



New York Association of Convenience Stores
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Questions and Answers on the NYS Tobacco Tax Increases Approved June 21 by the Legislature

Over NYACS' fierce objections, the state Legislature yesterday approved sharp increases in tobacco taxes this summer. The bill also outlines a plan to begin implementing collection of taxes on cigarettes (not motor fuel or OTP) sold by Indian tribes to non-Indian customers. The bill passed 77-64 in the Assembly and 32-29 in the Senate. NYACS compiled the following questions and answers on the tobacco tax increases.

Text of the New Law

Q: Where can I find the text of the new law containing the tax increases?

A: At this link: www.nyacs.org/government/documents/tobaccotaxhikebilltext.pdf

Products and New Tax Rates

Q: How much is the cigarette excise tax going to go up?

A: By \$1.60 a pack, making the new rate \$4.35 a pack statewide and \$5.85 in New York City.

Q: How much is the excise tax on snuff going to go up?

A: It's going to more than double – from the current 96 cents per ounce to \$2.00 per ounce.

Q: How much is the excise tax on cigars, rolling tobacco, and other tobacco products going to go up?

A: From the current 46% of wholesale value to 75%.

Q: Are any other tobacco products affected?

A: Yes. "Little cigars" are being reclassified as cigarettes for tax purposes. Thus they will be taxed at \$4.35 a pack rather than at the OTP rate. The new state law defines little cigars as "any roll for smoking made wholly or in part of tobacco if such product is wrapped in any substance containing tobacco, other than natural leaf tobacco wrapper, and weighing not more than four pounds per thousand."

Effective Dates and Floor Taxes

Q: When does the cigarette tax increase take effect?

A: July 1, 2010

Q: That doesn't give us much lead time.

A: Precious little time indeed, especially for wholesale distributors who tax-stamp product.

Q: Is there a floor tax?

A: Yes. All cigarettes in stock in stores and warehouses as of the close of business June 30, 2010, are subject to a floor tax of \$1.60 a pack.

Q: When is the floor tax payment due?

A: By September 20, 2010. You can remit payment to the Tax Department sooner if you wish.

Q: Will the Tax Department issue a floor tax return form for us to fill out?

A: Yes. As soon as NYACS obtains it, we will circulate it to our affected members. It will need to be filed with the Tax Department shortly after July 1. Based on past experience, don't be surprised if Tax Department personnel drop by your store June 30 to "help" with your count.

Q: When do the tax increases on snuff, chewing tobacco, cigars etc. take effect?

A: August 1, 2010.

Q: Is there a floor tax on those products?

A: No.

Q: When does the tax reclassification of little cigars take effect?

A: August 1, 2010.

Q: Is there a floor tax on those products?

A: No.

Questions With No Good Answers

Q: Why did they make the effective dates for the tax increases July 1 and August 1, but the effective date for collecting taxes on Indian sales September 1?

Q: Will they really follow through with collecting the taxes on Indian sales this time?

Q: Don't they realize that higher tobacco tax rates will only create more tobacco tax evasion, at least in the interim?

More Information

Q: What if I need more information?

A: NYACS members may feel free to call Jim Calvin at NYACS, 518-432-1400.