

2009 TTB Expo Presentation

# Tobacco Industry Overview

Presented by  
Scott Rogers, CPA  
Tax Audit Division for the  
Trade Analysis and Enforcement Division



# Overview

- U.S. Tobacco Industry
- Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA)
- TTB and the Industry

# State of the Tobacco Industry

# Industry Permits

July 2007 — 181 permitted Manufacturers of Tobacco Products (MTP)

July 2008 — 171 permitted Manufacturers

February 2009 — 175 permitted Manufacturers

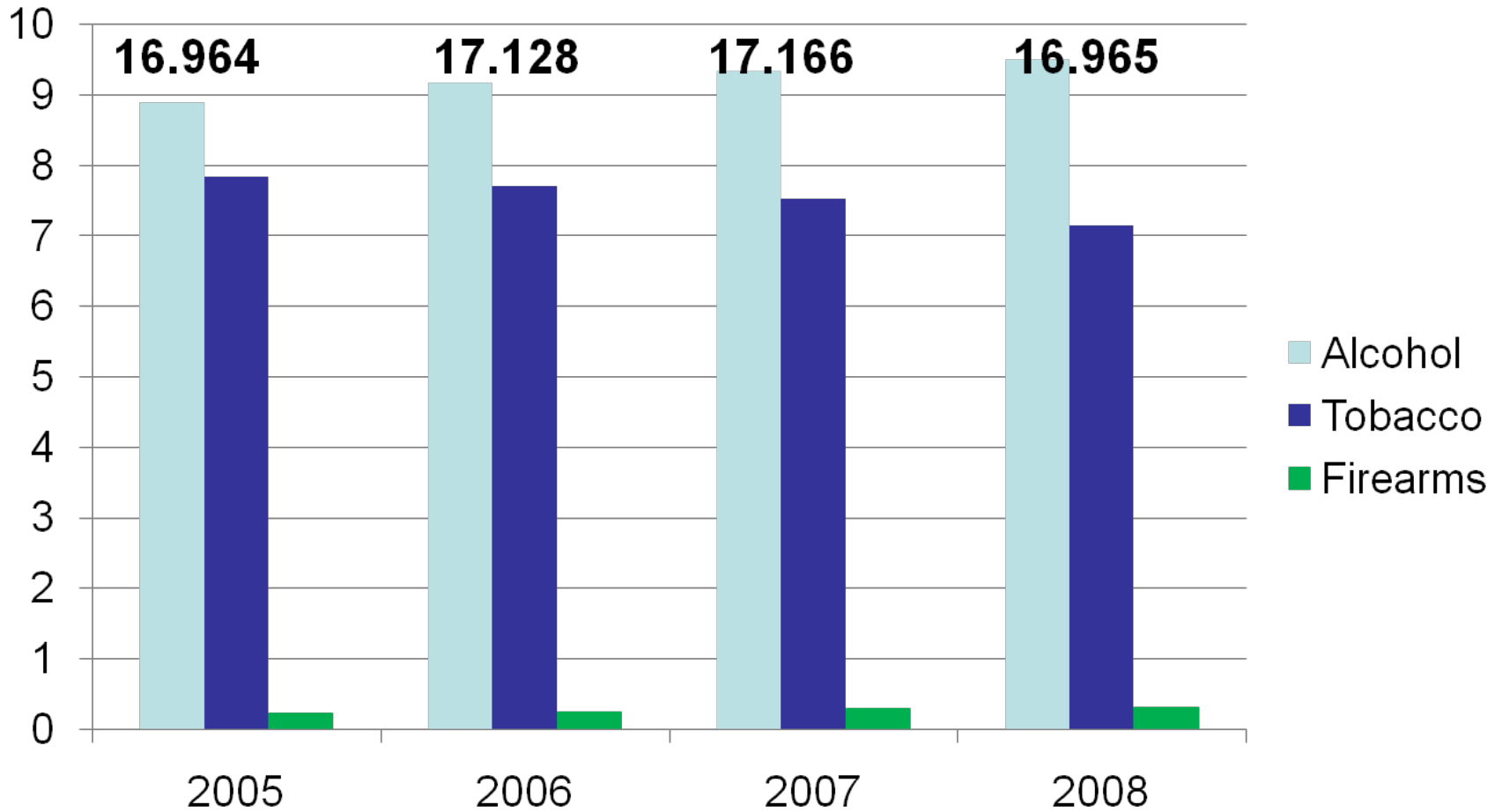
July 2007 — 616 permitted Importers of Tobacco Products (TIM)

