

NOTICE

from the Texas Comptroller of Public Accounts

Notice to Texas Distributors of Cigarettes and Tobacco Products

In May 2006, the Texas Legislature raised the taxes on cigarettes and tobacco products. The increases take effect January 1, 2007.

For cigarettes weighing three pounds or less per thousand, the tax for a pack of 20 will be \$1.41 (up from 41 cents) and \$1.76 per pack of 25 (up from 51 cents). The excise tax on tobacco products other than cigars (smoking and chewing tobacco, and snuff) increases to 40 percent of the manufacturer's list price, exclusive of any trade discount, special discount, or deal.

CIGARETTES

As required by state law, on January 1, 2007, you must complete an inventory of all your cigarette packages stamped with Texas stamps and of any unused stamps of the old denomination. You must report this inventory to the Comptroller's office no later than January 31, 2007.

If your inventory includes 2000 or more cigarettes (such as 100 packs of 20 or 80 packs of 25), you must pay additional tax on those packs as well as on any unused stamps. The additional tax due must be paid when you file your report.

The Comptroller's office will mail you a form for filing this report and paying any additional tax. Be sure to keep a copy of your completed inventory report. Remember, you must file a report by January 31, 2007, even if you do not owe

any additional tax. Penalty and interest can accrue on any additional tax payments not made by April 2, 2007.

We encourage you to plan ahead and purchase enough cigarette tax stamps to meet your needs through the end of the year. The last day you can purchase the current denomination tax stamps will be Friday, December 22, 2006. The Comptroller's office will be closed Monday, December 25; Tuesday, December 26, 2006; and Monday, January 1, 2007. The new denomination cigarette tax stamps will be available for sale on Tuesday, January 2, 2007.

OTHER TOBACCO PRODUCTS

The new tax rate of 40 percent of the manufacturer's list price-exclusive of any trade discount, special discount, or deal-applies to all smoking and chewing tobacco and snuff you receive on and after January 1, 2007. The monthly distributor's report the Comptroller mails to you each month will include the new excise tax rate starting with the January 2007 report. The report and any required payment are due to the Comptroller's office by February 28, 2007.

If you have any questions or need more information, contact the Comptroller's office via e-mail at tax.help@cpa.state.tx.us or call us toll free at 1-800-862-2260. The local number in Austin is 512/463-1693. You may also visit our Web site at <http://www.window.state.tx.us>.



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