

This letter discusses the taxation of "little cigars" under the Cigarette Tax Act. See P.A 97-0688. (This is a GIL.)

July 23, 2012

Dear:

This letter is in response to your letter dated June 28, 2012, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

In regards to the above mentioned Informational Bulletin regarding Little Cigars, we have concerns with the grace period allowed before an unstamped Little Cigar is determined to be contraband.

It is common practice in our business as a retailer specializing in tobacco to carry several months inventory of Little Cigars. Implementing a one month grace period to comply with this ruling will place undue financial hardship on our Company.

We are asking you to allow us to sell our inventory of Little Cigars which we have purchased prior to June 21st, 2012 (the date this informational bulletin was published) to comply with this ruling.

DEPARTMENT'S RESPONSE:

Senate Bill 2194 was signed into law by the Governor on June 14, 2012, with an immediate effective date. P.A 97-0688. The Public Act expands the definition of cigarettes to include tobacco products commonly referred to as "little cigars" effective July 1, 2012. On July 21, 2012, the Department posted Bulletin FY 2012-12 New Requirements for Tobacco Products Commonly Known as Little Cigars on its website. In the Bulletin, the Department stated that all packages of tobacco products meeting the new definition of "cigarettes" sold by licensed cigarette distributors after July 1, 2012 must bear a tax stamp.

The new Public Act affects retailers in a number of ways, as noted in the Bulletin. Retailers will have until August 1, 2012, to sell their present inventory. On August 1, 2012, unstamped little cigars meeting the definition of cigarettes that are in their inventory will be considered contraband cigarettes and will be subject to seizure and forfeiture. All little cigars meeting the definition of cigarettes purchased by retailers on or after July 1, 2012, must have a cigarette tax stamp affixed.

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The Department cannot delay enforcement of the Public Act beyond July 31, 2012. You must sell or dispose of the product by July 31, 2012, return the product to the distributor for a refund or ask the distributor to stamp the product and pay the tax.

If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters
Associate Counsel