July 2008 — 547 permitted Importers

February 2009 — 552 permitted Importers

# Tax Collections

(in billions)

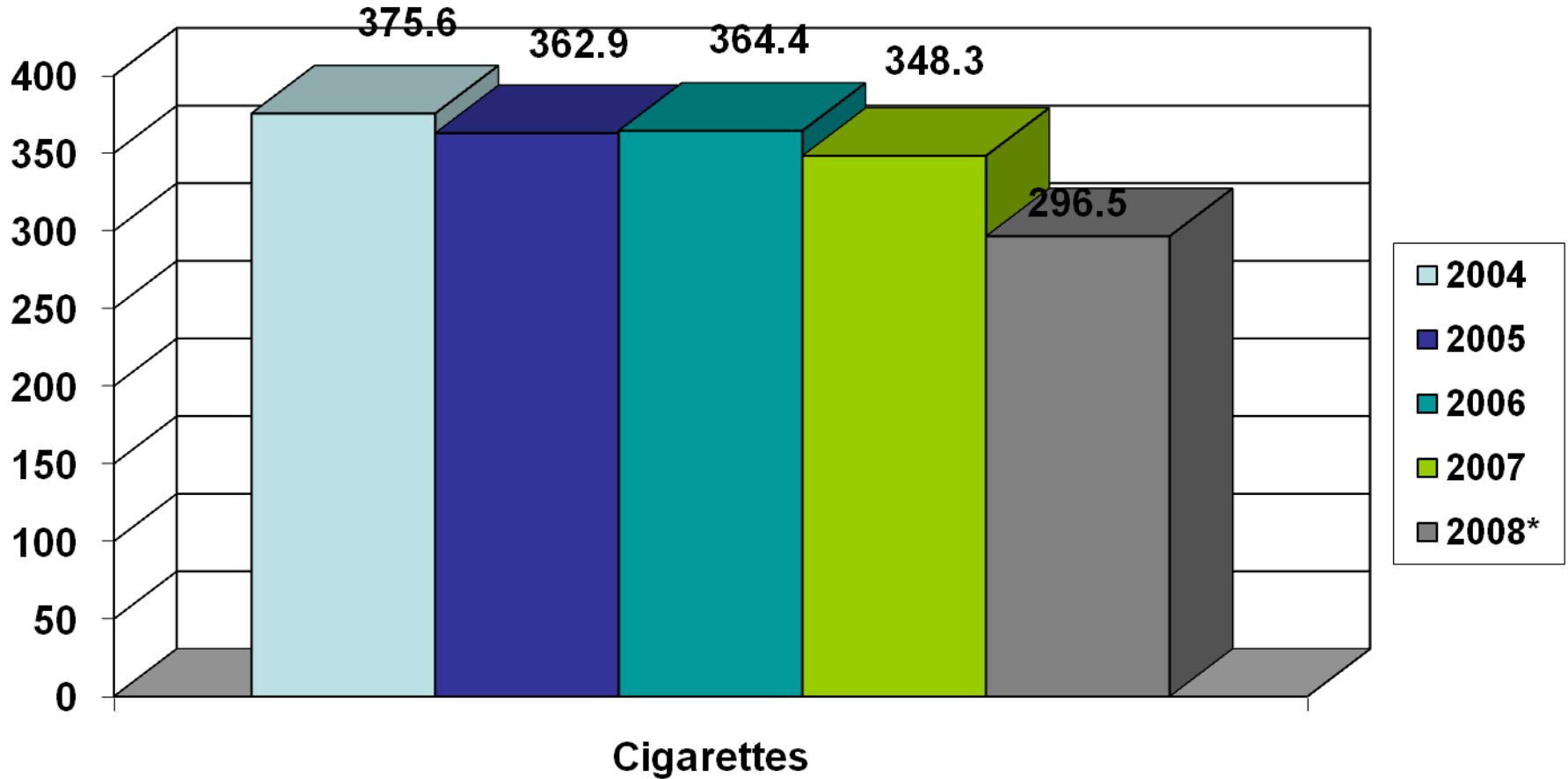


## Tax Collections (Continued)

- Overall, tobacco excise taxes account for