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HOUSE BILL NO. 1950

Offered January 11, 2017

Prefiled January 10, 2017

A *BILL to amend and reenact § 58.1-3832 of the Code of Virginia, relating to local cigarette taxes; refund of returned tax stamps.*

 Patron—Peace

 Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-3832 of the Code of Virginia is amended and reenacted as follows:****§ 58.1-3832. Local ordinances to administer and enforce local taxes on sale or use of cigarettes.**

Any county, city or town having a tax upon the sale or use of cigarettes may by ordinance, provide for the administration and enforcement of any such cigarette tax. Such local ordinance may:

1. Provide for the registration of any distributor, wholesaler, vendor, retailer or other person selling, storing or possessing cigarettes within or transporting cigarettes within or into such taxing jurisdiction for sale or use. Such registration may be conditioned upon the filing of a bond with a surety company authorized to do business in Virginia as surety, which bond shall not exceed one and one-half times the average monthly liability of such taxpayer. The county, city or town may revoke registration if such bond is impaired, but for no other reason. Any such distributor, wholesaler, retailer or other person whose business and residence is outside the taxing jurisdiction, who shall sell, store or possess in the taxing jurisdiction therein any cigarettes shall, by virtue of such sale, storage or possession submit himself to its legal jurisdiction and appoint as his attorney for any service of lawful process such officer or person as may be designated in the local ordinance for that purpose. A copy of any such process served on the said officer or person shall be sent forthwith by registered mail to the distributor, wholesaler or retailer.

2. Provide for the use of a tax stamp or meter impression as evidence of payment of the tax or other method or system of reporting payment and collection of such tax. Any local tax stamp or meter impression required to be used to evidence payment of the tax shall be of the same stamp technology that is used or required by the Commonwealth for the state cigarette tax stamp pursuant to Chapter 10 (§ 58.1-1000 et seq.). *The purchase price of any tax stamps purchased under this section shall be refunded, without penalties or additional fees, upon verification by the county, city, or town imposing the tax that the stamps have been returned to such county, city, or town.*

3. Provide that tobacco products found in quantities of more than six cartons within the taxing jurisdiction shall be conclusively presumed for sale or use within the jurisdiction and may be seized and confiscated if:

a. They are in transit, and are not accompanied by a bill of lading or other document indicating the true name and address of the consignor or seller and of the consignee or purchaser, and the brands and quantity of cigarettes so transported, or are in transit and accompanied by a bill of lading or other document which is false or fraudulent, in whole or in part; or

b. They are in transit and are accompanied by a bill of lading or other document indicating:

(1) A consignee or purchaser in another state or the District of Columbia who is not authorized by the law of such other jurisdiction to receive or possess such tobacco products on which the taxes imposed by such other jurisdiction have not been paid, unless the tax of the state or District of destination has been paid and the said products bear the tax stamps of that state or District; or

(2) A consignee or purchaser in the Commonwealth of Virginia but outside the taxing jurisdiction who does not possess a Virginia sales and use tax certificate, a Virginia retail cigarette license and, where applicable, both a business license and retail cigarette license issued by the local jurisdiction of destination; or

c. They are not in transit and the tax has not been paid, nor have approved arrangements for payment been made, provided that this subparagraph shall not apply to cigarettes in the possession of distributors or public warehouses which have filed notice and appropriate proof with the taxing jurisdiction that those cigarettes are temporarily within the taxing jurisdiction and will be sent to consignees or purchasers outside the jurisdiction in the normal course of business.

4. Provide that cigarettes and other property, other than motor vehicles, used in the furtherance of any illegal evasion of the tax so seized and confiscated may be disposed of by sale or other method deemed appropriate by the local taxing authority. No credit from any sale or other disposition shall be allowed toward any tax or penalties owed.

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59 5. Provide that persons violating any provision thereof shall be deemed guilty of a Class 1
60 misdemeanor, and require the payment of penalties for late payment not to exceed 10 percent per month,
61 penalties for fraud or evasion of the tax not to exceed 50 percent, and interest not to exceed three
62 quarters of one percent per month, upon any tax found to be overdue and unpaid. The mere possession
63 of untaxed cigarettes in quantities of not more than six cartons shall not be a violation of any such
64 ordinance.

65 6. Provide for the forfeiture and sale of any property seized; provided, however, that proper notice of
66 such seizure shall be given to the known holders of property interests in such property and shall include
67 procedures for administrative appeal as well as affirmative defenses which may be asserted by such
68 holders which procedures must be set forth in reasonable detail.

69 7. Provide that any coin-operated vending machine, in which any cigarettes are found, stored or
70 possessed bearing a counterfeit or bogus cigarette tax stamp or impression or any unstamped tobacco
71 products, or any cigarettes upon which the tax has not been paid, may be declared contraband property
72 and shall be subject to confiscation and sale as provided in subsection 6. When any such vending
73 machine is found containing such cigarettes it shall be presumed that such cigarettes were intended for
74 distribution, sale or use therefrom. In lieu of immediate seizure and confiscation of any vending
75 machines used in an illegal evasion of the tax it may be sealed by appropriate enforcement authorities to
76 prevent continued illegal sale or removal of any cigarettes, and may be left unmoved until other civil
77 and criminal penalties are imposed or waived. Notice requirements shall be the same as if the machine
78 had been seized. Such seal may be removed and the machine declared eligible for operation only by
79 authorized enforcement authorities. Nothing in this section shall prevent seizure and confiscation of a
80 vending machine at any time after it is sealed.

81 8. Provide that any counterfeit stamps or counterfeit impression devices may also be seized and
82 confiscated.

83 9. Any county, city or town may enact an ordinance which would delegate its administrative and
84 enforcement authority under its cigarette tax ordinance to one agency or authority pursuant to the
85 provisions of § 15.2-1300. Such agency or authority may promulgate rules and regulations governing the
86 display of cigarette stamps in vending machines, tax liens against property of taxpayers hereunder,
87 extend varying discount rates and establish different classes of taxpayers or those required to collect and
88 remit the tax, requirements concerning keeping and production of records, administrative and jeopardy
89 assessment of tax where reasonably justified, required notice to authorities of sale of taxpayer's business,
90 audit requirements and authority, and criteria for authority of distributors and others to possess untaxed
91 cigarettes and any other provisions consistent with the powers granted by this section or necessarily
92 implied therefrom. Such ordinance may further provide that such agency or authority created may issue
93 a common revenue stamp, employ legal counsel, bring appropriate court action, in its own name where
94 necessary to enforce payment of the cigarette taxes or penalties owed any member jurisdiction and
95 provide cigarette tax agents, and the necessary enforcement supplies and equipment needed to effectively
96 enforce the cigarette tax ordinance promulgated by each such county, city or town. Any cigarette tax
97 agents shall meet such requirements of training or experience as may be promulgated from time to time
98 by the enforcement authority when performing their duties and shall be required to carry proper
99 identification and may be armed for their own protection and for the enforcement of such ordinance.
100 Any such agent shall have the power of arrest upon reasonable and probable cause that a violation of
101 any tobacco tax ordinance has been committed. Any common revenue stamp issued by such agency or
102 authority shall be of the same stamp technology that is used or required by the Commonwealth for the
103 state cigarette tax stamp pursuant to Chapter 10 (§ 58.1-1000 et seq.).