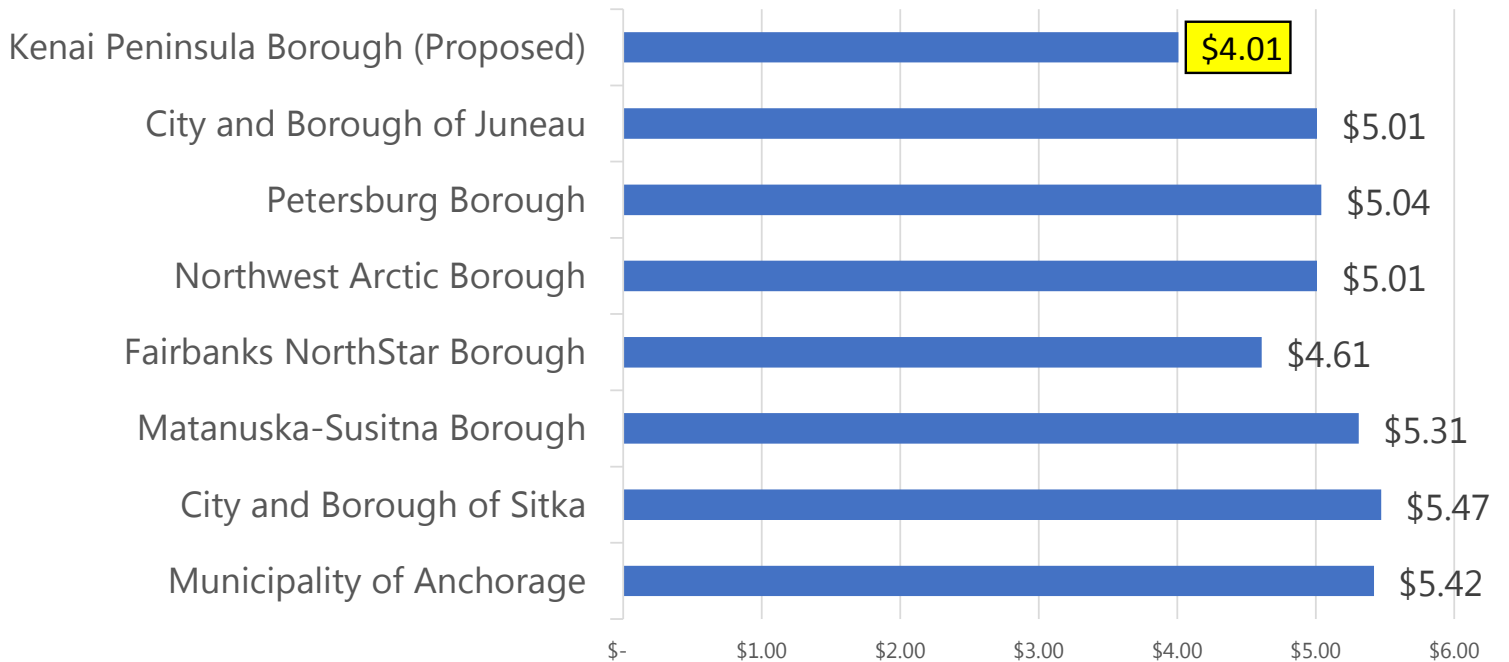


Jurisdiction	Rate per Stick/Cigarette (applied mill or percent to each stick/cigarette)	Tax Per Pack of 20 cigarettes	Other tobacco Products (percentage of wholesale price)	Estimated Annual Revenue
State of Alaska	0.10000	\$ 2.00	75%	\$ 18,000,000
Federal tax	0.05050	\$ 1.01	varies	not avail
Municipality of Anchorage	0.12050	\$ 2.41	55%	\$ 20,000,000
City and Borough of Sitka	0.12310	\$ 2.46	90%	\$ 831,000
Matanuska-Susitna Borough	0.11500	\$ 2.30	55%	\$ 8,300,000
Fairbanks NorthStar Borough	0.08000	\$ 1.60	8%	\$ 1,455,000
Northwest Arctic Borough	0.10000	\$ 2.00	45%	not avail
Petersburg Borough	0.10150	\$ 2.03	45%	\$ 230,000
Juneau	0.10000	\$ 2.00	45%	\$ 2,900,000
Kenai Peninsula Borough (Proposed)	0.05000	\$ 1.00	10%	\$ 4,800,000

Cigarettes:

Jurisdiction	State of Alaska Tobacco Tax per pack of 20 cigarettes	Federal Tobacco Tax per pack of 20 cigarettes	Jurisdiction Tobacco Tax rate per Pack of 20 cigarettes	Total Tobacco Taxes per pack of 20 cigarettes
Municipality of Anchorage	\$ 2.00	\$ 1.01	\$ 2.41	\$ 5.42
City and Borough of Sitka	\$ 2.00	\$ 1.01	\$ 2.46	\$ 5.47
Matanuska-Susitna Borough	\$ 2.00	\$ 1.01	\$ 2.30	\$ 5.31
Fairbanks NorthStar Borough	\$ 2.00	\$ 1.01	\$ 1.60	\$ 4.61
Northwest Arctic Borough	\$ 2.00	\$ 1.01	\$ 2.00	\$ 5.01
Petersburg Borough	\$ 2.00	\$ 1.01	\$ 2.03	\$ 5.04
City and Borough of Juneau	\$ 2.00	\$ 1.01	\$ 2.00	\$ 5.01
Kenai Peninsula Borough (Proposed)	\$ 2.00	\$ 1.01	\$ 1.00	\$ 4.01

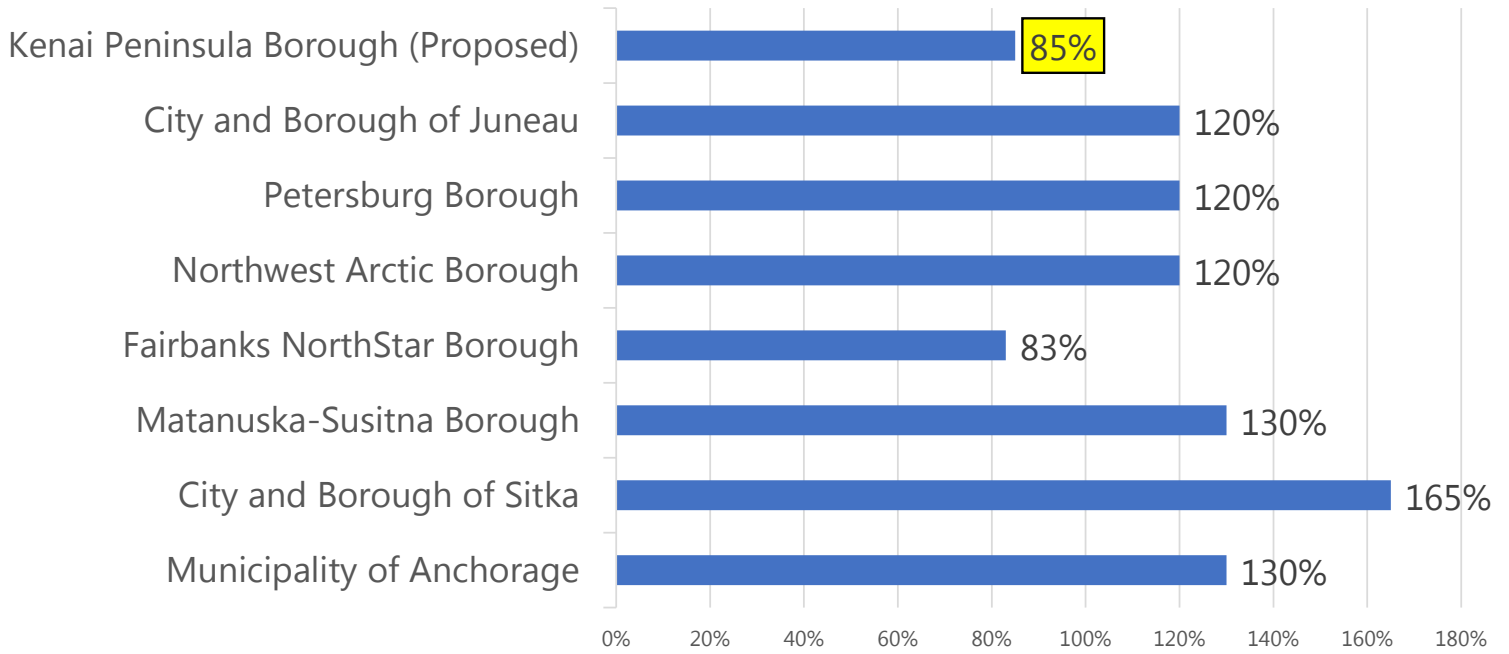
Total Tobacco Taxes per pack of 20 cigarettes



Other Tobacco Products:

Jurisdiction	State of Alaska Tobacco Tax per wholesale price - OTP	Federal Tobacco Tax per wholesale price - OTP	Jurisdiction Tobacco Tax rate per wholesale price - OTP	Total Tobacco Taxes per wholesale price - OTP (+ federal)
Municipality of Anchorage	75%	varies	55%	130%
City and Borough of Sitka	75%	varies	90%	165%
Matanuska-Susitna Borough	75%	varies	55%	130%
Fairbanks NorthStar Borough	75%	varies	8%	83%
Northwest Arctic Borough	75%	varies	45%	120%
Petersburg Borough	75%	varies	45%	120%
City and Borough of Juneau	75%	varies	45%	120%
Kenai Peninsula Borough (Proposed)	75%	varies	10%	85%

Total Tobacco Taxes per wholesale price - OTP (+ federal)



Distributor/ Wholesaler/ Manufacturer

First acquires, brings in, makes, manufactures or fabricates cigarettes or OTP inside Kenai Peninsula Borough and is not exempt per 15.16.050

Cigarette Tax: \$1.00 (total \$4.01)

OTP Tax: 10% (total 85% + fed)

15.16.050 Distribute to merchant with Alaska state business license and tobacco endorsement located outside Kenai Peninsula Borough

Exempt in Kenai Peninsula Borough

Anchorage

Cigarette Tax: \$2.41 (total \$5.42)

OTP Tax: 55% (total 130% + fed)

Fairbanks NorthStar Borough

Cigarette Tax: \$1.60 (total \$4.61)

OTP Tax: 8% (total 83% + fed)

City and Borough of Juneau:

Cigarette Tax: \$2.00 (total \$5.01)

OTP Tax: 45% (total 120% + fed)

City & Borough of Sitka

Cigarette Tax: \$2.46 (total \$5.47)

OTP Tax: 90% (total 165% + fed)

Northwest Arctic Borough

Cigarette Tax: \$2.00 (total \$5.01)

OTP Tax: 45% (total 120% + fed)

Matanuska Susitna Borough

Cigarette Tax: \$2.30 (total \$5.31)

OTP Tax: 55% (total 130% + fed)

Petersburg Borough

Cigarette Tax: \$2.03 (total \$5.04)

OTP Tax: 45% (total 120% + fed)

