

WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

For further information contact:
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Cigarette Tax and Tobacco Products Tax Increase

Cigarette Tax Increase

Due to the passage of Initiative 773, Washington State's cigarette tax will increase 60 cents per package of 20 cigarettes (from \$0.825 to \$1.425) and 75 cents per package of 25 cigarettes (from \$1.03125 to \$1.78125). The tax increase is effective January 1, 2002.

Beginning January 1, 2002, all cigarettes sold must reflect the tax increase. Therefore, cigarette retailers must report and pay the additional tax for stock on hand at the end of the year 2001. Cigarette wholesalers must report and pay the additional tax on all stamped cigarettes in inventory and on all unaffixed tax stamps in stock at the end of 2001.

To report the additional tax, cigarette retailers and wholesalers will receive a separate *Cigarette Floor Stock Tax Return* through the mail in December. **This requires knowledge of your inventory levels as of midnight December 31, 2001.** The inventory should include all stamped cigarette packages and all unaffixed cigarette tax stamps. The count must also include cigarettes in vending machines, on delivery trucks, and in transit.

Tobacco Products Tax

The tobacco products tax applies to businesses who bring into this state, any tobacco products for sale. Effective January 1, 2002, Washington State's tobacco products tax will increase from the current 74.90 percent of the wholesale sales price to 129.42 percent. "Tobacco products" mean all tobacco products except cigarettes, such as cigars, pipe tobacco, roll your own tobacco, chewing tobacco, etc. There will **not** be a floor stock tax on tobacco products in inventory as of January 1, 2002. Therefore, no separate tax return is necessary. The tax increase will be applicable to tobacco products purchased on or after January 1, 2002, and will be reported and paid on the Combined Excise Tax Returns beginning January 2002.

If you need assistance or have questions, please contact the Telephone Information Center at 1-800-647-7706.

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