

September 2010



INCREASE IN TAX RATES ON TOBACCO PRODUCTS AND FLOOR STOCKS TAX REGULATIONS FINALIZED

In [T.D. TTB-85](#), TTB is adopting, with minor technical changes, the [temporary regulations](#) that implemented [certain provisions](#) of the Children's Health Insurance Program Reauthorization Act of 2009, including increases in Federal excise tax rates on tobacco products, the related floor stocks tax, and the new statutory criteria for denial, suspension, and revocation of tobacco permits. This final rule was effective on August 23, 2010. The temporary regulations were published in [T.D. TTB-75](#) on March 31, 2009. See [Docket No. TTB-2009-0001](#) for all relevant rulemaking documents and comments.

NOTICE NO. 106: STANDARDS TO DISTINGUISH BETWEEN PIPE AND ROLL-YOUR-OWN TOBACCOS

In [Notice No. 106](#), TTB requested public comment on standards proposed to distinguish between pipe tobacco and roll-your-own tobacco for Federal excise tax purposes based upon certain physical characteristics of the two products. The comment period closed September 20, 2010. To view all comments and documents associated with this rulemaking, go to [Docket No. TTB-2010-0004](#) at [Regulations.gov](#).

MAY MANUFACTURERS AND IMPORTERS OF LARGE CIGARS EXCLUDE THE "TOBACCO BUYOUT" ASSESSMENTS PAID TO THE USDA COMMODITY CREDIT CORPORATION FROM THE TAXABLE PRICE OF LARGE CIGARS?

No. Section 5702(l) of the Internal Revenue Code of 1986 (IRC) provides that, in determining the price of cigars for Federal excise tax purposes, the following shall be excluded:

- the amount of tax imposed by Chapter 52 of the IRC,
- the amount of tax imposed by 26 U.S.C. 7652, which concerns shipments to the United States from Puerto Rico and the Virgin Islands, and
- if stated as a separate charge, the amount of any retail sales tax imposed by any State or political subdivision thereof, or the District of Columbia, whether the liability for such tax is imposed on the vendor or vendee.

THIS ISSUE

Greetings! We hope you are having a delightful and flourishing month! This edition of Tobacco News contains information about two recent rulemaking actions and the latest on floor stocks tax collections.

If you have content ideas or questions for the editors please send them to:

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No other exclusions are provided in Section 5702(I). Under the Fair and Equitable Tobacco Reform Act of 2004 (P.L. 108-357), beginning in fiscal year 2005, the United States Department of Agriculture (USDA) Commodity Credit Corporation has imposed quarterly assessments on tobacco product manufacturers and importers. The assessments will continue through fiscal year 2014. The USDA assessment payments are not taxes imposed under the IRC, or State or local taxes. Manufacturers and importers may not exclude these payments in determining the price of cigars for Federal excise tax purposes. Any questions about the USDA assessment program should be directed to USDA. The USDA website discussing this topic is:
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=toba&topic=landing>.

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