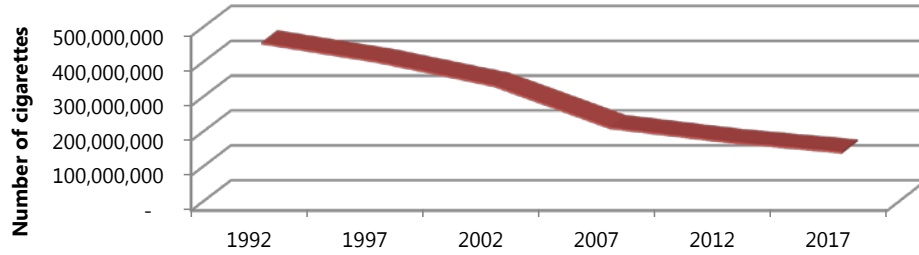
Municipality of Anchorage Tobacco tax data

Fiscal Year	Taxable Cigarettes	Cigarette Tax	Rate	Other tobacco product wholesale price	OTP tax	% of OTP	Total Tax	Annual Average Anchorage CPI
1992	453,454,315	\$ 2,829,554.93	\$ 0.0062	\$ 1,606,217.94	\$ 160,621.91	10%	\$ 2,990,176.84	128.20
1997	399,676,377	\$ 5,427,605.20	\$ 0.0136	\$ 2,640,921.92	\$ 396,138.28	15%	\$ 5,823,743.48	144.80
2002	331,123,489	\$ 4,801,290.70	\$ 0.0145	\$ 3,197,374.51	\$ 479,606.27	15%	\$ 5,280,896.97	158.20
2007	210,043,676	\$ 14,556,026.84	\$ 0.0693	\$ 3,621,407.36	\$ 1,629,633.45	45%	\$ 16,185,660.29	181.24
2012	169,980,149	\$ 19,241,752.93	\$ 0.1132	\$ 5,316,796.48	\$ 2,924,238.18	55%	\$ 22,165,991.11	205.92
2017	139,690,840	\$ 16,776,869.91	\$ 0.1201	\$ 6,056,823.83	\$ 3,331,253.14	55%	\$ 20,108,123.05	218.87

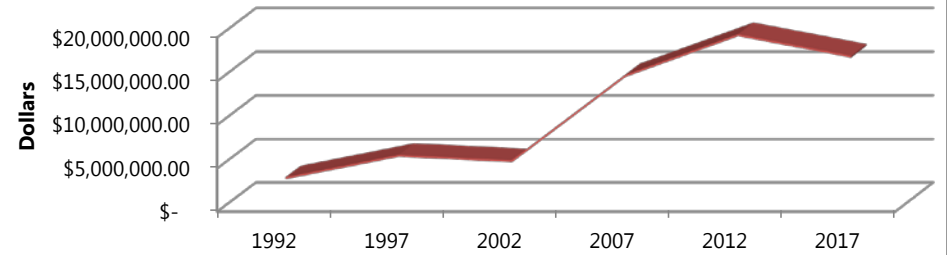
8/24/2018

Cigarette Anchorage - Summary 1992-2017

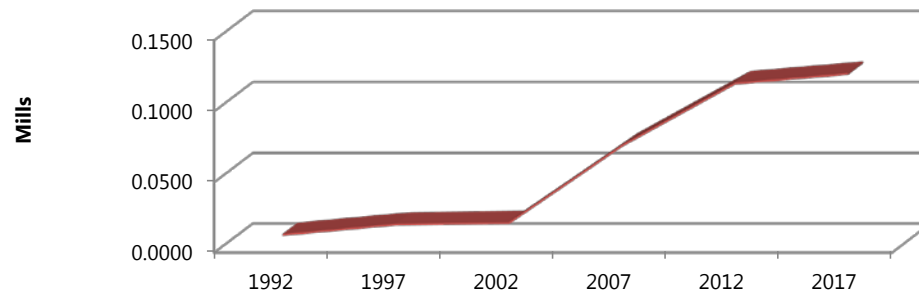
of Taxable Cigarettes



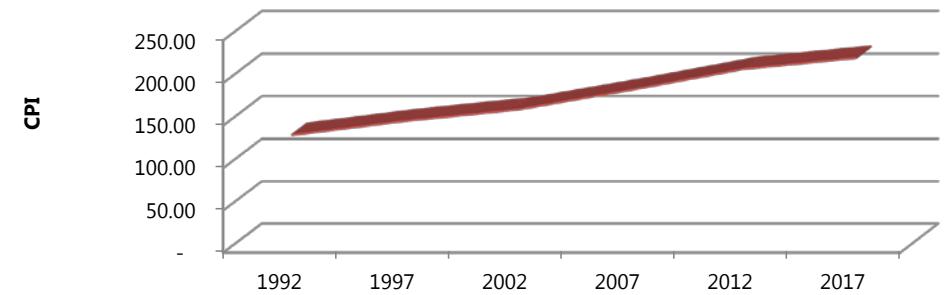
Cigarette tax



Cigarette tax rate

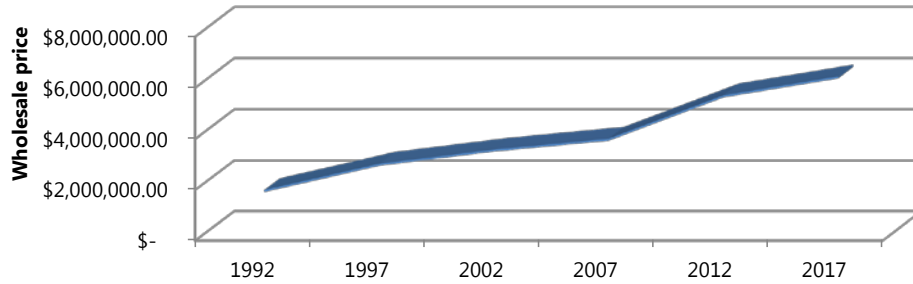


Annual Average Anchorage CPI

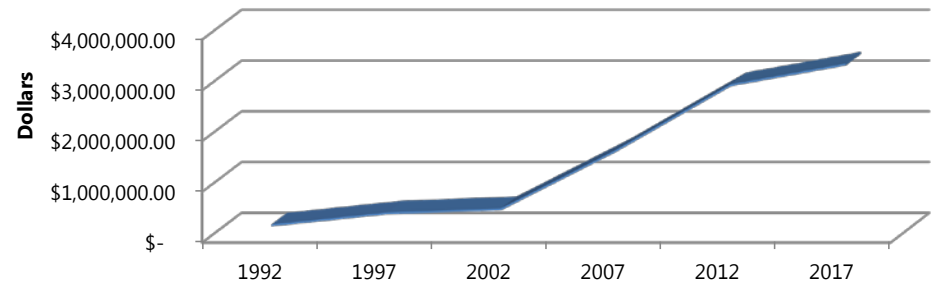


OTP Anchorage - Summary 1992-2017

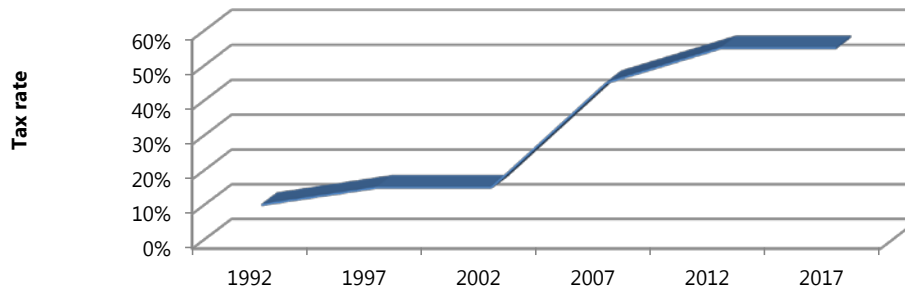
OTP wholesale price



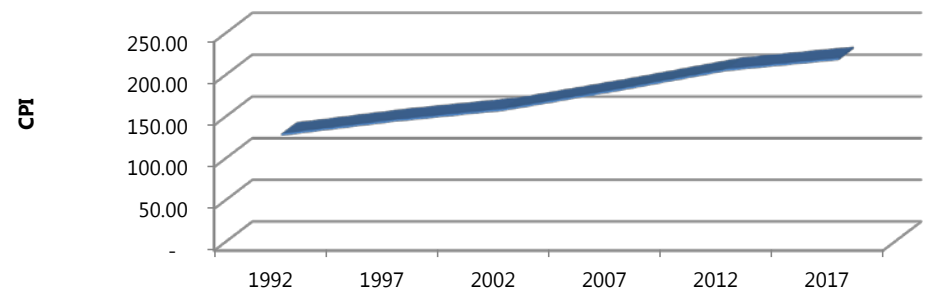
OTP tax



OTP tax rate



Annual Average Anchorage CPI





Municipality of Anchorage

Finance Dep't., Treasury Div.
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CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 1992

As of October 27, 2004

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	37,677,110	44,805,650	60,388,962	49,270,252	60,058,414	89,572,684	43,738,913	58,222,041	77,066,690	44,252,547	58,937,792	94,831,260	718,822,315
Exempt	17,019,040	17,490,850	21,729,422	21,761,850	23,004,380	25,786,604	25,624,790	24,148,485	24,698,416	21,173,720	19,025,688	23,904,755	265,368,000
Taxable	20,658,070	27,314,800	38,659,540	27,508,402	37,054,034	63,786,080	18,114,123	34,073,556	52,368,274	23,078,827	39,912,104	70,926,505	453,454,315
Cigarette Tax	\$128,906.37	\$170,444.36	\$241,235.53	\$171,652.44	\$231,217.18	\$398,025.13	\$113,032.11	\$212,618.98	\$326,778.02	\$144,011.88	\$249,051.54	\$442,581.39	\$2,829,554.93
OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$245,309.33	\$171,847.81	\$236,854.91	\$238,280.77	\$282,242.04	\$273,484.31	\$300,544.59	\$280,733.05	\$284,684.35	\$266,251.88	\$194,829.40	\$225,414.69	\$3,000,477.13
Exempt	\$87,204.30	\$87,667.52	\$108,001.81	\$110,976.05	\$127,110.98	\$131,358.87	\$145,608.56	\$119,541.06	\$126,243.09	\$119,420.24	\$94,299.48	\$136,827.23	\$1,394,259.19
Taxable	\$158,105.03	\$84,180.29	\$128,853.10	\$127,304.72	\$155,131.06	\$142,125.44	\$154,936.03	\$161,191.99	\$158,441.26	\$146,831.64	\$100,529.92	\$88,587.46	\$1,606,217.94
Other Tobacco Products Tax	\$15,810.51	\$8,418.02	\$12,885.32	\$12,730.47	\$15,513.12	\$14,212.55	\$15,493.62	\$16,119.21	\$15,844.13	\$14,683.19	\$10,053.01	\$8,858.76	\$160,621.91
Total Cigarette & OTP Tax	\$144,714.35	\$178,862.01	\$254,120.83	\$184,382.91	\$246,730.30	\$412,237.67	\$128,525.40	\$228,736.97	\$342,621.83	\$158,695.07	\$259,104.54	\$451,440.15	\$2,990,172.03

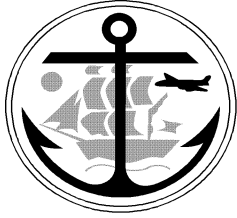
Imported: Number of cigarettes or wholesale price of other tobacco products manufactured or imported during the month

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For more information, please contact:

Supervisor (907) 343-6965 Enforcement Officers (907) 343-6964 or 6676 Assistants (907) 343-6686 or 6967



Municipality of Anchorage

Finance Dep't., Treasury Div.
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CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 1997

