



Cigarette Tax Rate Increase

Informational Bulletin

June 2002

Glen L. Bower
Director of Revenue

For information or forms...

◆ Call us at:
217 785-2622 in Springfield
312 814-3225 in Chicago

◆ Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

◆ Write us at:
Illinois Department of Revenue
P.O. Box 19018
Springfield, IL 62794-9018

◆ Visit our Web site at:
www.ILtax.com

◆ Call
"Illinois Tax Fax," our
fax-on-demand service, at:
217 785-3400

◆ Call
our 24-hour
Forms Order Line at:
1 800 356-6302

To: Cigarette Distributors

Effective **July 1, 2002**, the Illinois cigarette tax rate will increase from 29 mills per cigarette to 49 mills per cigarette. (This change increases the tax on a pack of 20 cigarettes from 58 cents to 98 cents.)

What are the new tax rates?

The new rates are

- ◆ 49 cents per pack of 10 cigarettes,
- ◆ 98 cents per pack of 20 cigarettes, and
- ◆ \$1.225 per pack of 25 cigarettes.

What are the prices for packaged quantities of tax stamps?

Prices are as follows:

Machine applied stamps —

- ◆ \$29,400 for a roll of 30,000 stamps (stamps used on packs of 20 cigarettes)
- ◆ \$5,880 for a roll of 4,800 (stamps used on packs of 25 cigarettes)

Hand applied stamps —

- ◆ \$49 for a sheet of 100 stamps (stamps used on packs of 10 cigarettes)

Note: We have discontinued sales of packages of 7,200 stamps.

May I still purchase "old" stamps?

Yes. We will sell the "old" stamps through June 28, 2002. However, your purchases in June will be limited to 115 percent of your average monthly tax stamps purchased during the previous 12 months.

Is there a floor stock tax?

No. You and your customers may continue to sell any packages of cigarettes that have the "old" stamps affixed.

May I affix "old" stamps to packages on or after July 1, 2002?

No. You may not affix "old" stamps to unstamped packages on or after July 1. We will have increased enforcement to ensure that proper stamping of packages takes place.

Must I take an inventory of the affixed and unaffixed "old" stamps that I have at the close of business on June 30?

Yes. You must report any inventory of unaffixed "old" stamps you have on hand as of the close of business on June 30, 2002. You must also report your inventory of "old" stamps that are affixed and in your inventory at the close of business on June 30.

How do I receive a credit for "old" stamps?

You may return unaffixed stamps for credit to us starting July 1, 2002. Please return all stamps to us by July 31, 2002.

To receive credit for **unaffixed** stamps, you must send us the following items in the same package:

- ◆ any unaffixed stamps, and
- ◆ a completed Form RC-16, Cigarette Tax Claim for Credit.

To receive credit for **affixed** stamps on cigarette packages returned to the manufacturer, you must send us the following items in the same package:

- ◆ a completed Form RC-16, Cigarette Tax Claim for Credit, and
- ◆ a manufacturer's affidavit for the merchandise returned.

If we approve your claim for credit, we will issue you a credit memorandum based on the color and face value of each stamp returned.

May I purchase stamps at the new tax rate prior to July 1?

We are working with our stamp vendor to procure new stamps. We will have new stamps available for sale on July 1st, but may not have them available for sale prior to that date. You must complete a revised Form RC-1-A, Cigarette Stamp Order-Invoice, to order the "new" stamps. The stamps will become available for purchase on July 1, 2002, in Springfield and Chicago.

May I purchase "new" tax stamps through the mail?

Yes. For your initial order, you may want to receive your stamps using an overnight delivery service. To do so, you must include your account number and a completed label for that overnight service with your order. The overnight delivery will be billed to your account number. We recommend that you secure insurance from your overnight carrier for the delivery.

Are there any form changes due to the new tax rate?

Yes. We have revised the following returns, schedules, and invoice. You must use these forms beginning with your July 2002 liability period or when making stamp purchases on or after July 1.

- ◆ Form RC-6, Cigarette Revenue Return
- ◆ Form RC-6-A, Out-of-State Cigarette Revenue Return
- ◆ Form RC-10 Schedule CD, Out-of-State Cigarette Sales or Shipments
- ◆ Form RC-11 Schedule CE, Sales of Cigarettes to Licensed Illinois Distributors
- ◆ Form RC-12 Schedule CF, Inventory of Stamps and Cigarettes on Hand
- ◆ Form RC-12-A Schedule CF-1, Value of Stamps Purchased and Stamp Credit Memoranda
- ◆ Form RC-1-A, Cigarette Stamp Order-Invoice

These forms have gone through major revisions (lines added and moved, *etc.*), including how to report cigarettes returned to the manufacturer for credit. **Read the revised instructions carefully.**

You may access these forms on our website at www.Iltax.com.

Are there any new forms I must complete and file?

If all of your affixed and unaffixed cigarette stamp inventory is at the new tax rate, there are no new forms for you to complete. However, if your inventory has "old" or multiple tax rates, you must complete one of the worksheets listed below and attach it to your monthly tax return.

- ◆ Form RC-6-W, Cigarette Revenue Return Worksheet (use with Form RC-6)
- ◆ Form RC-6-A-W, Out-of State Cigarette Revenue Return Worksheet (use with Form RC-6-A)

You may access these forms on our Web site at www.Iltax.com.

