

# Administrative Release

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## No. TT-2

November 1, 1994

**TO: All Cigarette Wholesalers**

**SUBJECT: Cigarette Tax Securities**

As noted in an earlier bulletin, effective October 1, 1994, the tax security requirement for cigarette wholesalers was modified as reflected in Section 13-825 of the Tax-General Article of the Annotated Code of Maryland. If any wholesaler submitted a security which was lower than the maximum security provided by law, they were recently notified of the deficiency in correspondence from the Alcohol and Tobacco Tax Bureau.

The Alcohol and Tobacco Tax Bureau has subsequently received a number of inquiries from cigarette wholesalers who purchase tax stamps on a cash basis (i.e. orders paid by certified check upon delivery) or a cash/credit combination basis. While the law clearly authorizes the Comptroller to require a security from all wholesalers at the maximum level, and a security is intended to cover not only stamp purchases but also audit assessments, we have been advised by the Attorney General's office that a lesser security may be acceptable under certain circumstances and if uniformly applied. Upon examination and evaluation of tax liabilities and audit assessments of cash and cash/credit accounts, it is felt that the maximum security provided by law may not be necessary to cover projected liabilities of such accounts.

Effective immediately, the following guidelines will apply with regard to the tax security requirement of Section 13-825 of the Tax-General Article:

- a. Credits Only Accounts – Must file the maximum security as provided by Section 13-825; i.e. \$10,000 plus the amount, if any, by which the tobacco tax due for any one month exceeds \$10,000. The tobacco tax due is the total amount of credit orders places in any one month.
- b. Cash Accounts - \$10,000 or three (3) times the amount of the largest audit assessment in the previous five years, whichever is greater.
- c. Credit/Cash Accounts – Must comply with the minimum security amount as provided in “b” above. They may purchase stamps on credit up to 95% of security amount as provided by Regulation 03.02.02.05.

Please be guided accordingly and promptly submit any additional security required under these guidelines. Should you need to determine the largest audit assessment from the past five years, you may contact Assistant Director Stephen G. Taylor at 410-260-7313. Should there be a general cigarette tax increase in the future, the minimum security in relation to audit assessments may be adjusted accordingly.

Charles W. Ehart, DPA

Director, Alcohol and Tobacco Tax Division

**For the deaf and hard of hearing: TTY users call via Maryland Relay at 711 in Maryland. If you need a reasonable accommodation for a disability, please contact us before you visit.**

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