As of October 27, 2004

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	57,376,642	49,518,112	55,426,499	59,650,287	59,848,629	71,611,578	82,297,039	98,422,399	149,251,046	22,429,711	25,153,790	35,518,644	766,504,376
Exempt	25,740,715	25,213,775	26,557,188	30,059,360	28,648,936	32,313,093	32,918,174	33,666,219	74,923,215	18,753,206	16,125,049	21,909,069	366,827,999
Taxable	31,635,927	24,304,337	28,869,311	29,590,927	31,199,693	39,298,485	49,378,865	64,756,180	74,327,831	3,676,505	9,028,741	13,609,575	399,676,377
Cigarette Tax	\$429,615.88	\$330,052.90	\$392,045.26	\$401,844.80	\$423,691.83	\$533,673.42	\$670,564.98	\$879,388.94	\$1,009,371.94	\$49,926.94	\$122,610.29	\$184,818.02	\$5,427,605.20
OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$307,768.23	\$327,909.46	\$359,613.41	\$390,918.44	\$410,357.60	\$520,933.43	\$444,741.64	\$411,520.44	\$773,812.44	\$315,053.98	\$265,231.02	\$319,505.19	\$4,847,365.28
Exempt	\$147,774.77	\$152,559.66	\$163,376.17	\$184,532.32	\$179,776.41	\$208,305.83	\$217,766.35	\$225,300.17	\$269,128.26	\$169,349.23	\$123,238.24	\$165,335.95	\$2,206,443.36
Taxable	\$159,993.46	\$175,349.80	\$196,237.24	\$206,386.12	\$230,581.19	\$312,627.60	\$226,975.29	\$186,220.27	\$504,684.18	\$145,704.75	\$141,992.78	\$154,169.24	\$2,640,921.92
Other Tobacco Products Tax	\$23,999.01	\$26,302.48	\$29,435.59	\$30,957.92	\$34,587.18	\$46,894.14	\$34,046.28	\$27,933.04	\$75,702.63	\$21,855.72	\$21,298.91	\$23,125.38	\$396,138.28
Total Cigarette & OTP Tax	\$453,614.90	\$356,355.38	\$421,480.84	\$432,802.73	\$458,279.00	\$580,567.57	\$704,611.26	\$907,321.97	\$1,085,074.57	\$71,782.66	\$143,909.18	\$207,943.40	\$5,823,743.46

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Municipality of Anchorage

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CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 2002

As of October 27, 2004

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	53,816,240	37,285,560	40,236,600	40,934,200	48,295,000	48,918,500	52,275,100	52,858,400	47,826,640	46,104,600	41,243,680	42,740,860	552,535,380
Exempt	18,880,320	15,021,900	17,953,000	15,671,220	19,120,235	20,053,728	22,151,728	19,671,660	20,079,220	19,057,980	16,178,620	17,018,080	220,857,691
Taxable	34,832,720	22,263,660	21,862,400	25,262,980	29,174,765	28,864,772	30,123,372	33,186,740	27,747,420	27,016,820	25,065,060	25,722,780	331,123,489
Cigarette Tax	\$505,074.45	\$322,823.08	\$317,004.81	\$366,313.22	\$423,034.09	\$418,539.21	\$436,788.90	\$481,207.74	\$402,337.60	\$391,743.89	\$363,443.38	\$372,980.33	\$4,801,290.70
OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$451,719.04	\$409,580.23	\$397,842.11	\$533,848.41	\$459,418.65	\$508,334.60	\$624,640.06	\$523,701.38	\$514,161.12	\$511,139.89	\$443,995.25	\$473,343.17	\$5,851,723.91
Exempt	\$192,393.70	\$192,070.35	\$201,134.48	\$215,571.90	\$226,705.92	\$231,474.28	\$272,237.42	\$269,905.68	\$229,301.04	\$226,028.54	\$197,544.09	\$199,982.00	\$2,654,349.40
Taxable	\$259,325.34	\$217,509.88	\$196,707.63	\$318,276.51	\$232,712.73	\$276,860.32	\$352,402.64	\$253,795.70	\$284,860.08	\$285,111.35	\$246,451.16	\$273,361.17	\$3,197,374.51
Other Tobacco Products Tax	\$38,898.81	\$32,626.49	\$29,506.16	\$47,741.49	\$34,906.93	\$41,529.05	\$52,860.39	\$38,069.37	\$42,729.03	\$42,766.72	\$36,967.66	\$41,004.17	\$479,606.27
Total Cigarette & OTP Tax	\$543,973.26	\$355,449.57	\$346,510.97	\$414,054.71	\$457,941.02	\$460,068.26	\$489,649.29	\$519,277.11	\$445,066.63	\$434,510.61	\$400,411.04	\$413,984.50	\$5,280,896.97

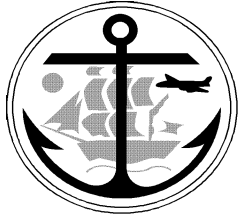
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CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 2007

As of February 11, 2008

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	36,132,900	33,711,600	37,441,600	34,770,300.00	44,297,040	53,218,600.00	39,352,600.00	39,455,500.00	36,273,000.00	40,214,026.00	34,051,100	33,754,820	462,673,086
Exempt	19,245,410	18,062,400	18,528,100	19,475,320.00	24,492,300	28,684,700.00	22,027,700.00	24,986,600.00	20,784,500.00	21,225,440.00	17,101,380	18,015,560	252,629,410
Taxable	16,887,490	15,649,200	18,913,500	15,294,980.00	19,804,740	24,533,900.00	17,324,900.00	14,468,900.00	15,488,500.00	18,988,586.00	16,949,720	15,739,260	210,043,676
Cigarette Tax	\$1,170,303.06	\$1,084,489.57	\$1,310,705.55	\$1,059,942.12	\$1,372,468.49	\$1,700,199.29	\$1,200,615.57	\$1,002,694.79	\$1,073,353.05	\$1,315,909.02	\$1,174,615.59	\$1,090,730.74	\$14,556,026.84
OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$655,606.17	\$635,579.05	\$725,530.54	\$623,400.18	\$762,515.79	\$851,224.55	\$848,644.37	\$842,804.07	\$671,921.13	\$790,536.92	\$608,159.25	\$670,856.83	\$8,686,778.85
Exempt	\$417,837.42	\$370,507.49	\$388,720.69	\$381,390.39	\$473,302.89	\$476,618.22	\$511,271.71	\$481,416.52	\$380,418.47	\$485,990.37	\$337,448.26	\$360,449.06	\$5,065,371.49
Taxable	\$237,768.75	\$265,071.56	\$336,809.85	\$242,009.79	\$289,212.90	\$374,606.33	\$337,372.66	\$361,387.55	\$291,502.66	\$304,546.55	\$270,710.99	\$310,407.77	\$3,621,407.36
Other Tobacco Products Tax	\$106,995.96	\$119,282.23	\$151,564.45	\$108,904.41	\$130,145.82	\$168,572.88	\$151,817.70	\$162,624.42	\$131,176.22	\$137,045.94	\$121,819.94	\$139,683.48	\$1,629,633.45
Total Cigarette & OTP Tax	\$1,277,299.02	\$1,203,771.80	\$1,462,270.00	\$1,168,846.53	\$1,502,614.31	\$1,868,772.17	\$1,352,433.27	\$1,165,319.21	\$1,204,529.27	\$1,452,954.96	\$1,296,435.53	\$1,230,414.22	\$16,185,660.29

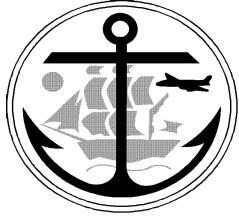
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CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 2012

As of February 11, 2013

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	32,427,700	35,636,500	35,444,900	32,937,500	40,527,100	41,434,300	42,210,104	42,922,700	32,782,840	39,065,400	30,003,800	30,519,200	435,912,044
Exempt	20,922,000	19,105,260	20,404,840	20,837,700	24,747,780	25,235,400	27,296,320	26,221,040	20,422,460	21,057,855	18,849,700	18,387,340	263,487,695
Taxable	11,505,700	16,531,240	15,040,060	12,099,800	15,779,320	16,198,900	14,913,784	16,701,660	12,360,380	15,563,345	11,154,100	12,131,860	169,980,149
Cigarette Tax	1,302,445.25	1,871,336.38	1,702,534.79	1,369,697.36	1,786,219.03	1,833,715.48	1,688,240.35	1,890,627.91	1,399,195.03	1,761,770.66	1,262,644.13	1,373,326.56	\$19,241,752.93
OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$1,015,901.03	\$889,801.65	\$977,634.67	\$890,814.10	\$1,214,160.02	\$1,014,420.74	\$1,179,735.82	\$1,161,698.40	\$885,688.27	\$1,230,134.50	\$803,423.80	\$875,805.68	\$12,139,218.68
Exempt	\$530,558.76	\$480,480.80	\$494,287.53	\$506,097.33	\$602,483.43	\$665,444.36	\$694,311.06	\$661,659.27	\$550,491.84	\$627,919.23	\$506,453.33	\$498,174.87	\$6,818,361.81
Taxable	\$485,342.27	\$409,320.85	\$483,347.14	\$384,716.77	\$611,676.59	\$348,976.38	\$485,424.76	\$500,039.13	\$335,196.43	\$598,154.88	\$296,970.47	\$377,630.81	\$5,316,796.48
Other Tobacco Products Tax	\$266,938.27	\$225,126.50	\$265,840.93	\$211,594.23	\$336,422.15	\$191,937.02	\$266,983.64	\$275,021.53	\$184,358.04	\$328,985.17	\$163,333.75	\$207,696.95	\$2,924,238.18
Total Cigarette & OTP Tax	\$1,569,383.52	\$2,096,462.88	\$1,968,375.72	\$1,581,291.59	\$2,122,641.18	\$2,025,652.50	\$1,955,223.99	\$2,165,649.44	\$1,583,553.07	\$2,090,755.83	\$1,425,977.88	\$1,581,023.51	\$22,165,991.11

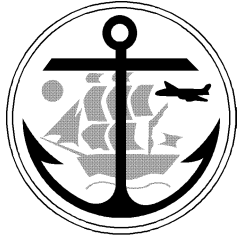
Imported: Number of cigarettes or wholesale price of other tobacco products manufactured or imported during the month

Exempt: Sales by exemption card holders to qualified businesses located outside the Municipality of Anchorage

Taxable: Number of cigarettes or wholesale price of other tobacco products manufactured or imported less exempt sales

For more information, please contact:

Supervisor (907) 343-6965 Enforcement Officers (907) 343-6964 or 6676 Enforcement Assistants (907) 343-6686 or 6967



Municipality of Anchorage

Finance Dep't., Treasury Div.
Fax: (907) 343-6677

Mailing Address
P.O. Box 196650
Anchorage, AK 99519-6650

Physical Address
632 W. 6th Avenue, 3rd Floor
Anchorage, AK 99501

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX SUMMARY Anchorage Municipal Code Chapter 12.40

