

Field Enforcement Division

Bulletin



TT-73

June 18, 2012

To: ALL OTHER TOBACCO PRODUCTS (OTP) RETAIL DEALERS

Subject: OTP TAX INCREASE – FLOOR TAX

The 2012 Special Session of the Maryland General Assembly enacted legislation changing the excise tax on the wholesale price of OTP to the following:

Cigars – 70%

All Other OTP – 30%

Premium Cigars – Tax rate remains unchanged at 15%

The new tax rate applies to all OTP floor stock in Maryland on July 1, 2012. For your benefit, we have created a list of Frequently Asked Questions (enclosed) which describes what types of products are considered OTP and the difference between a cigar and a premium cigar. These FAQ's also contain useful information on the proper filing of the OTP floor tax.

In order to report and remit the additional tax due on your OTP inventory, you will need to complete the enclosed 2012 Other Tobacco Products Floor Tax Return. Please read the forms carefully and complete them before moving or selling any OTP on July 1, 2012. **A physical inventory is required of all OTP held in your possession at 12:01 a.m. on July 1, 2012 and must be entered in the proper space on the tax return.**

Please use the enclosed self-addressed envelope to submit your return and additional tax. The 2012 Other Tobacco Products Floor Tax Return can be filed anytime after July 1, 2012, but must be submitted no later than **October 15, 2012**. Any OTP not accounted for in accordance with the above would be considered contraband and subject to confiscation.

The floor tax return, FAQ's and other information related to OTP can be found on the Comptroller of Maryland's Website at www.marylandtaxes.com. Questions related to the OTP floor tax can be directed to Taxpayer Service at 410-260-7980, 1-800-638-2937, or taxhelp@comp.state.md.us.

Jeffrey A. Kelly
Director

Enclosures

For the deaf and hard of hearing: TTY users call via Maryland Relay at 711 in Maryland or 1-800-735-2258 from elsewhere. If you need a reasonable accommodation for a disability, please contact us before you visit. If you need the information in this publication in an alternate format, contact the Comptroller's Office.



**Frequently Asked Questions
Other Tobacco Products (OTP) Floor Tax
June 2012**

1. What is the effective date of the new OTP tax rates and is there a floor tax requirement?

The new OTP tax rates are effective July 1, 2012. There is a floor tax based on your OTP inventory as of July 1, 2012 which is due no later than October, 15, 2012.

2. What are the new OTP Tax Rates?

Effective July 1, 2012, the OTP tax rates are as follows;

- Cigars – 70% of Wholesale Price
- All Other OTP – 30% of Wholesale Price
- Premium Cigars – 15% of Wholesale Price (rate remains unchanged)

3. What products are OTP?

Though taxed at different rates, OTP consists of cigars (including blunts, cigarillos, little cigars), pipe tobacco, chewing tobacco, roll-your-own (RYO) tobacco, snuff, snus, and other smokeless tobacco products. Cigar wraps are not cigars, they would fall into the “All Other OTP” category.

4. What types of products are not OTP?

Products that do not contain tobacco and are not intended for consumption by smoking or chewing, such as a Zonnic pouch, which contains nicotine but not tobacco. Also, cigarettes, by definition, are not considered OTP.

5. Are cigarettes included in the floor tax?

No, the tax rate for cigarettes did not change so there is no Maryland floor tax on cigarettes.

6. How is a premium cigar defined?

Section 16.5-101 of the Business Regulation Article of the Annotated Code of Maryland, defines premium cigars as follows:

- (p) *“Premium cigars” means cigars that:*
 - (1) *have hand-rolled wrappers made from whole tobacco leaves where the filler, binder, and wrapper are made of all tobacco, and may include adhesives or other materials used to maintain size, texture, or flavor; or*
 - (2) *are designated as premium cigars by the Comptroller by regulation.*

7. My wholesaler pays the tax on my OTP. Do I need to complete the floor tax return?

Yes. The floor tax return is required to pay the difference in the tax rate your wholesaler paid and the new tax rates effective July 1, 2012 on your existing inventory of OTP.

8. When is the floor tax return due?

The deadline for submitting the floor tax return with payment is October 15, 2012, although it must be based on the OTP in stock on July 1, 2012.

9. How can I obtain a copy of the OTP Floor Tax Return if I did not receive one in the mail?

You can obtain a copy of the floor tax form online at: www.marylandtaxes.com

Under "Agency Services", click on "Motor Fuel, Alcohol & Tobacco Tax"
Then click on "Tobacco Tax Forms"

10. When should I count my inventory for the floor tax?

As the tax increase is effective July 1, 2012, the inventory should be counted at the close of business June 30, 2012. If your business is open 24 hours, inventory should be counted at 12:01 a.m. on July 1, 2012.

11. I no longer sell OTP or my business has closed, what do I need to do?

Write on the tax return that you no longer sell OTP or that you are out of business and send it back in the return envelope.

12. If I have more than one store, can I combine them and send in one check for all my stores?

Yes, but you must submit the floor tax returns for each store and identify the Central Registration numbers and business license numbers on the combined check. These numbers are listed beside "Control No." on your State of Maryland Business License.

13. Can I pay the OTP floor tax by direct debit?

Yes, contact Taxpayer Service at 410-260-7980 or 1-800-638-2937 for details if you are not already set up to make direct debit payments.

14. Who can I contact to obtain additional information?

For additional information, you can visit www.marylandtaxes.com or contact Taxpayer Service at 410-260-7980, 1-800-638-2937, or by email at taxhelp@comp.state.md.us.