Commercial Cigarette-Making Machines Operated at Retail Establishments and the Taxation of Roll-Your-Own Cigarettes

Introduction

Effective July 1, 2012, per 3E2SHB 2565 (Chapter 4, 2012 Laws 1st Special Session,) retailers who provide customers with access to a commercial roll-your-own (RYO) cigarette-making machine are required to provide containers for customers to transport RYO cigarettes from the retailer’s place of business and to affix cigarette tax stamps to each container provided. Cigarette tubes must be provided in one or more 20-unit denominations.

Licenses Required

You must have a Cigarette Retailer license, and a Tobacco Products Retailer license to sell cigarettes and loose tobacco, respectively. In addition, after June 30, 2012, you must have an approved Commercial Cigarette Making Machine license to sell RYO cigarettes. The cigarette machine license requires holding a Cigarette Retailer license.

Retailers may apply for a Commercial Cigarette Making Machine license starting June 1, 2012 through the Business Licensing Service.

- Retailers with machines at multiple locations must obtain a Commercial Cigarette Making Machine license for each location.
- Application information is available at bls.dor.wa.gov/cigarettemakingmachine.aspx or call 1-800-451-7985.

Cigarette Stamps Required

RYO cigarette tax stamps matching the number of tubes or papers provided to the customer must be affixed securely to each container provided by the retailer. It is a gross misdemeanor to use a stamped container more than once for transporting RYO cigarettes from a retailer’s place of business.

How to Order Stamps

Prior to ordering, you must complete the Authorization Instructions and Agreement for Electronic Funds Transfer Cigarette Tax Stamps form. The form is located at dor.wa.gov, then search “cigarette forms”. If you need assistance call 360-534-1503, option 3.

You will receive instructions on how to purchase RYO cigarette tax stamps once authorized.

- There are two styles of stamps to choose from, one for containers of 20 cigarettes and one for containers of 200 cigarettes.
- The tax value of the 20 cigarette tax stamp is $3.025 and the tax value of the 200 cigarette tax stamp is $30.25 per stamp.
- The retailer’s compensation will be deducted from the purchase price of the stamps and equals five cents per cigarette plus an additional six dollars per thousand stamps for affixing the stamps.

Note: Any refund of the cigarette tax stamps will be for the tax stamp purchase price, not the tax value.

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The sale of RYO cigarettes is subject to state and local retail sales tax and the retailing classification of the business and occupation (B&O) tax. These taxes are reported on the combined excise tax return. The retail selling price includes your charges for:

- The tobacco product,
- The cigarette paper (tubes) and container,
- Machine rental charges, and
- The value of cigarette tax stamps affixed ($3.025 per 20 cigarettes or $30.25 per 200 cigarettes).

The state’s Attorney General’s Office will send retailers with commercial roll-your-own cigarette-making machines and tobacco manufacturers an additional notice regarding compliance with the requirements of Title 70 RCW. Questions about these requirements can be directed to the Attorney General’s Office, Twyla Williams, Investigator, 360-753-2439.

Each commercial cigarette-making machine must have a secure meter that counts the number of cigarettes produced by the machine. The number of RYO cigarettes produced must be reported monthly to the Department of Revenue. The information reported includes beginning and ending meter counts, the tobacco brand name, the number of ounces purchased and sold, and the tobacco manufacturer’s address. The report is due the 25th day after the close of the reporting month.

Report using the Roll-Your-Own (RYO) Cigarette Reporting form. The form is located at dor.wa.gov, then search “cigarette forms”.

For more information, visit our website at dor.wa.gov/ryo or call the Department of Revenue at 1-800-647-7706