TAX YEAR 2017
As of February 21, 2018

CIGARETTES	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	28,229,800	26,429,140	31,622,540	34,705,980	36,455,600	34,115,700	36,336,700	39,927,700	35,096,900	31,765,860	30,356,440	23,413,480	388,455,840
Exempt	17,550,560	16,945,060	16,378,920	19,615,000	23,436,515	23,939,275	23,481,400	26,303,520	21,248,280	20,676,870	18,449,640	17,946,960	245,972,000
Taxable	10,679,240	9,484,080	12,450,620	15,090,980	13,019,085	10,176,425	12,855,300	13,624,180	13,848,620	11,088,990	11,906,800	5,466,520	139,690,840
Cigarette Tax	\$1,282,576.72	\$1,139,038.00	\$1,495,319.47	\$1,812,426.70	\$1,563,592.11	\$1,222,188.65	\$1,543,921.53	\$1,636,264.02	\$1,663,219.26	\$1,331,787.70	\$1,430,006.68	\$656,529.07	\$16,776,869.91

OTHER TOBACCO PRODUCTS (OTP)	January	February	March	April	May	June	July	August	September	October	November	December	Total for Year
Imported	\$1,262,180.28	\$1,217,672.75	\$1,413,175.03	\$1,357,954.16	\$1,595,979.22	\$1,349,538.28	\$1,371,696.62	\$1,756,249.53	\$1,418,130.81	\$1,223,349.68	\$1,168,495.30	\$964,996.34	\$16,099,418.00
Exempt	\$725,420.46	\$781,240.59	\$884,211.89	\$875,823.16	\$892,586.94	\$937,680.09	\$913,929.47	\$1,022,342.30	\$870,175.73	\$766,429.13	\$665,707.45	\$707,046.96	\$10,042,594.17
Taxable	\$536,759.82	\$436,432.16	\$528,963.14	\$482,131.00	\$703,392.28	\$411,858.19	\$457,767.15	\$733,907.23	\$547,955.08	\$456,920.55	\$502,787.85	\$257,949.38	\$6,056,823.83
Other Tobacco Products Tax	\$295,217.92	\$240,037.70	\$290,929.73	\$265,172.04	\$386,865.76	\$226,522.01	\$251,771.94	\$403,648.97	\$301,375.31	\$251,306.29	\$276,533.31	\$141,872.16	\$3,331,253.14
Total Cigarette & OTP Tax	\$1,577,794.64	\$1,379,075.70	\$1,786,249.20	\$2,077,598.74	\$1,950,457.87	\$1,448,710.66	\$1,795,693.47	\$2,039,912.99	\$1,964,594.57	\$1,583,093.99	\$1,706,539.99	\$798,401.23	\$20,108,123.05

Imported: Number of cigarettes or wholesale price of other tobacco products manufactured or imported during the month

Exempt: Sales by exemption card holders to qualified businesses located outside the Municipality of Anchorage

Taxable: Number of cigarettes or wholesale price of other tobacco products manufactured or imported less exempt sales

Excludes restitution collected to date in US Court Case No. 3:13-CR-00080-SLG-DMS.

Restitution has been recorded in the Municipality's official records and appears in the Comprehensive Annual Financial Reports available at <http://www.muni.org/Departments/finance/controller/Pages/CAFR.aspx>.

For more information, please contact:

Manager (907) 343-6965 Tax Enforcement Officers II (907) 343-6964 or 6676 or 6757 Tax Enforcement Officers I (907) 343-6686 or 6967 or 6634

Tobacco Tax Historical Overview

AS 43.50

Description

Alaska levies a tax on cigarettes and other tobacco products. The cigarette tax is levied on cigarettes imported into the state for sale or personal consumption. The other tobacco products tax is levied on tobacco products (other than cigarettes) imported into the state for sale. The Department of Revenue's Tax Division collects tobacco taxes primarily from licensed wholesalers, distributors and retailers.

Rates

Cigarettes – See rates table below. The cigarette tax must be paid through the purchase of cigarette tax stamps. A stamp must be affixed to the bottom of every pack of cigarettes imported into the state for sale or personal consumption.

Cigarette Tax Rates Since July 1, 2007

	Mill Rate	Tax Per Cigarette	Tax Per Pack (20 cigarettes)
Base Rate (School Fund)	38 mills	\$0.038	\$0.76
Additional Tax (General Fund)	62 mills	\$0.062	\$1.24
Total	100 mills	\$0.10	\$2.00

Non-Participating Manufacturer (NPM) Equity Tax – An additional tax of 12.5 mills (\$0.25 per pack of 20 cigarettes) is levied on each cigarette imported or acquired from a manufacturer that did not sign the tobacco Master Settlement Agreement (MSA). All revenue collected from this tax is deposited in the General Fund.

Other Tobacco Products (OTP) – The tax rate on OTP, which includes tobacco products other than cigarettes such as cigars and chewing tobacco, is 75% of the wholesale price. The wholesale price is the established price at which a manufacturer sells tobacco products to a distributor. The division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arm's-length transaction.

Returns

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale.

Taxpayers that purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first \$1 million and 2% on the second \$1 million of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

Exemptions

Sales to authorized military personnel by a military exchange, commissary, or ship store, and sales by an Indian reservation business located within an Indian reservation to members of the reservation are not subject to the tax.

Disposition of Revenue

Cigarette Taxes – Revenue from the base rate is deposited in the School Fund. Revenue from the additional tax is initially deposited into the General Fund. Of the amount deposited in the General Fund, 8.9% of the revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

Cigarette and Tobacco Products License Fees – The division deposits all cigarette and tobacco products license fees into the School Fund, to be used for the rehabilitation, construction, repair, and associated insurance costs of state school facilities.

Other Tobacco Products – The division deposits all revenue from OTP into the General Fund.

History

The tobacco tax dates to 1949 when the Territorial Legislature enacted a tax of \$0.03 per pack on cigarettes and \$0.02 per ounce on tobacco. There were no exemptions provided in the tax legislation.

1951 – The Territorial Legislature increased the cigarette tax to \$0.05 per pack.

1955 – The Territorial Legislature eliminated the tobacco products tax, and, although the cigarette tax rate remained at \$0.05, the Legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The Legislature enacted a 1% deduction provision to cover accounting expenses.

The Legislature also created the School Fund and directed all proceeds from the cigarette tax be deposited in this fund.

1961 – The Alaska Legislature increased the cigarette tax to 4 mills per cigarette (\$0.08 per pack). The Legislature dedicated revenue from the additional \$0.03 to the General Fund.

1977 – The Legislature exempted military sales from the cigarette tax.

1983 – The department adopted regulations exempting sales of cigarettes by Indian reservation businesses to members of the reservation.

1985 – The Legislature increased the cigarette tax to 8 mills per cigarette (\$0.16 cents per pack).

1988 – The Legislature enacted the tobacco products tax imposing a tax of 25% of the product wholesale price. The Legislature authorized taxpayers to deduct 1% of the tax to cover accounting expenses.

1989 – The Legislature increased the cigarette tax rate to 14.5 mills (\$0.29 per pack of 20).

1997 – Effective Oct. 1, 1997, the Legislature increased the cigarette tax rate to 50 mills or \$1 per pack of 20; and the tobacco products tax rate was increased to 75% of wholesale price. The Legislature reduced the deduction percentage to cover accounting expenses from 1% to 0.4%.

1999 – Effective June 3, 1999, Alaska became a signatory to the nationwide tobacco Master Settlement Agreement (MSA). The MSA is an agreement between 46 states, including Alaska, and certain cigarette manufacturers that have voluntarily agreed to reimburse states for costs associated with cigarette smoking. The agreement applies only to “Participating Manufacturers” (those manufacturers who have agreed to participate in the settlement).

The agreement includes language to prevent “Non-Participating Manufacturers” (those manufacturers who have not agreed to participate in the settlement) from deriving short-term profits and from becoming judgment-proof before liability arises. This language requires every Non-Participating Manufacturer to place funds in an escrow account for each cigarette sold in the state. Per the agreement, the State of Alaska is responsible to obtain data to determine the amount required to be placed in an escrow account by each Non-Participating Manufacturer.

2001 – Effective July 1, 2001, the department gained new tools to enforce the nationwide MSA signed by the major cigarette manufacturers and states. It allows the department to share information with other states and entities that may aid in the enforcement of the agreement. It also prohibits tobacco products licensees from importing and selling cigarettes in Alaska made by Non-Participating Manufacturers that fail to comply with the

agreement.

2003 – The Legislature required all cigarette manufacturers to certify to the division that they are either a signatory to the tobacco MSA or in compliance with AS 45.53. The division is required to post on its website a list of the compliant cigarette manufacturers and their brands. Only those brands of cigarettes included in the list may be sold in Alaska.

2004 – Effective Jan. 1, 2004, the cigarette tax must be paid through the use of cigarette tax stamps. An Alaska cigarette tax stamp must be affixed to each cigarette pack prior to sale, distribution or consumption. Cigarettes found in the state that do not bear a cigarette tax stamp are contraband and subject to immediate seizure by the department or any other law enforcement agency in the state. Additionally, the sale of cigarettes at less than cost is prohibited.

During a special session in June 2004, the Legislature passed legislation that:

- ▶ Increased the cigarette tax by 30 mills to \$0.08 per cigarette or \$1.60 per pack of 20 cigarettes, effective Jan. 1, 2005.
- ▶ Levied an additional tax of 12.5 mills or \$0.25 per pack of 20 cigarettes on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a Non-Participating Manufacturer. An NPM is a manufacturer that did not sign the tobacco MSA. Revenue from the entire cigarette tax increase and the additional tax on NPM product is deposited in the General Fund.
- ▶ Required 8.9% of cigarette tax revenue deposited in the General Fund to be deposited into the Tobacco Use Education and Cessation Fund, effective Jan. 1, 2005. Amounts deposited in the fund may be appropriated by the Legislature for tobacco use education and cessation programs.
- ▶ Increased the cigarette tax by 10 mills to \$0.09 per cigarette or \$1.80 per pack of 20 cigarettes, effective July 1, 2006. The revenue from this increase will be deposited in the General Fund.
- ▶ Increased the cigarette tax by 10 mills to \$0.10 per cigarette or \$2.00 per pack of 20 cigarettes, effective July 1, 2007. The revenue from this increase will be deposited in the General Fund.

2008 – Effective Aug. 1, 2008, only fire-safe certified cigarettes can be imported into Alaska.

2010 – The Legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.

2014 – House Bill 193 (CH 74 SLA 14) added a new section to AS 43.50.150 granting the department the authority to collect, supervise, and enforce tobacco taxes in a manner that would allow the department to enter into agreements with a municipality to administer tobacco taxes on behalf of the municipality. These agreements may allow the department and a municipality to jointly administer cigarette stamps and audit taxpayers for cigarette/tobacco taxes. The law requires municipalities to reimburse the state for administration costs if the municipality decides to enter into an agreement with the department. The department may also share taxpayer information with municipalities relating to tobacco tax.

