

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Benjamin L. Cline

3. **Committee** House Finance

4. **Title** Cigarette Tax; Affixing Revenue Stamps

2. **Bill Number** HB 874

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would change the time allowed for stamping agents to affix revenue stamps to cigarette packs from one business day after receipt to prior to shipping to other wholesale dealers or retail outlets.

Under current law, stamping agents must affix stamps to unstamped cigarettes within one business day of receipt. However, the law also provides that stamping must be continued with reasonable diligence by the stamping agent. Any wholesale dealer engaged in interstate business may set aside such unstamped cigarettes as may be necessary for the conduct of such business without affixing the stamps. Unstamped cigarettes must be kept entirely separate from stamped cigarettes in such a manner as to prevent commingling.

The effective date of this bill is not specified.

6. **No Fiscal Impact.**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

This bill would have no impact on state or local revenues.

9. **Specific agency or political subdivisions affected:**

Department of Taxation

10. **Technical amendment necessary:** Yes.

If the intent of the bill is to eliminate the provision requiring interstate stock to be kept entirely separate from stamped stock, the following technical amendments are suggested:

Page 1, Line 20, After outlets.

Strike: Stamping shall be continued with

11. Other comments:

Background

Virginia Cigarette Tax

Virginia first imposed a state cigarette tax in 1960, at a rate of three cents per pack. A similar tax was also imposed on cigars. The tax rate on cigarettes remained at three cents per pack until 1966, when Virginia imposed a sales and use tax and simultaneously lowered the cigarette tax to 2.5 cents per pack. The tax on cigars was repealed in 1966. The cigarette tax increased to 20 cents per pack on August 1, 2004 and again on July 1, 2005 to 30 cents per pack. Virginia is currently ranked as having the 49th lowest state cigarette taxes in the nation.

State Excise Tax Rates on Cigarettes (Surrounding States)		
<u>State</u>	<u>Tax Rate</u>	<u>Rank</u>
Kentucky	\$0.60	40
Maryland	\$2.00	11
North Carolina	\$0.45	44
South Carolina	\$0.07	51
Tennessee	\$0.62	39
Virginia	\$0.30	49
West Virginia	\$0.55	43
Dist. Of Columbia	\$2.50	8

The Cigarette Tax is paid by wholesale dealers who have obtained a stamping agent permit from the Department of Taxation through the purchase of stamps, which must be affixed to each container from which cigarettes are sold. A discount equal to two percent of the purchase price of the Virginia revenue stamps is available to stamping agents.

Stamping Requirements

Under current law, stamping agents must affix stamps to unstamped cigarettes within one business day of receipt. However, the law also provides that stamping must be continued with reasonable diligence by the stamping agent. Any wholesale dealer engaged in interstate business may set aside such unstamped cigarettes as may be necessary for the conduct of such business without affixing the stamps. Unstamped cigarettes must be kept entirely separate from stamped cigarettes in such a manner as to prevent commingling.

Proposal

This bill would change the time allowed for stamping agents to affix revenue stamps to cigarette packs from one business day after receipt to prior to shipping to other wholesale dealers or retail outlets.

The effective date of this bill is not specified.

Similar Legislation

House Bill 820 and **Senate Bill 476** would reduce and simplify the penalties related to unstamped cigarettes.

cc : Secretary of Finance

Date: 1/17/2010 AM
DLAS File Name: HB874F161