



# State of Alabama Department of Revenue

(www.revenue.alabama.gov)  
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## **Notice to all Tobacco Distributors Potential Tobacco Tax Increase**

In anticipation of a potential increase in tobacco taxes, the Department has received various questions related to a cigarette tax increase. To ensure that all distributors are aware of our responses to these questions, the following written guidance has been prepared to address questions received concerning floor stocks, inventories, stamp purchases and bonds:

### **Floor Stocks/Inventories**

Consistent with past cigarette tax increases and to be compliant with the tobacco tax levy, State revenue stamps in a distributor's possession will need to be revalued as of the effective date of the cigarette tax increase. A floor stocks tax levy per revenue stamp would be applicable at that time on all revenue stamps. On the effective date of the Act, a physical inventory must be taken of all State revenue stamps in your possession. A form will be provided to you after passage of the Act to remit the additional tax levy less the applicable discount within 45 days of the effective date of the tax increase. Inventories of cigarettes and revenue stamps as well as sales invoices are subject to field audit verification by the Department as needed or during the normal course of a regularly scheduled field audit.

The cigarette tax increase imposed during the 2004 Regular Session was effective immediately upon its passage rather than at the beginning of the month. Since the tax increase was not at the beginning of the month, Department field auditors verified 93% of the stamp values and inventories of in-state as well as out-of-state distributors. Provided any future cigarette tax increase is effective on the first day of the month, the majority of the verification of revenue stamp revaluation will be based on tax returns filed with the Department prior to and following the effective date of the Act.

### **Stamp Purchases**

The Department will be monitoring revenue stamp purchases leading up to the effective date of any cigarette tax increase. We will compare recent purchases of revenue stamps to your prior history of purchases to determine any unusual purchasing trends. Purchases of excessive revenue stamps may result in a limit being placed on revenue stamp purchases.

### **Bonds**

In the event of a cigarette tax increase, distributors maintaining consignment tobacco tax bonds should reevaluate their bond limits to ensure that the bond amount meets your business requirements.

### **Questions**

So that the same information is available to everyone, please review our website at <http://revenue.alabama.gov/tobaccotax/> for information to address questions related to any Acts impacting tobacco taxes or other tobacco matters administered by the Department of Revenue. You may email your questions to [Tobacco.Account@Revenue.Alabama.Gov](mailto:Tobacco.Account@Revenue.Alabama.Gov) or questions may be directed to:

Alabama Department of Revenue  
Business & License Tax Division  
Tobacco Tax Section  
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