ALASKA

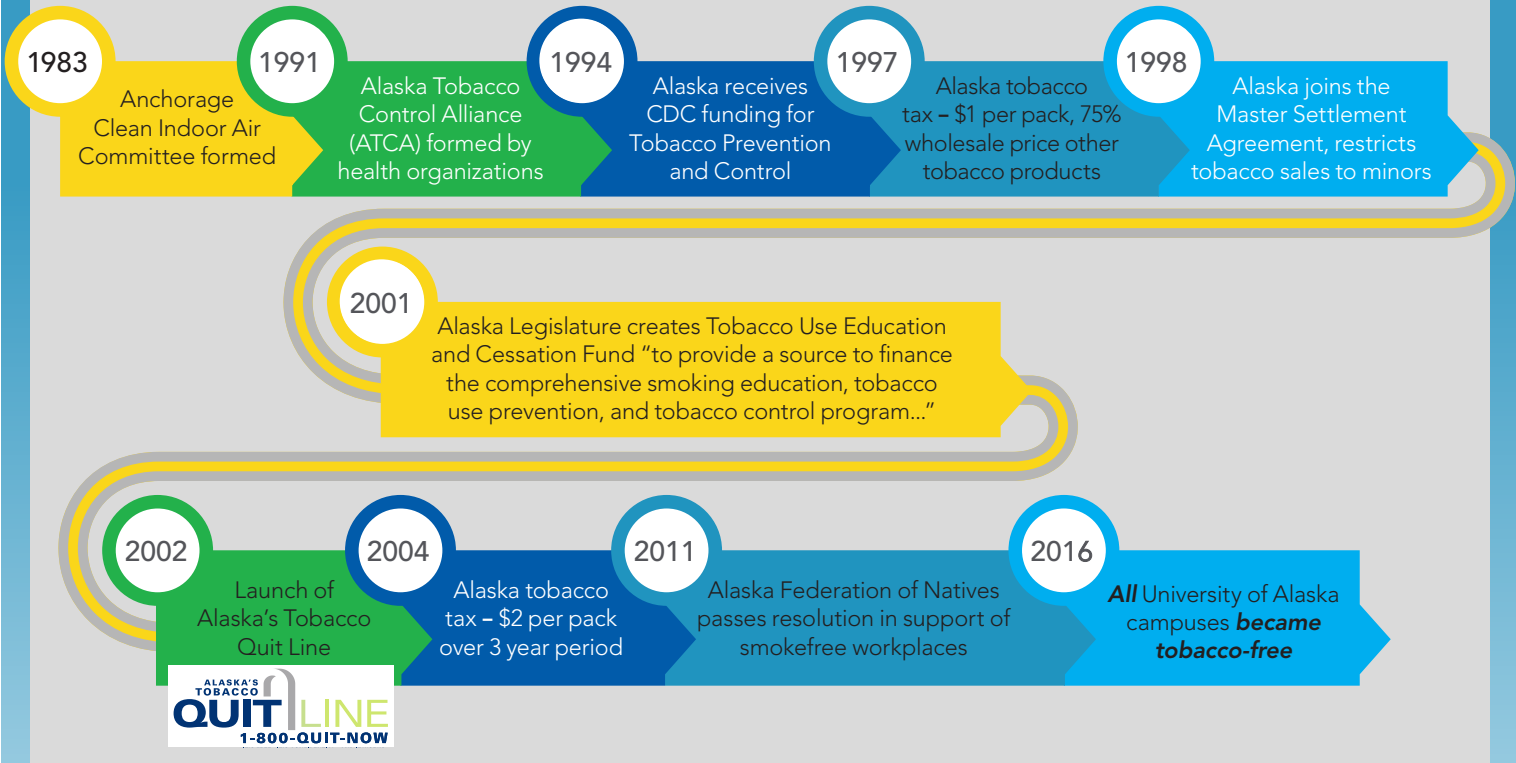
Tobacco Prevention and Control Program

FY2017 ANNUAL REPORT

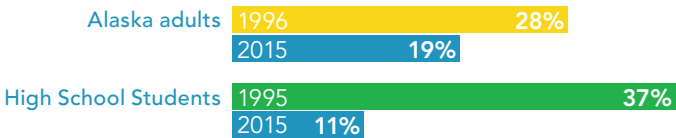
POLICIES AND STRATEGIES – ENGAGING ALASKANS



Timeline of Tobacco Prevention in Alaska – 1983-2016



Percentage of Alaska Adults and High School Students Who Smoke, by Year, 1995-2015



Source: Alaska Behavioral Risk Factor Surveillance System (BRFSS) Combined File, Alaska Youth Risk Behavior Survey (YRBS). Alaska YRBS data are only available for 1995, 2003, and 2007 to present. BRFSS estimates for 2007 and later use a newer weighting method; see Appendix B for more information.



The Leading Preventable Cause of Disease & Death

Smoking remains the leading preventable cause of premature disease and death in the United States.¹ As more diseases are linked to tobacco use, the number of tobacco-related deaths have also increased – to nearly half a million annually in the U.S. Evidence now links smoking to diseases of nearly all organs of the body. More recently recognized smoking-related diseases include age-related macular degeneration, diabetes, colorectal cancer, liver cancer, tuberculosis, erectile dysfunction, cleft lip and cleft palate in infants, ectopic pregnancy, rheumatoid arthritis, and impaired immune function.¹ This new information allows us to better inform decision makers of the burden of tobacco use.

Nationwide, every year there are approximately 480,000 smoking-related deaths, of which 41,000 are caused by secondhand smoke. Exposure to secondhand smoke is now causally associated with increased risk for stroke, adding to the already-known effects of coronary heart disease, lower respiratory illness, sudden infant death syndrome (SIDS), reproductive effects in women, low birth weight, impaired lung function, and lung cancer.¹

Given the increased number of diseases linked to smoking, we now estimate that 680 Alaskans died every year due to smoking alone (not including exposure to secondhand smoke) between 2011 and 2015.

Strategy, Commitment & Action

Progress is being made in Alaska's ongoing work to address the leading cause of preventable death. The comprehensive Alaska Tobacco Prevention and Control (TPC) program continues to be resolute and strategic

in addressing the impacts of tobacco use. Strategies include engaging local health partners and advocates to employ evidence-based strategies in more than 300 communities across the state, educating the public of the health effects of tobacco use and exposure to secondhand smoke, and providing a confidential and accessible cessation service with free nicotine replacement therapy.

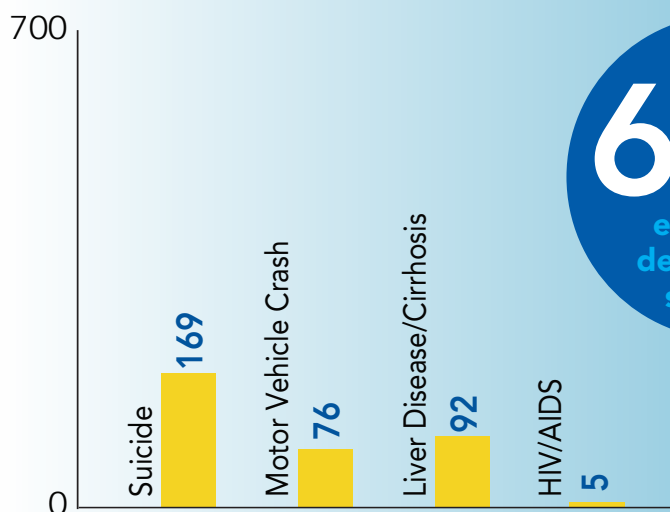
The TPC program provides technical assistance to health care organizations to implement proven strategies to increase tobacco screening and refer their patients to cessation services.

The TPC program also provides education to grantees and partners on strategies that reduce youth initiation, including price increases on tobacco products, placement of tobacco advertising, and tobacco-free campus policies for K-12 schools and post-secondary campuses.



As a result of the TPC program's efforts, Alaskans are taking action. Communities are changing norms by embracing policies that prevent youth from using tobacco, help smokers of all ages quit, and eliminate exposure to secondhand smoke in Alaska, with the end goals of reducing tobacco-related disparities, saving lives, and saving dollars.

Deaths Due to Selected Causes Per Year, Alaska 2011-2015²



(stroke) | Heart attack | Cancer | Bladder cancer | Cervical cancer | Esophageal cancer | Kidney cancer | Laryngeal cancer | Leukemia | Lung cancer | Oral cancer | Pancreatic cancer | Stomach cancer | Asthma | Respiratory infection (e.g. pneumonia) | Impaired lung growth | Early onset lung function decline | Reduced fertility | Low birth weight Pregnancy complications | Sudden Infant Death Syndrome | Blindness | Cataracts | Erectile dysfunction | Hip fractures | Dementia | Chronic obstructive pulmonary disease²

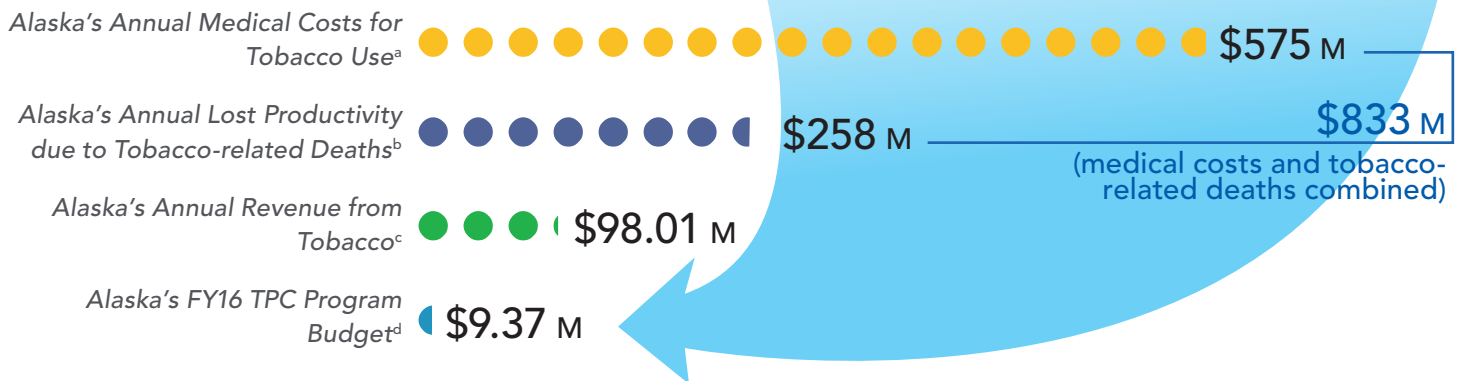
Fiscal Year 2017

“The purpose of the Tobacco Use Education and Cessation Fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program...” (AS 37.05.580)

— HCS SB 1001 (FIN) am H, (enacted June 2004), The Tobacco Use Education and Cessation Fund was created to receive a small portion of the state’s tobacco-derived funds annually, which are then available for appropriation to support tobacco prevention efforts.

Cost of tobacco use, tobacco-derived revenue, investment in tobacco prevention (dollars in millions – M)

Alaska’s FY17 TPC program budget of \$9.37 million – or \$12.66 per capita (CDC recommends \$14 per capita) based on 2017 population estimate - and the cost of tobacco use to Alaska along with the state’s Tobacco-Derived Revenue, are shown below. Alaska’s annual losses due to medical costs and tobacco-related deaths are \$833 million combined.



^a Calculation based on smoking-attributable fractions of medical expenditures developed by CDC in 2004 and used in the 2014 Surgeon General Report, adjusted to 2014 dollars based on percent of annual increases in the SAE estimates. This calculation excludes the 9.6% of costs for services delivered to those 19 years or younger.³

^b Calculation based on methods from the 2014 Surgeon General report.¹ Estimates for lifetime productivity (total and market) were obtained from Grosse et al⁴ and updated to 2013 dollars using the Employment

Cost Index. Underestimated - does not include sickness or secondhand smoke-related deaths.

^c Annual Revenue equals FY17 taxes on tobacco products of \$68 million, plus FY17 Master Settlement payments of \$30.1 million (Revenue Sources Book, Fall 2017).

^d FY17 Tobacco Use Education and Cessation Fund appropriation of \$8.43 million plus FY17 CDC grants of \$.94 million.



