibit B for additional information on tasks to be available online.</p>
20	Exhibit 2	77	<p><i>Page 77, Item 11: “The types of indicia will dictate how transaction fees must be split. For example, New York State should be billed for the State Indicia, and for half of the invoice on Joint Indicia, with New York City receiving the bill for the other half of Joint Indicia.”</i></p> <p><b>Questions:</b></p> <p>(1) Can the Contractor include a per stamp transaction fee in its pricing structure?</p> <p>Is this “transaction fee” in any way related to the relative tax rates of New York State and New York City? If yes, is 50/50 billing correct given the disparities in the State and City tax rates?</p> <p>(2) In this context, what specifically does the term “transaction fees” refer to?</p>	<p>1. No</p> <p>2. The fee that the contractor receives per roll for all aspects of the program.</p>
21	Exhibit 2	76	<p><i>Page 76, Item 5: “The Contractor calculates the amount of Prepaid Sales Tax that is collected and deposited to the Cigarette Indicia Tax Account and transfers the Prepaid Sales Tax amount to the Sales Tax Account on a daily basis.”</i></p> <p><b>Questions:</b></p>	

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p>(1) Should this statement have indicated that the amount of <i>all</i> taxes collected are deposited into the Cigarette Indicia Tax Account and then the Prepaid Sales Tax amount transferred to the Sales Tax Account?</p> <p>(2) Is the amount of Cigarette Indicia Tax due to the City of New York also meant to be deposited into the Cigarette Indicia Tax Account and then transferred to the correct account at the City of New York?</p> <p>(3) Would it be permissible to deposit the correct amounts directly into each of these accounts (e.g., the Cigarette Indicia Tax Account, the Sales Tax Account, etc.)?</p>	<p>1. Yes</p> <p>2. Yes</p> <p>3. Yes. This is permissible and preferable. Deposits can be made directly into each of the 4 accounts:</p> <ul style="list-style-type: none"> <li>• NYS Cigarette Tax Account</li> <li>• NYC Cigarette Tax Account</li> <li>• Pre-paid Sales Tax Account</li> <li>• Split Account</li> </ul>
22	Exhibit B	112	<p><i>Page 112, Item A009 &amp; A012: In A009 it states the delivery method will be "online" and in A012 it states the delivery method will be "electronic."</i></p> <p><b>Question:</b> What is the difference between "online" and "electronic" notification?</p>	<p>Online refers to access to the contractors system.</p> <p>Electronic refers to a document that is either scanned and e-mailed or faxed.</p> <p>DTF and NYC Department of Finance will work with the successful bidder to provide a secure method to exchange this information electronically.</p>
23	Exhibit B	113	<p><i>Page 113, Item A012: "Required Data –</i></p>	

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p><i>Dummy Account for Prepaid Sales Tax on Cigarette Account ... Sales Tax Vendor Identification Number (Dummy Number)</i></p> <p><b>Question:</b> What do you mean by dummy account and dummy number?</p>	<p>The dummy account refers to the name associated with the ST-810 for prepaid sales tax (e.g. Contractor A Cigarette Tax).</p> <p>The dummy number refers to the DTF issued vendor identification number the contractor will use on the ST-810. It identifies the funds as prepaid sales tax on cigarettes. It will be the same number each day.</p>
24	Exhibit B	113	<p><i>Page 113, Item A013: "Required data includes: -- Advice Number ... -- Package Sales"</i></p> <p><b>Question:</b> (1) What is meant by "Advice Number"?</p>	<p>An advice number is assigned to this report on a daily basis. Advice numbers are consecutive numbers beginning with 1.</p>
25	Exhibit B	113	<p>What is meant by "Package Sales"?</p>	<p>This was a term used for accounting for payment of tax on the use of unstamped cigarettes in NYS.</p>
26	Exhibit B	114	<p><i>Page 114, Item A015: "Required Data ... -- Accounts Receivable Over 30 days"</i></p> <p><b>Question:</b> Does this refer to lines of credit carried by the agent's bank or to lines of credit carried by the state on behalf of the agent, or to something completely different?</p> <p><i>Page 114, Item A016: "Required Data ... -- Plus Accounts Receivable Collected"</i></p> <p><b>Question:</b> Does this refer to lines of credit carried by the agent's bank or to lines of credit carried by the state on behalf of the agent, or to something completely different?</p>	<p>This refers to a line of credit carried by the State that DTF granted to the agent.</p> <p>This refers to a line of credit carried by the State that DTF granted to the agent.</p>
27	Exhibit B	117	<p><i>Page 117, Item A020: "Required Data</i></p>	

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p><i>includes: ... -- Received from Other Sources</i></p> <p><b>Questions:</b></p> <p>(1) What are the potential “other sources”?</p> <p>(2) Is the inventory report to include all emergency inventories in the six remote locations?</p>	<p>1. Stamps returned to the contractor after they were taken out of inventory (i.e. stamps returned by USPS due to refusal of shipment by agent).</p> <p>2. yes</p>
28	Exhibit B	118	<p><i>Page 118, Item A021: “Required data includes a summary of cash and credit sales by: ... -- NYS Total Due; -- NYC Total Due”</i></p> <p><b>Question:</b> How can there be funds due to NYS/NYC (and reported on this semi-monthly report) if returns must be filed and funds transferred to the jurisdictions on a daily basis? Please clarify.</p>	<p>This line refers to the Grand Total of the listed items</p>
29	Exhibit B	119	<p><i>Page 119, Item A022: “Required data includes a summary of cash and credit sales by: ... -- NYS Total Due; -- NYC Total Due”</i></p> <p><b>Question:</b> How can there be funds due to NYS/NYC (and reported on this semi-monthly report) if returns must be filed and funds transferred to the jurisdictions on a daily basis? Please clarify.</p>	<p>This line refers to the Grand Total of the listed items</p>
30	Exhibit B	119	<p><i>Page 119, Item A023: “Timeliness Standard ... Monthly, Annually Monthly reports are due by the 2<sup>nd</sup> of the following</i></p>	

Cigarette Excise Tax and Prepaid Sales Tax Questions and Answers

#	RFP Section	RFP Pg. #	Question	Answer
			<p><i>month.”</i></p> <p><b>Question:</b> When are annual reports due?</p>	<p>The second day after the end of the year.</p>
34	Exhibit B	120	<p><i>Page 120, Item A024: “Timeliness Standard ... For Specific Period”</i></p> <p><b>Question:</b> Please explain what is meant by “specific period. How is the specific period determined and communicated to the Contractor, by whom, etc.?”</p>	<p>The DTF will determine and communicate with the contractor when to run this report and will specify the beginning and end dates.</p>
32	Exhibit B	120	<p><i>Page 120, Item A024: “Required Data includes: Stamp Payment Due Date”</i></p> <p><b>Question:</b> Please explain what is meant by this term.</p>	<p>Stamp payments are due immediately unless purchased on a line of credit.</p>