



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 2004

Special Notice to Michigan Tobacco Tax Wholesalers and Out-of-State Unclassified Acquirers Concerning an Inventory Tax

Recent legislation increased the tax on all tobacco products. Effective July 1, 2004, the tax rate on cigarettes will increase from 62.5 to 100 mills per cigarette or from \$1.25 to \$2.00 on a 20-cigarette pack and from \$1.56 to \$2.50 on a 25-cigarette pack. The tax rate on other tobacco products (OTP) will also increase from 20% to 32% of the wholesale price of the OTP. (OTP includes any cigar or roll for smoking, other than a cigarette, made in whole or in part of tobacco, and any tobacco other than cigarettes, intended for consumption by smoking, chewing or as snuff.)

Beginning July 1, 2004, any tobacco product that is imported, transferred, sold, or purchased within the State of Michigan must be taxed at the new rates. Anyone with **tax-paid** tobacco products on hand for sale at the close of business on June 30, 2004, upon which tax was paid at the rate in effect prior to July 1, 2004, must:

- Take a physical inventory of all cigarettes and OTP on hand as of the close of business June 30, 2004. The amount of cigarettes and OTP a licensee or other person has "on hand for sale" on July 1, 2004, is the actual physical inventory of cigarette and OTP. Actual physical inventory includes shipments of cigarette and OTP that licensees or other persons physically possess on or before June 30, 2004.
- File a tobacco products inventory tax return with the Michigan Department of Treasury postmarked by August 2, 2004, and pay the additional tax per cigarette pack and the additional tax of 12% of the wholesale price of OTP for all physical inventory on hand as of the close of business on June 30, 2004. The physical inventory includes cigarettes and OTP offered for sale, kept on site, and kept or stored at other locations in Michigan. You are responsible for reporting and collecting the tax at the rate in effect on July 1, 2004, on any cigarettes and OTP that you shipped before July 1, 2004, and that were received by the purchaser on or after July 1, 2004.

This inventory tax does not apply to wholesalers or out-of-state unclassified acquirers unless they are in possession of tax-paid tobacco products where the tax was paid prior to the rate increase on July 1, 2004.

Attention Wholesalers: If you have product for return to manufacturers and do not include them in your June 30, 2004, inventory as reported on Form 47, *Schedule E – Physical Inventory of Cigarettes*, you must file and pay the floor tax on this product.

Please notify your Michigan tobacco customers of this inventory tax. For your convenience, we have included copies of the notices sent to retailers, secondary wholesalers and unclassified acquirers and Form 4182, *Michigan Tobacco Products Inventory Tax Return*. You may copy the notices and form to distribute to your customers.

For more information about this tax law change, please visit our Web site at www.michigan.gov/tobaccotaxes. You may also contact the Tobacco Tax Unit at 517-636-4630 if you have questions.