



Alabama Department of Revenue Business & License Tax Division

Field Audit Section
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Wholesale to Retail Accountability Program

“WRAP”

Act 2017-294

- Requires licensed beer or wine distributors and anyone selling tobacco products at wholesale to file monthly reports showing all sales to retailers.
- Establishes a Wholesale and Distributor Reporting Advisory Group. This group will give input and recommendations on the reporting requirements.
- In order to not create additional reports, the Tobacco Sales for Resale Report will be used to report the sales.

Act 2017-294 (Continued)

- Effective for sales occurring on or after July 1, 2018.
- The first reports will be due August 20, 2018.
- Effective January 1, 2022, the department shall be the sole source of municipal and county government agencies to obtain sales information that is required to be provided under this act to the department.
- Effective October 1, 2019, the department will receive information on all new and renewals of the municipal business privilege license applications.

State Tobacco Taxes



The Tobacco Tax Laws:

- State Tobacco Taxes (Title 40, Chapter 25)
- State-Administered County Tobacco Taxes (Individual Acts)
- State Escrow Provisions and Complementary Legislation Relating To The Tobacco Master Settlement Agreement (Title 6, Chapter 12 and Title 6, Chapter 12A)

State Tobacco Taxes are Charged on the following items:

- Cigarettes
- Cigars
- Filtered Cigars
- Little Cigars
- Smoking Tobacco
- Chewing Tobacco
- Snuff
- Cigar Wrappers

State Cigarette Tax Rate

- The tax rate on cigarettes is 33.75 mills. This converts to \$0.675 per pack of 20 cigarettes or \$6.75 per carton.
- Taxes on cigarettes are paid by wholesalers/distributors affixing a revenue stamp to the cigarette pack. The stamp can only be purchased from ADOR's Tobacco Tax Section.
- The tax value of **one 30,000 roll** of stamps is \$20,250 ($30,000 * \0.675). The cost to a permitted wholesaler after the 4.75% discount is \$19,288.12.
- The tax value of **one case** of 30,000 per roll stamps is \$506,250 ($750,000 * \0.675). After the discount, the cost is \$482,203.12.

Who Receives the Proceeds?

- State tobacco products fund various agencies of the State such as Medicaid, Mental Health, State Parks and the General Fund.
- County tobacco products fund various county projects including roads and bridges, volunteer fire departments, or county health departments, etc. depending upon the Act.

Distribution of Cigarette Tax Collections

- 61.18% of collections go to the General Fund to be used for Medicaid Services, and
- Up to \$2 million of this amount is allocated to the various counties of the State to offset administrative expenses related to placing county stamps on cigarettes, and to provide a discount to wholesalers for affixing the stamps.

Distribution of Cigarette Tax Collections – Cont'd

- The remaining 38.82% of collections is distributed to the following funds:
 - 6.06% is distributed to the State Public Welfare Trust Fund
 - 9.09% is distributed to pay off all maturing bonds issued by the State Industrial Development Authority for General & Mental Health

Distribution of Cigarette Tax Collections – Cont'd

- 12.12% is distributed to pay off all maturing bonds issued for the acquisition and construction of mental health facilities
- 6.06% is distributed to the State Parks Development Authority
- 66.67% is distributed to the General Fund

State Tobacco Taxes on Tobacco Products Other Than Cigarettes (OTP)

- Taxes are collected by tax return.
- Tax returns are due by the 20th of the month for the previous calendar month's activity.
- All revenues generated by this tax are distributed to the General Fund.

State Cigarette & OTP Collections

(in millions)

Fiscal Year	Net Cigarette Collections	Net OTP Collections	Total Collections
2017	\$178.5	\$9.7	\$188.2
2016	\$180.3	\$9.2	\$189.5
2015	\$116.4	\$8.7	\$125.1

State-Administered County Tobacco Taxes



State-Administered County Tobacco Taxes

- Barbour
- Bullock
- Chambers
- Cherokee
- Coosa
- Crenshaw
- Franklin
- Geneva
- Houston
- Limestone
- Marion
- Mobile
- Randolph
- Talladega
- Washington

Note: Other counties may tax tobacco products.
Please refer to ADOR's website at

https://revenue.alabama.gov/wp-content/uploads/2017/09/t_report.pdf
for tax rates.

