

**DEPARTMENT OF TAXATION
2013 Fiscal Impact Statement**

1. **Patron** Emmett W. Hanger, Jr.
3. **Committee** Passed House and Senate
4. **Title** Cigarette Tax; Bond and Letter of Credit Requirements

2. **Bill Number** SB 1092
House of Origin:
 Introduced
 Substitute
 Engrossed
Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would authorize the Tax Commissioner to reduce the face amount of the required bond or irrevocable letter of credit filed by a stamping agent in order to obtain Virginia cigarette revenue stamps without concurrent payment. Such amount would be a face amount determined by the Tax Commissioner to be satisfactory to cover possible losses resulting from the failure to remit taxes due, but not to exceed two times the anticipated average monthly amount of stamp purchases by the stamping agent as determined by the Tax Commissioner.

Under current law, in order to obtain cigarette stamps without concurrent payment, stamping agents must file a bond or irrevocable letter of credit in the face amount of approximately two times the anticipated average monthly amount in purchases of Virginia revenue stamps by the stamping agent as determined by the Tax Commissioner.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.
7. **No Fiscal Impact.** (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues. The Department currently does not allow stamping agents to obtain stamps without concurrent payment unless the stamps are covered by their bond or letter of credit and carefully monitors the number of stamps that are outstanding. The Department would continue to do so under this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Cigarette Tax

Pursuant to *Va. Code* § 58.1-1001, the Commonwealth imposes a state cigarette tax at the rate of 1.5 cents per cigarette (30 cents per pack of 20 cigarettes). The cigarette tax is paid by stamping agents through the purchase of stamps, which under *Va. Code* § 58.1-1003 must be affixed to each individual package, bag, box, or can in which cigarettes are sold.

Currently, only manufacturers, wholesale dealers and retail dealers may be permitted as stamping agents. No person may purchase, possess or affix Virginia revenue stamps without first obtaining a permit to do so from the Department. In order to obtain a stamping permit, a person must submit an application and application fee of \$600 to the Department, which conducts a background investigation on the applicant. A discount equal to two percent of the purchase price of the Virginia revenue stamps is available to stamping agents.

Proposal

This bill would authorize the Tax Commissioner to reduce the face amount of the required bond or irrevocable letter of credit filed by a stamping agent in order to obtain Virginia cigarette revenue stamps without concurrent payment. Such amount would be a face amount determined by the Tax Commissioner to be satisfactory to cover possible losses resulting from the failure to remit taxes due, but not to exceed two times the anticipated average monthly amount of stamp purchases by the stamping agent as determined by the Tax Commissioner.

The effective date of this bill is not specified.

Similar Legislation

House Bill 2219 is identical to this bill.

cc : Secretary of Finance

Date: 2/15/2013 AM
DLAS File Name: SB1092FER161