an average of 44% of all collections
- Cigarettes account for about 96% of tobacco excise tax collections

# U.S. Tobacco Industry

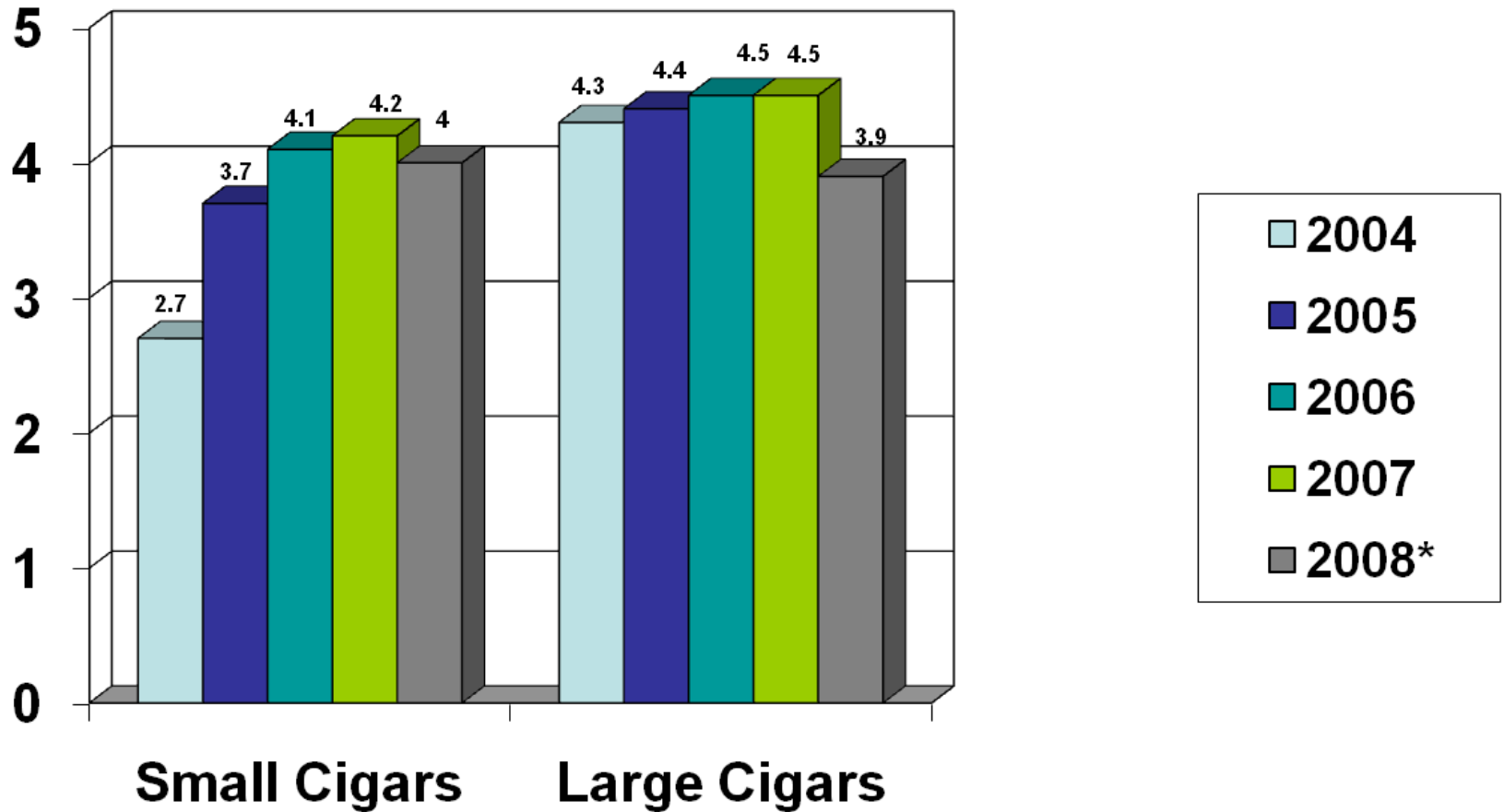
U.S. Removed from Bond  
(in billions of cigarettes)