Tobacco Products Taxed by State-Administered Counties

- Cigarettes
- Chewing Tobacco
- Snuff
- Smoking tobacco
- Cigars
- Little Cigars
- Rolling papers

State-Administered County Tobacco Tax Rates

- Cigarettes: range from \$0.04 to \$0.25 per pack.
- Chewing tobacco: ranges from \$0.03 to \$0.25 per container.
- Snuff: ranges from \$0.03 to \$0.25 per container.
- Smoking tobacco: ranges from \$0.02 to \$0.25 per container.

State-Administered County Tobacco Tax Rates-Cont'd

- Cigars: range from \$0.02 to \$0.12 per each cigar.
- Little cigars: range from \$0.04 per pack to \$0.05 per each little cigar.
- Rolling papers: range from \$0.05 to \$0.25 per pack.

County Tobacco Tax

- State-administered county cigarette taxes are collected by affixing the county revenue stamps to packs of cigarettes.
- State-administered county other tobacco products (OTP) taxes are collected by monthly tax return filed by tobacco distributors and consumers.
- The tax return and payment is due by the 20th of the month reporting activity for the previous calendar month.

County Tobacco Tax Cont'd

- The Department's cost to administer the county tax is 2% of collections.
- Warrants are cut at the end of the month to distribute the funds to the counties.
- The county cigarette stamps are maintained in the same manner as the state cigarette stamps.

Local Tobacco Rates Database

- Alabama Code Section 11-51-210 (Act 98-192) required ADOR to publish tobacco tax rates of counties and municipalities that levy a tax on tobacco products.
- Counties and municipalities are required to submit their tax rates to ADOR.
- Publication of these rates can be found on ADOR's website at:
https://revenue.alabama.gov/wp-content/uploads/2017/09/t_report.pdf.

County Tobacco Tax Collections

(in millions)

Fiscal Year	Gross Cigarette Collections	Gross OTP Collections	Total Gross Collections
2017	\$3.2	\$2.3	\$5.5
2016	\$3.3	\$2.1	\$5.4
2015	\$3.7	\$2.2	\$5.9

County and Municipal Tax Rates

- Code of Alabama 1975, 40-25-2(f)
 - Per the above mentioned section, city and county tax rates cannot be increased after May 18, 2004, unless approved by a constitutional amendment.

Confiscations

- Cigarettes which do not have the appropriate tax stamp and OTP items which do not have invoices to support the payment of the tax are subject to confiscation.
- The entities having these untaxed products are billed tax, penalties, and interest.
- Penalties associated with confiscated cigarettes are not less than \$25.00 per article nor more than \$500.00 per article.

Confiscations (continued)

Act 2014-262

Effective October 1, 2014

- Requires retail locations selling tobacco to maintain 90 days of invoices, for purchases of tobacco at the store.
- The invoices are required to be from a licensed wholesaler and must show the tax charged for each item.
- Allows the department to confiscate other tobacco products if the retailer does not have invoices documenting payment of tobacco taxes on the products in the store.

Confiscation Penalties

- **Section 40-25-7** – Imposes a penalty of \$1,000 to \$5,000 for a retailer/semijobber who does not submit duplicate invoices within 12 business hours of receiving tobacco products.
- **Section 40-25-8** – Provides for destruction of confiscated products. The loss of product serves as an additional penalty.
- **Section 40-25-13** – Imposes a \$500 to \$1,000 penalty if 90 days of invoices are not maintained at the retail location, if the invoices are hand written or do not substantiate tax payment for the tobacco items on hand.
- **Section 40-25-18** – Imposes a penalty of not less than \$25 nor more than \$500 on each article of unstamped tobacco. Loose cigarettes not in the pack are considered an article.
- **Section 40-25-20** – Imposes a penalty of \$500 to \$1,000 on refilling tobacco boxes.

Confiscations (continued)

- Tobacco confiscations are posted at myalabamataxes.Alabama.gov.
- The confiscations are posted for 21 days.

Confiscations (continued)

FISCAL YEAR	TOTAL CONFISCATIONS
2015	8
2016	18
2017	24

Audits

- Most wholesalers are audited every three years due to the three years statute of limitations.
- Ending inventories of stamps and cigarettes are the beginning inventories for the next audit.
- When a state audit is conducted, the state administered counties are also audited.