Alaskans Adopt Tobacco-free & Smokefree Policies

It is no surprise that smokefree policies continue to be adopted and updated - currently the vast majority of Alaskans, including those who smoke, agree that:

1. secondhand smoke is harmful (**93% all adults and 85% smokers**),
2. **ALL** indoor work areas should be smokefree (88% and 76%) and
3. people should be protected from secondhand smoke (**90% and 84%**).²

Secondhand smoke is harmful

85% smokers | all adults **93%**

All indoor work areas should be smokefree

76% smokers | all adults **88%**

People should be protected from secondhand smoke

84% smokers | all adults **90%**

Smokefree air – protection from e-cigarette aerosol (“vapor”)

The TPC program has delivered sustained public education over the past several years regarding the health harms from the toxic elements in e-cigarette aerosol. This effort has supported the increase in smokefree and tobacco-free policies adopted across Alaska that include protection from e-cigarette aerosol. In FY17 there were 18 new or updated policies, in the following categories - tribal policy, school districts, businesses, multi-unit housing, community workplaces and events - with a majority prohibiting use of e-cigarettes.



Smokefree Alaska Fairs

In 2017 the **Alaska State Fair** celebrated its second year with a completely smokefree environment during the entire fair. Following suit, in 2017 program grantees National Council on Alcoholism & Drug Dependence (NCADD) and SouthEast Alaska Regional Health Consortium (SEARHC), members of the Southeast Partnership regional coalition, supported the **Southeast Alaska State Fair in Haines** to implement a smokefree policy for the entire fair.⁵



Smokefree Multi-unit Housing

Added to Alaska's roster of smokefree multi-unit housing are 3 properties of Kodiak Island Housing Authority, Neighborworks Anchorage properties, Wrangell City Apartments, and the Wrangell Senior Apartments.



since 2007 **223**

Smokefree & Tobacco-Free Tribes

A total of **136** tribes in Alaska have adopted smokefree and tobacco-free resolutions. This includes 58% (135) of the **229** federally recognized tribes in Alaska, along with one tribe not yet federally recognized.⁵

136
Alaska Tribes with resolutions

TOBACCO FREE

NO TOBACCO USE INCLUDING ELECTRONIC CIGARETTES ON PROPERTY OR WITHIN 20 FEET OF ENTRANCE



Alaska Tobacco Prevention Policies

Public Health Region View

Statewide Outreach Partners

- American Lung Association in Alaska
- Alaska School Activities Association
- Rural Alaska Community Action Program
 - Headstart
 - AmeriCorps RAY Volunteers
 - Youth Ambassadors
- Alaska Native Tribal Health Consortium – Behavioral Health Program

Legend

- Tribal Tobacco-free/Smokefree Resolution [136 out of 229]
- Strong Community Smokefree Workplace Law [18]

Tobacco-Free School Districts

Complete policies must include elements that protect:

- all students, staff and visitors on
- all school grounds and school sponsored events
- at all times

Gold, Silver and Bronze awards reflect increasing protective elements, with Gold as the desired status.

Alaska's 54 School District Policies:

- Gold (35)
- Silver (5)
- Bronze (2)
- Incomplete (11)

As of 12-13-17





Northern Region Partners

Maniilaq Association
 Norton Sound Health Corporation
 North Slope Borough

Interior Region Partners

Tanana Chiefs Conference
 Railbelt Mental Health & Addictions
 American Lung Association in Alaska

Southcentral Region Partners

Alaska Family Services/Akeela Inc.
 Mat-Su Borough School District
 American Lung Association in Alaska
 University of Alaska Anchorage
 – Department of Health Sciences

Gulf Coast Region Partners

Kenaitze Indian Tribe
 Chugachmiut, Incorporated
 – Kenai Peninsula Borough School District Alternative Program
 Kodiak Area Native Association
 Copper River Native Association

Southeast Region Partners

National Council on Alcoholism & Drug Dependence
 Southeast Prevention Services
 Petersburg Indian Association
 SouthEast Alaska Regional Health Consortium
 Hoonah Indian Association

Tobacco-Free Schools, Businesses, Organizations

- The American Lung Association (ALA), following up on the successful campaign for a tobacco-free University of Alaska campus (led by student leaders and professors), provided support to the Alaska Pacific University (APU) student leaders, who achieved a unanimous vote of the APU Board of Directors to implement a smoke- and tobacco-free campus by August 2017.⁵
- Out of Alaska's 54 public school districts, 42 now have tobacco-free policies in place, with Nome, Unalaska, and Kashunamiut school districts added in FY17.⁵
- The Alaska School Activities Association continues to engage community partners, most recently the Alaska Association of Student Governments, to implement tobacco-free policies in all Alaska school districts.⁵
- Organizations adopting or enhancing a tobacco-free campus policy include: Wrangell's Parks and Recreation, and the Wrangell Bearfest Marathon, the North Slope Borough Health Department, and the Camai Festival in Bethel.⁵
- The Denali region saw 5 new workplaces adopt smokefree policies: Alaskan Coffee Bean, Denali Glacier Scoops, Park Mart, Subway, and Rapid Exposure Photo lab.⁵
- Smokefree environment policies were adopted or updated by more than 20 healthcare campuses, most recently the Yukon-Kuskokwim Health Corporation, the Ketchikan Indian Community Tribal Health Clinic, Central Peninsula Hospital Serenity House, the Aleutian Pribilof Island Association, SouthEast Regional Health Corporation, and Anchorage Community Mental Health Services – notably the largest community mental health provider in Alaska. Most campus policies also prohibited the use of e-cigarettes.⁵

BENEFITS OF BEING A TOBACCO-FREE CAMPUS

By joining the ranks of the more than 1,500 U.S. colleges and universities that have implemented smokefree/tobacco-free campus policies, the University of Alaska is:

CREATING a healthier learning/work environment free from exposure to the toxic chemicals found in secondhand smoke

BUILDING a supportive environment that will reduce tobacco use initiation among the student body population and support the majority of tobacco users who are interested in quitting

BETTER PREPARING STUDENTS to enter today's workforce where tobacco-free policies have become the norm

EXPECTING TO SEE A REDUCTION in facilities/maintenance cleaning costs associated with cigarette butt litter disposal and fire damage

HOPING in the long term, to see a reduction in employee medical insurance costs associated with the treatment of tobacco-related disease

Grant Community Outreach

TPC program grantees engage more than 300 communities across Alaska through education with local media, supporting coalition events, and providing model policies and cessation materials. The grantees work in multiple strategies to increase access to evidence-based cessation treatments, reduce disparities experienced by priority populations, and reduce youth access to tobacco products. Together with the TPC program, these grantees have the ability to impact their communities by introducing evidence-based strategies to educate and provide awareness of the health harms of tobacco use.⁵

Youth engagement

- **RurAL CAP** continues to expand their tobacco prevention outreach across rural Alaska by:
 - Training youth leaders as Teen Ambassadors whose projects and leadership efforts engage their communities and schools in tobacco prevention, cessation, and policy development. Across Alaska, the most recent youth participants for this program came from Nenana, Hooper Bay, Soldotna, Kenai, Eagle, Fairbanks, Anchorage, Selawik, Manokotak, Kotzebue, New Stuyahok, Levelock, Chalkytitsik, Iguigig, Chevak, Kotlik, Stebbins, Tetlin, Russian Mission, and Brevig Mission.
 - Publishing a newsletter that reaches rural Alaska communities that includes cessation and prevention information and features highlights of the teen ambassador projects.
- Nenana's Railbelt Mental Health and Addictions' "People In Need of Knowledge (PINK)" youth movement has fostered a number of youth leaders. Most recently, student Leena Robinson was honored with the Prudential Spirit of Community Award at their national ceremony in Washington D.C. She was also recognized by the Alaska Legislature and Alaska's Spirit of Youth program.
- The North Slope Borough Health Department's Tobacco Prevention and Control program partnered with the borough's high school football team, The Barrow Whalers, to tackle tobacco use in Utqiagvik youth. "We taught our football players that putting tobacco in your body will limit their athletic ability to do their best on the field. Also, we want our players to be a role model in the community," said Chris Battle, head football coach for the Whalers.



Cessation Support for Alaska Adults



Alaska's Tobacco Quit Line is ready to support tobacco users who want to quit. In Alaska, that means 68% of current adult smokers.² Already, more Alaskans have quit tobacco (27%) than are currently using tobacco (20%). The ratio of former to current smokers (or "quit ratio") has increased significantly since 1996. The proportion of ever smokers age 25 or older who have quit smoking increased from 51% in 1996 to 59% in 2014.²

Tobacco Consumption in Alaska

Cigarette consumption in Alaska has steadily declined. There has been a 61% drop in the number of cigarette packs sold per adult in Alaska between 1996 and 2015. This translates into 505 million fewer cigarettes sold in Alaska in 2015 than in 1996. Conversely, spending on other tobacco products (OTP) increased between 2001 and 2016.



↓61%

Increase in Annual Spending on Other Tobacco Products (Excluding Electronic Cigarettes) per Alaska Adult by Fiscal Year*



↑2X+

*Department of Revenue data on OTP sales has been tracked since 2001

Increasing Cessation Referrals

- **AKEELA** worked to increase cessation options for Alaskans with mental health and substance use disorders, a population that is more likely to smoke than the general population, by collaborating with the Alaska Division of Behavioral Health to improve tobacco treatment in their funded facilities.
- **SOUTHEAST REGIONAL HEALTH CORPORATION (SEARHC)** transitioned to a new electronic health record system in February 2017. They also instituted a brief intervention policy for every patient at every visit with providers, referring tobacco users to in-house cessation counseling or Alaska's Tobacco Quit Line. Since June, in-person provider trainings to 77 employees have been conducted across the region. Providers are also encouraged to access the "Helping Alaskans Quit" Brief Tobacco Intervention Continuing Medical Education training (www.akbriefintervention.org) developed and provided by the Alaska TPC program.

“Tobacco use screening and brief intervention by clinicians not only is a top-ranked clinical preventive service ... but also is a cost-saving measure ... more cost-effective than other commonly provided clinical preventive services, including mammography, colon cancer screening, Pap tests, treatment of mild to moderate hypertension, and treatment of high cholesterol.”

— Centers for Disease Control and Prevention. *Best Practices for Comprehensive Tobacco Control Programs – 2007*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health; October 2007.



FY17 Successes and Challenges

Smokefree Places

- **SUCCESSSES:** In FY17, 18 organizations passed or updated smoke- or tobacco-free policies.
- **CHALLENGES:** Although most Alaska adults (90%) agree that people should be protected from secondhand smoke, only half of Alaska's population is covered by a local smoke free workplace law. Alaska municipalities have varying levels of governance, and many of the remaining Alaskan communities do not have the appropriate health powers to enact such a law.

Providing cessation support

- **SUCCESSSES:** Health care organizations such as Akeela, SEARHC, and YKHC are examples of how health care organizations have implemented strategies to increase tobacco screening and refer their patients to cessation services.
- **CHALLENGES:** In 2015, only 65% of Alaska adult smokers who saw a healthcare provider in the past year were advised to quit.² Moving forward, the TPC program strategy will continue to promote systematic electronic referrals within healthcare systems and practices by utilizing e-referral to tobacco cessation programs.