# U.S. Tobacco Industry

## U.S. Removed from Bond

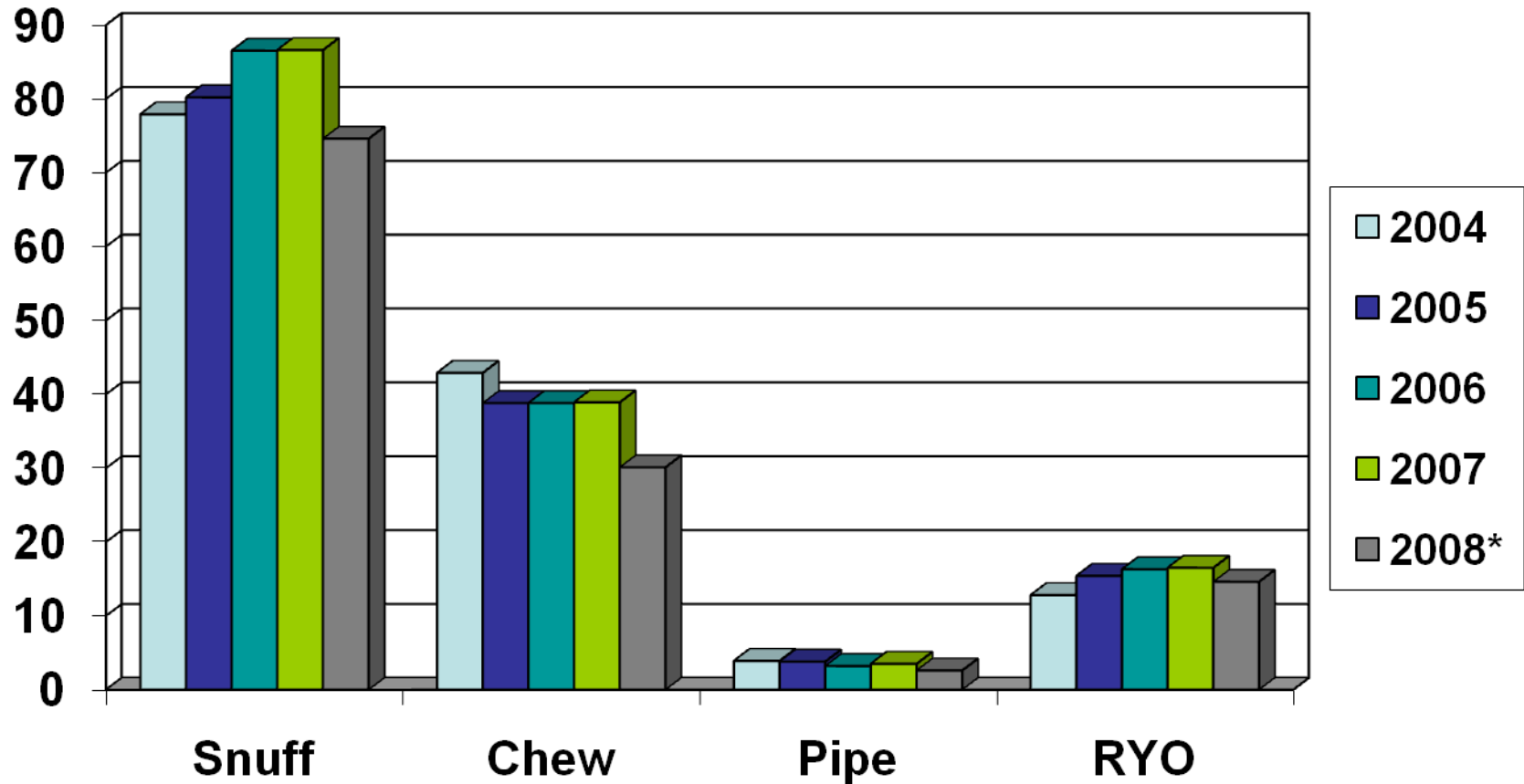
(in billions of sticks)





