

March 13, 2009

TO: All Tobacco Products Manufacturers, Cigarette Papers or Tubes Manufacturers, Wholesalers, Importers, Retailers, and Others Concerned

This is to inform you of the recent enactment of legislation imposing a floor stocks tax for which you may be liable. The Children's Health Insurance Program Reauthorization Act of 2009 (Public Law 111-3, "the Act") raises the tax rates on all tobacco products and on cigarette papers and tubes and imposes a floor stocks tax on all tobacco products (except large cigars), and on cigarette papers and cigarette tubes, held for sale on April 1, 2009.

In general, a floor stocks tax is a one-time excise tax placed on a commodity when the excise tax rate is increased. The rate of the floor stocks tax is the difference between the previous excise tax rate and the new tax rate. The floor stocks tax applies to all cigarettes, small cigars (that is, cigars that weigh 3 lbs. per 1,000 or less), chewing tobacco, snuff, pipe tobacco, roll-your-own tobacco, and cigarette papers and cigarette tubes.

Any person who, on April 1, 2009, holds tobacco products (except large cigars) or cigarette papers or cigarette tubes for sale is liable for the floor stocks tax. This includes wholesalers and retail dealers, as well as manufacturers and importers who are holding taxpaid or tax determined products.

Accordingly, if, on April 1, 2009, you hold products subject to the floor stocks tax, you:

- Must take an inventory of all products subject to floor stocks tax. You may take the inventory any time starting on March 26, 2009, but no later than April 10, 2009, and the inventory must be reconciled (adjusted) to reflect the actual quantity of products held at the beginning of business on April 1, 2009. You must keep a copy of the inventory for inspection by TTB.
- May take a credit against the tax of up to \$500. The credit applies towards your total floor stocks tax liability. A controlled group of businesses is eligible for only one credit of \$500 for the entire group.
- Must file the 2009 Floor Stocks Tax Return (TTB T 5000.28T09) and pay any floor stocks tax by July 31, 2009. You must file the return even if you have \$0 liability after taking the \$500 credit.

This package contains a 2009 Floor Stocks Tax Return, inventory and filing instructions including a chart of the floor stocks tax rates, and a return envelope for your use. You may obtain additional copies of this form and further information pertaining to this tax, including a list of Frequently Asked Questions, on our website at www.ttb.gov.

Please advise any suppliers or customers who may be unaware of their floor stocks tax obligation to contact us in one of the ways listed below for the appropriate forms and instructions.

We appreciate the efforts you make to ensure that your inventory is accurate and timely taken and that your floor stocks tax return is prepared accurately, signed with an original signature, and timely filed.

If you have any questions after reading the information included in this package, contact us by e-mail at FloorStocksTax@ttb.gov or by telephone at 1-877-882-3277 or 513-684-3334 for further information.

Administrator