

### **WHAT'S NEW**

Act 84 of 2016, imposed tax on **Tobacco Products** other than cigarettes, including e-cigarettes, roll-your-own, and smokeless tobacco. It is commonly referred to as "other tobacco products" or OTP.

### **When is the tax effective?**

The tax on e-cigarettes, chewing tobacco, snuff and pipe tobacco becomes effective at 12:01 AM on October 1, 2016.

The tax on roll-your-own tobacco is effective 60 days after the Office of the Attorney General publishes a bulletin that they have reached an agreement with the participating manufacturers under the Master Settlement Agreement.

### **Is there a floor tax?**

Yes. See the "FLOOR TAX" section of this document for more information.

### **Am I required to have a license to sell tobacco Products?**

Yes. See the "LICENSING" section of this document for more information.

### **Who is responsible for payment and reporting of the tax?**

Wholesalers and manufacturers are required to collect tax from retailers.

A consumer who purchases tobacco products using the internet or mail order catalogs for personal possession or use in Pennsylvania from persons or business without a Pennsylvania tobacco products license.

### **What is taxable under the Tobacco Products Tax?**

E-cigarettes, liquids or any other substance that goes into e-cigarettes, roll-your-own tobacco, pipe tobacco (including periques, granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco), and chewing tobacco (including snuff, dry snuff, snuff flour, cavendish, plug and twist tobacco, and fine cut tobacco).

The tax on e-cigarettes does not apply to prescription drugs or medical devices used to inhale or ingest prescription drugs, including medical marijuana and are sold at a licensed medical marijuana dispensary.

### **What vapor products are covered by the tax?**

E-cigarettes and their components commonly referred to as "mods" and any liquid or substance that is put in e-cigarettes or that is sold for use in e-cigarettes.

### **If I do custom vaporizer blends for my customers in my store, how do I calculate the tax?**

The tax is on the purchase price of the ingredients.

### **What is the rate of taxation on e-cigarettes?**

The tax rate on the sale of e-cigarettes and the substances that go into them is 40 percent of the purchase price from the wholesaler or manufacturer. For example: If the retailer purchased an e-cigarette for \$10, the retailer would pay tax of \$4.

### **What is the rate of taxation on roll-your-own, chewing tobacco and pipe tobacco?**

The rate of tax on roll-your-own, chewing tobacco and pipe tobacco is \$0.55 per ounce. For tobacco products other than e-cigarettes that weigh less than 1.2 ounces per container the tax shall be not less than \$0.66 per package of these tobacco products. For example, if the retailer purchases 100 ounces of tobacco in two-ounce packages the tax due would be \$55. If the same quantity is purchased in one-ounce packages, the tax due would be \$66.

### **Are rolling papers, pipes and other accessories for smoking tobacco subject to the tax?**

No.

## **LICENSING**

### **Will I need a license to sell OTP?**

Yes tobacco manufacturers, wholesalers and retailers including vending machines will need a license per location. Cigarette tax licensees will need a separate OTP license

### **What is the OTP license fee?**

- The cost for a wholesaler or Manufacturer license is \$1500 per location.
- The cost of a retailer license is \$25 per location.
- The cost of a vending machine license is \$25 per location.

### **How do I obtain a tobacco products license?**

If you are a current cigarette licensee, you will receive a temporary license for tobacco products that will be valid until February 28, 2017 at no cost. The cigarette license renewal process which will begin November 1, 2016, will include the tobacco license fee as well as cigarette license. This new combined license for cigarettes and tobacco products will expire February 28, 2018.

If you are a new registrant, a short application will be available by September 1, 2016 at [www.revenue.pa.gov](http://www.revenue.pa.gov). This application and remittance

of the fee associated with the type of license will be issued and valid until February 2018.

**I own a tobacco products business located in Pennsylvania and all of my products are sold to out-of-state businesses, do I need a license?**

Yes

**Do I need a license if my business is out-of-state and sells online to PA customers?**

Yes, depending on your business structure you will need the corresponding license. Manufacturers need a manufacturer's license and wholesalers need a wholesale license.

## FLOOR TAX

**What is a floor tax?**

The floor tax is a tax imposed on untaxed inventory in the possession of the retailer on October 1, 2016. The retailer is responsible for the reporting and payment of the floor tax. Wholesalers are not responsible for floor tax on OTP.

**Will the business owner's current inventory be taxable?**

The inventory in the retailer's business on October 1, 2016 is subject to the floor tax. The retailer is to take an inventory and remit the floor tax return and payment within 90 days to the department. For e-cigarettes, the floor tax is 40 percent of the wholesale price paid by the retailer for the products.

**If I have outdated product that I can no longer sell in my store on October 1, 2016, will I have to pay tax on this even though I am already taking a loss on the product?**

If the product is in the store on October 1, 2016 and it is being offered for sale it is taxable and subject to the floor tax.

**When is the floor tax due?**

An inventory of products held by each retailer must be taken on October 1, 2016. The tax return reporting and paying tax on that inventory is due no later than December 29, 2016.

The floor tax for the roll-your-own tobacco will be due 90 days after the publication of a notice by the Attorney General in the Pennsylvania Bulletin that it has reached an agreement with the participating manufacturers under the Master Settlement Agreement.

**Where do I mail the floor tax return and the tax payment?**

PA DEPARTMENT OF REVENUE  
BUREAU OF IMAGING AND DOCUMENT  
MANAGEMENT (CIG)  
DEPT. 280408  
HARRISBURG PA 17128-0408

All checks should be made payable to: PA DEPARTMENT OF REVENUE

**What if I do not file the floor tax return?**

Failure to file and pay the floor tax will result in the imposition of penalties and interest and may result in criminal prosecution.

**Can I combine my payment for my OTP license and my OTP floor tax into one check?**

No. Each remittance and form must be returned to the department separately and the payments for a license fee and floor tax cannot be combined into one check.

**How do I get a copy of the floor tax return?**

The department will mail floor tax returns to all retailers. For all others, or if you do not receive a return in the mail, returns will be available at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**When is the tobacco products tax due?**

The first tax and return are to be remitted to the department, for the quarter ending December 31, 2016, on or before January 20, 2017. Subsequently, beginning January 2017 (due February 20, 2017), the tax and return will be due monthly, on or before the 20th day of the following month.