# U.S. Tobacco Industry

U.S. Removed from Bond  
(in millions of pounds)



Children's Health Insurance  
Program Reauthorization Act of  
2009 (CHIPRA)

# CHIPRA Provisions

1. Federal Excise Tax Increase
2. Floor Stocks Tax
3. Permit Issuance for Manufacturers and Importers of Tobacco Processors
4. Inclusion of Wrappers (blunts) as RYO

# Floor Stocks Tax

- Inventory required on April 1, 2009
- Tax payment due on or before July 31, 2009
- Floor Stocks Tax is the difference between the old rate and the new rate

# Federal Excise Tax Increase

Product	Pre-CHIPRA Tax	CHIPRA Tax
Small Cigarettes	\$19.50/1,000	\$50.33/1,000
Large Cigarettes	\$40.95/1,000	\$105.69/1,000
Small Cigars	\$1.828/1,000	\$50.33/1,000
Large Cigars*	\$48.75/1,000 max	\$0.4026/ea max
Snuff	\$0.585/lb	\$1.51/lb
Chewing Tobacco	\$0.195/lb	\$0.5033/lb
Pipe Tobacco	\$1.0969/lb	\$2.8311/lb
Roll-Your-Own	\$1.0969/lb	\$24.78/lb

\*Pre-CHIPRA tax was 20.719% of value; CHIPRA tax is 52.75% of sales price.

# Processor Permits

- Requirements will be contained in the TTB regulations at 27 CFR part 40
- No tax imposed on processed tobacco

# TTB and the Industry

# TTB and the Industry

- Original Qualification:
  - Internal Revenue Code
    - Chapter 52, 26 U.S.C.
- Amendments after Qualification:
  - Changes to the buildings (bonded areas)
  - Changes among the ownership or control
  - Change in location



# TTB and the Industry (Continued)

- Recordkeeping:
  - Documents production and removals
  - Documents any imports
  - Supports label statements and taxes
- Reporting – Monthly
- Excise Tax Payments – Twice-Monthly

# TTB and the Industry (Continued)

- **Headquarters Operations:**
  - Scientific Services Division (SSD)
  - International Trade Division (ITD)
  - Regulations and Rulings Division (RRD)

# TTB and the Industry (Continued)

- **Field Operations:**

- National Revenue Center –

- Applications, Amendments, Reports,  
Tax Returns, Claims

- Trade Investigations Division – Permit applications  
and special investigations

- Tax Audit Division – Audits of taxpayers

# Compliance Concerns

- Recordkeeping, Inventories, Reporting
- Taxes:
  - Incorrect filing for exports/destructions
  - Insufficient support for non-tax paid removals
- Production prior to TTB and State qualification

# What is TTB Doing?

- Industry Education Opportunities: Trade Shows, TTB Expo, Direct E-mailings, Press Releases
- Regulations, FAQs, Rulings, Seminar Training and Packets, Industry Circulars on [www.ttb.gov](http://www.ttb.gov)

# Contact Information

## **Trade Analysis and Enforcement Division**

- Phone: (202) 927-0342
- Mail: Trade Analysis and Enforcement  
1310 G Street, NW., 2 West  
Washington, DC 20220