Youth Tobacco Use

- **SUCCESSSES:** Cigarette smoking declined among high school students between 1995 (37%) and 2015 (11%).
- **CHALLENGES:** More high school students use e-cigarettes (18%) than regular cigarettes, and smokeless tobacco use has remained flat since 2013. The percentage of students who perceive great risk of harm in smoking one or more packs of cigarettes per day significantly declined between 2013 (65%) and 2017 (54%). The development and popularity of new tobacco and nicotine products present challenges for addressing youth initiation with existing resources.



Sources:

¹ U.S. Department of Health and Human Services. The Health Consequences of Smoking -50 years of Progress. A Report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and

Health, 2014. <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/index.html>.

² Alaska Tobacco Facts, 2017 Update. http://dhss.alaska.gov/dph/Chronic/Documents/Tobacco/PDF/2017_AKTobaccoFacts.pdf.

³ Bui, A.L. et al. (2017). Spending on Children's Personal Health Care in the United States, 1996-2013. *JAMA Pediatr.* 171(2): p. 181-189.

⁴ Grosse, S.D. et al. (2009). Economic Productivity by Age and Sex, 2007 Estimates for the United States. *Medical Care.* 47: p. S94-S103.

⁵ Alaska Tobacco Prevention and Control program records.

⁶ Alaska Youth Risk Behavior Survey. <http://dhss.alaska.gov/dph/Chronic/Pages/yrbs/yrbs.aspx>.



State of Alaska
Bill Walker, Governor

Department of Health and Social Services
Valerie Nurr'araaluk Davidson, Commissioner

Jay C. Butler, MD, Chief Medical Officer
and Division of Public Health Director

February, 2018

www.dhss.alaska.gov/dph/Chronic/Pages/Tobacco/




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Federal Excise Tax Increase and Related Provisions

Summary

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA, Public Law 111-3) ("the Act"), was signed into law on February 4, 2009. The Act increases the Federal excise taxes on tobacco products, imposes a floor stocks tax, imposes new requirements on manufacturers and importers of processed tobacco, expands the definition of roll-your-own tobacco, and changes the basis for denial, suspension, or revocation of permits.

To date, TTB has published several informational and guidance documents to assist industry members in complying with the Act's provisions (see [Industry Circular 2009-1](#), [TTB Ruling 2009-1](#) and [TTB Procedure 2009-1](#)). In addition, in final rule [T.D. TTB-104](#), TTB made permanent, with some changes, temporary regulations issued in response to the changes that CHIPRA made to the Internal Revenue Code. Therefore, effective June 21, 2012, all CHIPRA-related regulations in 27 CFR parts 40, 41, 44, and 45, published in [T.D. TTB-78](#), [T.D. TTB-80](#), [T.D. TTB-81](#), and [T.D. TTB-104](#), are adopted as final. All documents related to the CHIPRA-related rulemaking are available for public viewing at the [Regulations.gov](#) website within [Docket No. TTB-2009-0002](#).

In addition, TTB has updated the floor stocks tax return, as well as several application and report forms, because of the new CHIPRA provisions. These forms include:

TTB F 5000.28T09	2009 Floor Stocks Tax (also see Instructions for TTB F 5000.28T09)
TTB F 5200.3	Application for Permit to Manufacture Tobacco Products or Processed Tobacco or to Operate an Export Warehouse
TTB F 5200.16	Application for Amended Permit to Manufacture Tobacco Products or Processed Tobacco or to Operate an Export Warehouse
TTB F 5220.6	Monthly Report — Importer of Tobacco Products or Processed Tobacco
TTB F 5230.4	Application for Permit to Import Tobacco Products or Processed Tobacco
TTB F 5230.5	Application for Amended Permit to Import Tobacco Products or Processed Tobacco
TTB F 5250.1	Report - Manufacturer of Processed Tobacco
TTB F 5250.2	Report of Removal, Transfer, or Sale of Processed Tobacco

We also are providing the general guidance below and ask that you please contact the National Revenue Center (NRC) with any questions. Please submit an [online inquiry](#) or call the NRC at **1-877-TTB-FAQS (1-877-882-3277)** toll free or at **(513)-684-3334**.

Federal Excise Tax Increase and Floor Stocks Tax

The Act increases the Federal excise tax on all tobacco products and cigarette papers and cigarette tubes, effective April 1, 2009. In addition, the Act imposes a floor stocks tax on all tobacco products (except large cigars), cigarette papers and cigarette tubes held for sale on April 1, 2009. A floor stocks tax is a one-time excise tax placed on a commodity undergoing a tax increase. The amount of the floor stocks tax is equal to the difference between the new tax rate and the one just previous to it. Any person who holds tobacco products (except large cigars), cigarette papers, or cigarette tubes is liable for the floor stocks tax on April 1, 2009. This includes, for example, wholesalers and retail dealers, as well as manufacturers and importers who are holding taxpaid or tax determined products. Each person is allowed a credit against the tax of \$500. Liability for the floor stocks tax must be established by inventory. The Act stipulates that the floor stocks tax must be paid on or before August 1, 2009. Because August 1 is a Saturday, the floor stocks tax must be paid on or before the preceding day, July 31, 2009, in accordance with 26 U.S.C. 5703(b)(2)(E). As noted above, more information related to the floor stocks tax will follow. The tax rates in effect on April 1, 2009, and just previous to the increase, as well as the floor stocks tax, are shown in the table below.

Product	Tax Rate effective March 31, 2009	Tax Rate effective April 1, 2009	Floor Stocks Tax Rate (difference between the rates)
Small Cigarettes - Class A <i>(Weigh 3 lbs. or less per 1,000)</i>	\$19.50 per 1,000 equivalent to: \$3.90 per carton \$0.39 per pack	\$50.33 per 1,000 equivalent to: \$10.066 per carton \$1.0066 per pack	\$30.83 per 1,000 equivalent to: \$6.166 per carton \$0.6166 per pack
Large Cigarettes - Class B*	\$40.95 per 1,000	\$105.69 per 1,000	\$64.74 per 1,000

(Weigh more than 3 lbs. per 1,000)			
Small Cigars	\$1.828 per 1,000	\$50.33 per 1,000	\$48.502 per 1,000
(Weigh 3 lbs. or less per 1,000)			
Large Cigars	20.719% of sales price but not to exceed \$48.75 per 1,000	52.75% of sales price but not to exceed \$0.4026 per cigar (or \$402.60 per 1,000)	NOT PART OF FLOOR STOCKS TAX
(Weigh more than 3 lbs. per 1,000)			
Chewing Tobacco**	\$0.195 per pound	\$0.5033 per pound	\$0.3083 per pound
Snuff**	\$0.585 per pound	\$1.51 per pound	\$0.925 per pound
Pipe tobacco**	\$1.0969 per pound	\$2.8311 per pound	\$1.7342 per pound
Roll-your-own tobacco**	\$1.0969 per pound	\$24.78 per pound	\$23.6831 per pound
Cigarette papers***	\$0.0122 per 50	\$0.0315 per 50	\$0.0193 per 50
Cigarette tubes***	\$0.0244 per 50	\$0.0630 per 50	\$0.0386 per 50

*If more than 6 ½ inches in length, the cigarettes are taxable at the rate prescribed for small cigarettes, counting each 2¼ inches, or fraction thereof, as one small cigarette.

**The tax rate is set forth per pound and a proportionate tax at the same rate applies to all fractional parts of a pound.

***The tax rate for less than 50 cigarette papers or cigarette tubes is not prorated. If more than 6 ½ inches in length, the cigarette papers or cigarette tubes shall be taxable at the rate prescribed for that product, counting each 2¼ inches, or fraction thereof, as one cigarette paper or cigarette tube, as appropriate.

Permits, reports, and recordkeeping requirements for manufacturers and importers of processed tobacco

As a result of the Act, any person who manufactures or imports processed tobacco will now be required to qualify for and obtain a permit from TTB, and take inventories, submit reports, and keep records as required by regulation. There is no tax liability on processed tobacco and no bond requirement. Under the Act, the processing of tobacco does not include the farming or growing of tobacco or the handling of tobacco solely for sale, shipment, or delivery to a manufacturer of tobacco products or processed tobacco. The Act includes a transitional rule whereby any person engaged in the business as a manufacturer or importer of processed tobacco on April 1, 2009, who submits an application to TTB within 90 days after April 1, 2009 (that is, on or before June 30, 2009) may continue to engage in that business pending final action by TTB on the permit application.

Expansion of the definition of roll-your-own tobacco

The definition of roll-your-own tobacco at 26 U.S.C. 5702(o), as amended by the Act, reads "any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes or cigars, or for use as wrappers thereof." Specifically, the Act added the words, "or cigars, or for use as wrappers thereof" to the end of the definition. As a result, existing permit requirements applicable to manufacturers and importers of roll-your-own tobacco will now extend to manufacturers and importers of tobacco for making cigars and tobacco for use as wrappers of cigarettes and cigars. There is no transitional rule for these new industry members. The effective date for this provision is also April 1, 2009.

Basis for denial, suspension, or revocation of permits

As a result of the Act, the basis for denial, suspension, or revocation of permits has been broadened. That is, a permit may now be denied for an applicant who has been convicted of a felony violation of a Federal or State criminal law relating to tobacco products, processed tobacco, cigarette papers, or cigarette tubes, or if, by reason of previous or current legal proceedings involving a violation of Federal criminal felony laws relating to tobacco products, processed tobacco, cigarette papers, or cigarette tubes, the applicant is not likely to maintain operations in compliance with the applicable provisions of the IRC. Similarly, a permit may be revoked or suspended for a person convicted of a felony violation of a Federal or State criminal law relating to tobacco products, processed tobacco, cigarette papers, or cigarette tubes, or if, by reason of previous or current legal proceedings involving a violation of Federal criminal felony laws relating to tobacco products, processed tobacco, cigarette papers, or cigarette tubes, the person is not likely to maintain operations in compliance with chapter 52 of the IRC. This provision was effective on the date of enactment, that is, February 4, 2009.

Other provisions

As noted above, the general guidance provided here is merely to alert industry members and other interested parties of certain provisions in the Act that have immediate and broad importance. More detailed information, guidance, and regulatory text, will be forthcoming. For reference, the text of the Act follows.

Excerpted Text from HR2 Pertaining to Tobacco Products

TITLE VII--REVENUE PROVISIONS

SEC. 701. INCREASE IN EXCISE TAX RATE ON TOBACCO PRODUCTS.

(a) Cigars- Section 5701(a) of the Internal Revenue Code of 1986 is amended--

- (1) by striking '\$1.828 cents per thousand (\$1.594 cents per thousand on cigars removed during 2000 or 2001)' in paragraph (1) and inserting '\$50.33 per thousand',
- (2) by striking '20.719 percent (18.063 percent on cigars removed during 2000 or 2001)' in paragraph (2) and inserting '52.75 percent', and
- (3) by striking '\$48.75 per thousand (\$42.50 per thousand on cigars removed during 2000 or 2001)' in paragraph (2) and inserting '40.26 cents per cigar'.

(b) Cigarettes- Section 5701(b) of such Code is amended--

- (1) by striking '\$19.50 per thousand (\$17 per thousand on cigarettes removed during 2000 or 2001)' in paragraph (1) and inserting '\$50.33 per thousand', and
- (2) by striking '\$40.95 per thousand (\$35.70 per thousand on cigarettes removed during 2000 or 2001)' in paragraph (2) and inserting '\$105.69 per thousand'.

(c) Cigarette Papers- Section 5701(c) of such Code is amended by striking '1.22 cents (1.06 cents on cigarette papers removed during 2000 or 2001)' and inserting '3.15 cents'.

