

Illinois Department of Revenue
101 West Jefferson Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY86-32

TO: Licensed Cigarette Distributors
SUBJECT: Changes to Cigarette Tax Act

You were notified in September of a possible increase in the Illinois cigarette tax effective October 1, 1985. That increase depended on whether the federal government reduced its cigarette tax. It did not. Therefore, the Illinois cigarette tax did not increase.

However, on December 1, 1985, the state cigarette tax WILL increase, as part of anew law which makes a number of changes in the state Cigarette Tax Act (and the Cigarette Use Tax Act). See Public Act 84-1027 (House Bill 568).

This is what will happen to the Illinois cigarette tax on December 1:

1. The state tax rate will increase by 4 mills per cigarette or 8> per package of 20; for a total state tax of 20> per package of 20, 25> per package of 25.
2. The discount rates allowed to distributors will increase to:
 - 1.75% of the first \$3 million paid per year; and
 - 1.5% of all purchases above \$3 million.
3. The credit period allowed to distributors will increase to a maximum of 30 days (currently 21 days).
4. The bond required of distributors, who purchase stamps on credit, will increase to \$750,000 or 150% of the distributors average monthly tax, whichever is less. In order to purchase stamps on credit after November 30, 1985 this new bond requirement must be met.

NOTE: THERE WILL NOT BE ANY FLOOR STOCK TAX. THAT IS, YOU MAY SELL AT THE "OLD" TAX RATE ANY PACKAGES IN YOUR INVENTORY ON NOVEMBER 30 TO WHICH YOU HAVE AFFIXED THE "OLD" STAMP, EVEN IF YOU SELL THEM ON OR AFTER DECEMBER 1. HOWEVER, YOU MAY NOT AFFIX "OLD" STAMPS TO UNSTAMPED PACKAGES AFTER NOVEMBER 30.

These changes to the state law may require some preparation on your part.

We notified you on September 16 of the bond you would need for credit purposes if the cigarette tax increased by 8> per package of 20.

Also, you must take a physical inventory of the unaffixed "old" stamps" which you have on hand at the close of business on November 30, 1985. We have enclosed with this bulletin a form on which you must declare that inventory. Place your declaration of inventory in the mail by December 2. You will be entitled to a credit (Form RC-16) for all unaffixed "old" stamps which you return to our Springfield or Chicago offices. Please return the "old" unaffixed stamps with Claim for Credit form RC-16.

Finally, you may wish to purchase new state cigarette stamps before the new rate goes into effect on December 1. We have enclosed a revised order-invoice form with which you may order the new stamps. The stamps will be available for purchase starting November 25, 1985, in Springfield and Chicago. Note: The new discount rate and credit period will apply for stamps which you purchase before December 1, even if you are buying the new 20-cent stamp.

If you have questions or need more information, please call or write. Phone numbers and an address are at the top of this bulletin.

J. Thomas Johnson
Director of Revenue

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