

# Stamping Breakout Working Group

## Potential Issues

### Payment of Tax

- One point of collection for the cigarette taxes.
  - State would collect both the state and local tax?  
NVCTB- Stamping agent sends monthly report of sales to retailers. Post paid tax. Watch sales and can track which wholesalers sell to which retailers, but challenge if retailers move product into different localities on their own. [D. Cannon, NVCTB and J. Smith, VWDA]
- Collect the tax using a monthly return and remittance after the cigarettes have been sold?
  - Other ways to evidence payment of tax besides a stamp?
  - Creation of more regional boards such as NVCTB?  
Some localities may not be urbanized enough for this work. It would probably be expensive to audit over the long distances that may be necessary if regional boards are created in rural regions of Virginia. [N. Menkes, VML]
- Move point of collection for the cigarette taxes to retail level.  
Sophistication of retailers may be issue. [J. Smith, VWDA]  
Just local cigarette tax collected at retail without stamp? [G. Peyton, Retail Federation]
  - Retailers would have to remit tax to localities, registration of retailers by localities? [D. Cannon, NVCTB]
  - Enforcement issues? – Harder to audit and ensure proper remittance [N. Menkes, VML and D. Cannon, NVCTB]
  - Would stamps still be needed?  
Stamps used as an inventory control and enforcement. While they may not be necessary, would be a benefit to localities. [D. Cannon, NVCTB]
- Move point of collection to manufacturer level? [M. O'Connor, VPCGA]
  - Would a uniform tax rate be necessary? [M. Haskins, TAX]
  - Would manufacturers be willing to collect?

### Stamps

- Effort in stamping for local cigarette tax
  - More localities with unique stamps, especially small localities- much easier to make errors- both in stamping and distribution to stores. Also up-front costs would increase for stamping agents for product that may not be sold

or may be held in inventory for a long time. **[T. Lisk, representing McLane and Wal-mart]**

- Use of a single state and local stamp.

Localities would be interested as long as they can comfortable that can be traced back to the locality- either by features on the stamp or technology. **[N. Menkes, VML]**

- Use of modernized stamps.

- Funding?

Is it possible to have agreements between governments to get better prices? **[N. Menkes, VML]**

Stamping agents will have up-front costs for machinery. Also stamping agents provide cigarettes over multiple jurisdictions, including other states and using different equipment over those jurisdictions could be an issue. **[J. Smith, VWDA]**

- Increase Dealer Discount?
- Public Private Partnership?

Bigger stamps may mean visibility issues if stamping more than one stamp- coordination between state and local, or more lenient visibility requirements. **[J. Smith, VWDA]**

New basic stamp will have unique stamp numbers- could be used to trace back to stamping agent and locality of the store purchasing the cigarettes from stamping agent reports? **[M. Haskins, TAX]**

This could be done with only one stamp for both state and local, or one stamp for all localities, however it would be labor and time intensive. **[N. Menkes, VML]**

VWDA- Industry highly opposed to going to encrypted stamp unless State pays for new machines required for stamping. **[J. Smith, VWDA]**

- Security issues with stamps (such as with shipping).

- Liability for stolen/ missing stamps?

Stamping agent bears burden. **[J. Smith, VWDA]**

Localities with little security allowing stamp manufacturer to ship direct to stamping agent with locality approving the shipment instead of buying from the locality? **[A. Spelman, SICPA]**

Increase attention and security by local governments on stamps. Localities using some cash management process now? **[J. Smith, VWDA]**

- Sales of stamps to retail stores?

Allow localities to determine who can buy stamps, but more stringent standards- licensing requirements? **[J. Smith, VWDA]**

Can issues with retailers buying local stamps be handled by allowing stamping agents into the appeals process? **[J. Smith, VWDA]**

Stamping agent may affix state stamp, but retailer affixed local stamp. If there are problems with the local stamp, the stamping agent would need to know this before determining whether to participate in appeal/ make the retailer whole from any penalties or seizures.

- Stamp selection by local governments.
  - Must use same type of stamp as state?  
Add as best practices for uniform implementation of new cigarette taxes instead of legislation **[N. Menkes, VML and J. Smith, VWDA]**  
Task force to put together best management practices?
- Sale of local stamps to non-stamping agents.
  - Legitimate reasons for retailers to buy stamps?  
Maybe in rural areas where it would not be worth a stamping agent keeping inventory on hand? **[N. Menkes, VML]**