WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

May 24, 2005

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

Cigarette and Tobacco Products Tax Changes

Cigarette Tax Increase

Effective **July 1, 2005**, House Bill 2314 increases Washington State's cigarette tax by three cents per cigarette. That equates to 60 cents on a package of 20 cigarettes (from $1.425 to $2.025) and 75 cents on a package of 25 cigarettes (from $1.78125 to $2.53125) or $6.00 per carton (from $14.25 to $20.25).

Beginning **July 1, 2005**, all cigarettes sold must reflect the tax increase. That means that as of midnight on **June 30, 2005**:

1. Cigarette retailers must report and pay the additional tax for cigarettes in stock

2. Cigarette wholesalers must report and pay the additional tax on all stamped cigarettes and stamp rolls in stock. The count must also include cigarettes in vending machines, on delivery trucks, and in transit.

To report the additional tax, a *Special July Cigarette Floor Stock Tax Return* will be mailed to cigarette retailers and wholesalers in June. This special return is due by **August 1, 2005.** If you do not receive a return, you can obtain one from the Department's web site at http://dor.wa.gov or by calling 1-800-647-7706.

Tobacco Products Tax Rate Decreases

Effective **July 1, 2005** Senate Bill 6097 decreases the tobacco products tax rate from 129.42 percent to 75 percent, with a maximum of 50 cents per cigar.

Unlike the cigarette tax increase, the tobacco products tax decrease does not affect tobacco products in stock on July 1, 2005. Therefore, no refund is allowed.

"Tobacco products" means all tobacco products, *except cigarettes*, as defined in RCW 82.26.010 (1), including, but not limited to cigars, pipe tobacco, roll your own or chewing tobacco, etc. The tobacco products tax applies to businesses that bring tobacco products into Washington and in most instances is based on the actual price paid for the tobacco product, including shipping and handling.

The tobacco products tax is reported and paid on the excise tax return. Cigars that would calculate over 50 cents tax per cigar will have a new line on the return. In addition, the credits for sales to US government, returned or destroyed product, and interstate and foreign sales will no longer be deductions, and should be reported under the credit section of the excise tax return.

New Licensing Requirement for Sellers of Tobacco Products

Effective **October 1, 2005**, anyone selling tobacco products must have a *Tobacco Wholesaler or Retailer License*. The license fee for wholesalers is $650 for the first location and $115 for each additional place of business. The license fee for retailers is $93 for each location.

Retailers of Tobacco Products

Businesses that currently have a *Cigarette Retailer License* are licensed to sell tobacco products until the renewal date. At that time the business will be required to renew both the *Cigarette Retailer License* and *Tobacco Retailer License*.

Wholesalers of Tobacco Products

The *Tobacco Wholesaler License* fee will not apply to businesses that have obtained a *Cigarette Wholesaler License*. However, wholesalers must still apply and obtain the *Tobacco Wholesaler License* by October 1, 2005.

A criminal background check is required for the *Tobacco Wholesaler License* unless the applicant has had a background check under RCW 82.24 for the *Cigarette Wholesaler License*. Businesses can apply for a license through the Department of Licensing, Master License System at http://www.dol.wa.gov or by calling (360) 664-1400.

Requirement for Manufacturers and Distributors

Manufacturers and distributors must provide the names and addresses of their representatives to the Department of Revenue at:

Washington Department of Revenue
Attention: Cigarette and Tobacco Tax
PO Box 47477
Olympia, Washington 98504-7477
Fax: (360) 586-2163

Manufacturer or distributor representatives must carry a copy of their *Tobacco Wholesaler/Retailer License* at all times when selling or distributing tobacco products. Unlicensed persons transporting or selling tobacco products are subject to seizure by the Department of Revenue, Liquor Control Board or state law enforcement officers. Both the tobacco products and vehicles may be seized.

Violators can be reported to the Liquor Control Board at http://www.liq.wa.gov or by calling 1-888-838-3956 or (360) 664-1728.

For more information about the cigarette or tobacco products tax changes call the Telephone Information Center at 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.