(d) Cigarette Tubes- Section 5701(d) of such Code is amended by striking '2.44 cents (2.13 cents on cigarette tubes removed during 2000 or 2001)' and inserting '6.30 cents'.

(e) Smokeless Tobacco- Section 5701(e) of such Code is amended--

- (1) by striking '58.5 cents (51 cents on snuff removed during 2000 or 2001)' in paragraph (1) and inserting '\$1.51', and
- (2) by striking '19.5 cents (17 cents on chewing tobacco removed during 2000 or 2001)' in paragraph (2) and inserting '50.33 cents'.

(f) Pipe Tobacco- Section 5701(f) of such Code is amended by striking '\$1.0969 cents (95.67 cents on pipe tobacco removed during 2000 or 2001)' and inserting '\$2.8311 cents'.

(g) Roll-Your-Own Tobacco- Section 5701(g) of such Code is amended by striking '\$1.0969 cents (95.67 cents on roll-your-own tobacco removed during 2000 or 2001)' and inserting '\$24.78'.

(h) Floor Stocks Taxes-

(1) IMPOSITION OF TAX- On tobacco products (other than cigars described in section 5701(a)(2) of the Internal Revenue Code of 1986) and cigarette papers and tubes manufactured in or imported into the United States which are removed before April 1, 2009, and held on such date for sale by any person, there is hereby imposed a tax in an amount equal to the excess of--

(A) the tax which would be imposed under section 5701 of such Code on the article if the article had been removed on such date, over

(B) the prior tax (if any) imposed under section 5701 of such Code on such article.

(2) CREDIT AGAINST TAX- Each person shall be allowed as a credit against the taxes imposed by paragraph (1) an amount equal to \$500. Such credit shall not exceed the amount of taxes imposed by paragraph (1) on April 1, 2009, for which such person is liable.

(3) LIABILITY FOR TAX AND METHOD OF PAYMENT-

(A) LIABILITY FOR TAX- A person holding tobacco products, cigarette papers, or cigarette tubes on April 1, 2009, to which any tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT- The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

(C) TIME FOR PAYMENT- The tax imposed by paragraph (1) shall be paid on or before August 1, 2009.

(4) ARTICLES IN FOREIGN TRADE ZONES- Notwithstanding the Act of June 18, 1934 (commonly known as the Foreign Trade Zone Act, 48 Stat. 998, 19 U.S.C. 81a et seq.) or any other provision of law, any article which is located in a foreign trade zone on April 1, 2009, shall be subject to the tax imposed by paragraph (1) if--

(A) internal revenue taxes have been determined, or customs duties liquidated, with respect to such article before such date pursuant to a request made under the 1st proviso of section 3(a) of such Act, or

(B) such article is held on such date under the supervision of an officer of the United States Customs and Border Protection of the Department of Homeland Security pursuant to the 2d proviso of such section 3(a).

(5) DEFINITIONS- For purposes of this subsection--

(A) IN GENERAL- Any term used in this subsection which is also used in section 5702 of the Internal Revenue Code of 1986 shall have the same meaning as such term has in such section.

(B) SECRETARY- The term 'Secretary' means the Secretary of the Treasury or the Secretary's delegate.

(6) CONTROLLED GROUPS- Rules similar to the rules of section 5061(e)(3) of such Code shall apply for purposes of this subsection.

(7) OTHER LAWS APPLICABLE- All provisions of law, including penalties, applicable with respect to the taxes imposed by section 5701 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such section 5701. The Secretary may treat any person who bore the ultimate burden of the tax imposed by paragraph (1) as the person to whom a credit or refund under such provisions may be allowed or made.

(i) Effective Date- The amendments made by this section shall apply to articles removed (as defined in section 5702(j) of the Internal Revenue Code of 1986) after March 31, 2009.

SEC. 702. ADMINISTRATIVE IMPROVEMENTS.

(a) Permit, Inventories, Reports, and Records Requirements for Manufacturers and Importers of Processed Tobacco-

(1) PERMIT-

(A) APPLICATION- Section 5712 of the Internal Revenue Code of 1986 is amended by inserting 'or processed tobacco' after 'tobacco products'.

(B) ISSUANCE- Section 5713(a) of such Code is amended by inserting `or processed tobacco' after `tobacco products'.

(2) INVENTORIES, REPORTS, AND PACKAGES-

(A) INVENTORIES- Section 5721 of such Code is amended by inserting `, processed tobacco,' after `tobacco products'.

(B) REPORTS- Section 5722 of such Code is amended by inserting `, processed tobacco,' after `tobacco products'.

(C) PACKAGES, MARKS, LABELS, AND NOTICES- Section 5723 of such Code is amended by inserting `, processed tobacco,' after `tobacco products' each place it appears.

(3) RECORDS- Section 5741 of such Code is amended by inserting `, processed tobacco,' after `tobacco products'.

(4) MANUFACTURER OF PROCESSED TOBACCO- Section 5702 of such Code is amended by adding at the end the following new subsection:

`(p) Manufacturer of Processed Tobacco-

`(1) IN GENERAL- The term `manufacturer of processed tobacco' means any person who processes any tobacco other than tobacco products.

`(2) PROCESSED TOBACCO- The processing of tobacco shall not include the farming or growing of tobacco or the handling of tobacco solely for sale, shipment, or delivery to a manufacturer of tobacco products or processed tobacco.'

(5) CONFORMING AMENDMENTS-

(A) Section 5702(h) of such Code is amended by striking `tobacco products and cigarette papers and tubes' and inserting `tobacco products or cigarette papers or tubes or any processed tobacco'.

(B) Sections 5702(j) and 5702(k) of such Code are each amended by inserting `, or any processed tobacco,' after `tobacco products or cigarette papers or tubes'.

(6) EFFECTIVE DATE- The amendments made by this subsection shall take effect on April 1, 2009.

(b) Basis for Denial, Suspension, or Revocation of Permits-

(1) DENIAL- Paragraph (3) of section 5712 of such Code is amended to read as follows:

`(3) such person (including, in the case of a corporation, any officer, director, or principal stockholder and, in the case of a partnership, a partner)--

`(A) is, by reason of his business experience, financial standing, or trade connections or by reason of previous or current legal proceedings involving a felony violation of any other provision of Federal criminal law relating to tobacco products, processed tobacco, cigarette paper, or cigarette tubes, not likely to maintain operations in compliance with this chapter,

`(B) has been convicted of a felony violation of any provision of Federal or State criminal law relating to tobacco products, processed tobacco, cigarette paper, or cigarette tubes, or

`(C) has failed to disclose any material information required or made any material false statement in the application therefor.'

(2) SUSPENSION OR REVOCATION- Subsection (b) of section 5713 of such Code is amended to read as follows:

`(b) Suspension or Revocation-

`(1) SHOW CAUSE HEARING- If the Secretary has reason to believe that any person holding a permit--

`(A) has not in good faith complied with this chapter, or with any other provision of this title involving intent to defraud,

`(B) has violated the conditions of such permit,

`(C) has failed to disclose any material information required or made any material false statement in the application for such permit,

`(D) has failed to maintain his premises in such manner as to protect the revenue,

`(E) is, by reason of previous or current legal proceedings involving a felony violation of any other provision of Federal criminal law relating to tobacco products, processed tobacco, cigarette paper, or cigarette tubes, not likely to maintain operations in compliance with this chapter, or

`(F) has been convicted of a felony violation of any provision of Federal or State criminal law relating to tobacco products, processed tobacco, cigarette paper, or cigarette tubes, the Secretary shall issue an order, stating the facts charged, citing such person to show cause why his permit should not be suspended or revoked.

`(2) ACTION FOLLOWING HEARING- If, after hearing, the Secretary finds that such person has not shown cause why his permit should not be suspended or revoked, such permit shall be suspended for such period as the Secretary deems proper or shall be revoked.'

(3) EFFECTIVE DATE- The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(c) Application of Internal Revenue Code Statute of Limitations for Alcohol and Tobacco Excise Taxes-

(1) IN GENERAL- Section 514(a) of the Tariff Act of 1930 (19 U.S.C. 1514(a)) is amended by striking `and section 520 (relating to refunds)' and inserting `section 520 (relating to refunds), and section 6501 of the Internal Revenue Code of 1986 (but only with respect to taxes imposed under chapters 51 and 52 of such Code)'.

(2) EFFECTIVE DATE- The amendment made by this subsection shall apply to articles imported after the date of the enactment of this Act.

(d) Expansion of Definition of Roll-Your-Own Tobacco-

(1) IN GENERAL- Section 5702(o) of the Internal Revenue Code of 1986 is amended by inserting `or cigars, or for use as wrappers thereof' before the period at the end.

(2) EFFECTIVE DATE- The amendment made by this subsection shall apply to articles removed (as defined in section 5702(j) of the Internal Revenue Code of 1986) after March 31, 2009.

(e) Time of Tax for Unlawfully Manufactured Tobacco Products-

(1) IN GENERAL- Section 5703(b)(2) of such Code is amended by adding at the end the following new subparagraph:

“(F) SPECIAL RULE FOR UNLAWFULLY MANUFACTURED TOBACCO PRODUCTS- In the case of any tobacco products, cigarette paper, or cigarette tubes manufactured in the United States at any place other than the premises of a manufacturer of tobacco products, cigarette paper, or cigarette tubes that has filed the bond and obtained the permit required under this chapter, tax shall be due and payable immediately upon manufacture.”

(2) EFFECTIVE DATE- The amendment made by this subsection shall take effect on the date of the enactment of this Act.

(f) Disclosure-

(1) IN GENERAL- Paragraph (1) of section 6103(o) of such Code is amended by designating the text as subparagraph (A), moving such text 2 ems to the right, striking “Returns” and inserting “(A) IN GENERAL- Returns”, and by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

“(B) USE IN CERTAIN PROCEEDINGS- Returns and return information disclosed to a Federal agency under subparagraph (A) may be used in an action or proceeding (or in preparation for such action or proceeding) brought under section 625 of the American Jobs Creation Act of 2004 for the collection of any unpaid assessment or penalty arising under such Act.”

(2) CONFORMING AMENDMENT- Section 6103(p)(4) of such Code is amended by striking “(o)(1)” both places it appears and inserting “(o)(1)(A)”.

(3) EFFECTIVE DATE- The amendments made by this subsection shall apply on or after the date of the enactment of this Act.

(g) Transitional Rule- Any person who--

(1) on April 1, 2009 is engaged in business as a manufacturer of processed tobacco or as an importer of processed tobacco, and

(2) before the end of the 90-day period beginning on such date, submits an application under subchapter B of chapter 52 of such Code to engage in such business, may, notwithstanding such subchapter B, continue to engage in such business pending final action on such application. Pending such final action, all provisions of such chapter 52 shall apply to such applicant in the same manner and to the same extent as if such applicant were a holder of a permit under such chapter 52 to engage in such business.

SEC. 703. TREASURY STUDY CONCERNING MAGNITUDE OF TOBACCO SMUGGLING IN THE UNITED STATES.

Not later than one year after the date of the enactment of this Act, the Secretary of the Treasury shall conduct a study concerning the magnitude of tobacco smuggling in the United States and submit to Congress recommendations for the most effective steps to reduce tobacco smuggling. Such study shall also include a review of the loss of Federal tax receipts due to illicit tobacco trade in the United States and the role of imported tobacco products in the illicit tobacco trade in the United States.

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