

## **IMPORTANT NOTICE REGARDING AN INCREASE IN ALASKA'S CIGARETTE EXCISE TAX**

### **Cigarette Tax Rate Increase**

Effective January 1, 2005, Alaska's tax on cigarettes will increase from \$.05 per cigarette (\$1.00 per pack of twenty) to \$.08 per cigarette (\$1.60 per pack of twenty). The tax increase legislation did not include a floor stock tax. Therefore, cigarettes physically in the state on or before December 31, 2004 will be taxed at the old rate of \$.05 per cigarette. Cigarettes imported into the state after December 31, 2004 will be taxed at the new rate of \$.08 per cigarette.

### **Additional Tax on NPM Product**

Beginning January 1, 2005, cigarettes manufactured by a nonparticipating manufacturer (NPM) will be taxed at the rate of \$.0925 per cigarette (\$1.85 per pack of twenty). Nonparticipating manufacturers are those manufacturers that did not sign the tobacco Master Settlement Agreement.

### **Cigarette Tax Stamps**

The Alaska cigarette excise tax must be paid through the use of tax stamps. Cigarettes sold or possessed in the state that do not bear a tax stamp are contraband and subject to immediate seizure. To distinguish between cigarettes taxed at the old and new tax rates, the Department of Revenue will be changing the color of the cigarette tax stamps. Currently, Alaska's tax stamps are yellow with blue writing (yellow) for cigarettes sold in packs of twenty and green with black writing (green) for cigarettes sold in packs of twenty-five. Each yellow stamp sells for \$1.00 and each green stamp sells for \$1.25. The new cigarette tax stamps will be pink with black writing (pink) for cigarettes sold in packs of twenty and orange with black writing (orange) for cigarettes sold in packs of twenty-five. Each pink stamp will sell for \$1.60 and each orange stamp will sell for \$2.00. The Department will also sell a new stamp for NPM cigarettes. This stamp is light purple with dark purple writing (purple) and will only be sold for cigarettes in packs of twenty. Each purple stamp will sell for \$1.85.

It is the responsibility of the person affixing the tax stamp to know which stamp is the proper stamp for each pack of cigarettes. In addition, Alaska law requires that 80% of the tax stamp be affixed to the cigarette package to be properly stamped. Cigarettes without a tax stamp, that are affixed with less than 80% of the tax stamp, or affixed with a tax stamp in a denomination less than the tax due on the cigarettes are contraband and subject to immediate confiscation. For example, if a yellow (\$1.00) stamp is affixed to a pack of cigarettes that contains twenty-five cigarettes, that pack of cigarettes is contraband as the current tax on a pack of twenty-five cigarettes is \$1.25.

Wholesalers and retailers may increase the price of cigarettes to reflect the increase in the state cigarette tax rate. The new tax rate has been paid on cigarettes affixed with a pink, orange or purple tax stamp. Cigarettes affixed with the yellow or green tax stamp were taxed at the old rate.

Below is a sample of Alaska's cigarette tax stamps:

Old tax stamps (for use on cigarettes imported into the state on or before December 31, 2004)



Yellow Stamp  
\$1.00 per pack of 20



Green Stamp  
\$1.25 per pack of 25

New tax stamps (for use on cigarettes imported into the state after December 31, 2004)



Pink Stamp  
\$1.60 per pack of 20  
PM cigarettes



Orange Stamp  
\$2.00 per pack of 25  
PM cigarettes



Purple Stamp  
\$1.85 per pack of 20  
NPM cigarettes

New tax stamps affixed to cigarette packages:



Pink Stamp - \$1.60 tax paid

Orange Stamp - \$2.00 tax paid

Purple Stamp - \$1.85 tax paid

If you have questions regarding this notice, please contact Johanna Bales of the Tax Division at 907-269-6628.