



ARKANSAS Tobacco Control

Frequently Asked Questions

Regarding the 2009 Excise Tax Increase

1. When does the state tobacco excise tax increase go into effect?

March, 1 2009

2. How much is the state tobacco excise tax increasing?

Excise tax on cigarettes is increasing from \$0.59 per pack to \$1.15 per pack.
Excise tax on all other tobacco products (OTP) is increasing from 32% to 68% of the manufacturer's invoice cost.

3. Who pays this tax?

In the normal chain of business, wholesalers licensed in Arkansas remit the tobacco excise taxes. Therefore when the retailer purchases tobacco from licensed wholesaler, the price will include all excise taxes.

4. What does this mean for the wholesaler?

On cigarettes, wholesalers may use existing stock of tax stamps and charge the old rate of \$0.59 per pack. Once that supply of stamps is depleted, new tax stamps must be purchased at the new rate of \$1.15 per pack.

On OTP, existing inventory on February 28, 2009 may be sold at the old excise tax rate of 32%, but inventory purchased on March 1, 2009 and after must be taxed at the new rate of 68% of the manufacturer's invoice cost.

5. What does this mean for the retailer?

No extra calculations are necessary when purchasing from an Arkansas licensed wholesaler. The price you are paying to the wholesaler will include the new excise taxes. You have thirty (30) days from the date of the invoice to adjust your minimum price (on cigarettes, the minimum mark-up allowed by law is 7.5%, less any buy-downs or manufacturer promotional allowances).

6. When do my prices have to be adjusted?

For each brand you sell, minimum price must be recalculated thirty (30) days after you receive the first invoice containing a given brand after March 1, 2009.

7. When does the federal tobacco excise tax increase go into effect?

April 1, 2009

8. How much is the federal tobacco excise tax increasing?

Federal excise tax on cigarettes is increasing from \$0.39 per pack to \$1.01 per pack.

9. What does this mean for the wholesaler and retailer?

Calculate minimum retail price on cigarettes as you normally would, based on the manufacturer's invoice cost to the wholesaler and the wholesaler's invoice cost to the retailer.

10. Is there a floor tax on existing inventory for the federal tobacco excise tax increase?

Yes. Please use this link to find out more information:

http://www.ttb.gov/main_pages/schip-summery.shtml