

**EQUITY ASSESSMENT
NOTICE TO TOBACCO PRODUCT MANUFACTURERS WHO DO NOT PARTICIPATE IN
THE MASTER SETTLEMENT AGREEMENT**

On January 8, 2004 the Michigan Legislature enacted an amendment to the Tobacco Products Tax Act (P.A. 327 of 1993). The amendatory act, P.A. 285 of 2003, requires that non-participating manufacturers (NPMs) provide certain information and pay an equity assessment on its cigarettes, which includes 'roll-your-own' tobacco, sold for consumption in Michigan. The Act further requires that the assessment be pre-paid, subject to later reconciliation.

For NPMs whose cigarettes were already being sold for consumption in Michigan on the effective date of the amendment, the pre-payment was due on February 9, 2004 for sales expected to be made in this state from January 8, 2004 through December 31, 2004. The Department will perform a reconciliation of the pre-payment and the actual amount due for the 2004 sales by April 15, 2005. For each subsequent year the pre-payment will be due on March 1st, with reconciliation being performed by April 15th of the following year.

NPMs whose cigarettes were not sold in Michigan on or before January 8, 2004, are required to provide the information and pre-pay the equity assessment before making sales for consumption in this state. A reconciliation of the pre-payment and the actual amount due for the year in which the products are sold will be performed by April 15th of the next year.

The amount of the equity assessment is 17.5 mills (.0175) per cigarette sold in this state. For the purpose of this assessment, .09 ounces of 'roll-your-own' tobacco equal one cigarette. The Department will notify NPMs whose products have been sold in Michigan of the amount of pre-payment due each year by February 15th. The Department will increase the amount of the prepayment during the year if an increase is justified based on actual sales.

The Department will publish and maintain a list of NPMs that have paid the equity assessment, made escrow deposit required under the Model Act (Act 244 of 1999), and filed the annual certification required under section 6d of the Tobacco Products Tax Act, on its website at www.michigan.gov/tobaccotaxes.

An NPM that fails to prepay the equity assessment, file the annual certification, or comply with the Model Act, is prohibited from selling its cigarettes for consumption in Michigan.

Licensed Wholesalers and Unclassified Acquirers are prohibited from affixing stamps to any pack of cigarettes or shipping container of 'roll-your-own' tobacco manufactured by an NPM who is not compliant, as indicated on the list published by the Department.

The equity assessment provision provides for the seizure or confiscation of non-compliant cigarettes, and imposition of civil fines, under circumstances specified in the Act.

To read the amendatory Act you may visit the website for the Michigan Legislature at www.mileg.org, and view bill number 5221, or PA 285 of 2003.

Questions concerning this amendment, or any other requirements imposed upon NPMs should be directed to either the Tobacco Tax Unit at (517) 636-4630, or the Office of Policy and Research at (517) 373-9600.