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IMPORTANT NOTICE TO CIGARETTE DISTRIBUTORS

Bar Code Readers to be Installed on Existing High Volume Stamp Machines (HVSM)

Through the Request for Proposal process, the Department of General Services (DGS) issued a five-year contract to SICPA Product Security, LLC (SICPA) for California encrypted cigarette tax stamps and related stamping equipment. Under the new contract, existing stamping equipment will be modified so that product code (brand) information will be scanned and recorded through the use of a bar code reader when the tax stamp is applied. The California Cigarette and Tobacco Products Tax Law authorize the State Board of Equalization (BOE) to require the modification of all stamping equipment to allow for the capture of the brand information. This modification will not only benefit the BOE but once the modifications are complete system-wide, it will also benefit cigarette distributors by providing this information to the distributors to assist with preparing their BOE monthly reports. Details on the new features and BOE reporting options available to distributors will follow. Acceptance testing of the new stamping equipment and bar code reader has been performed and the equipment has met all specified requirements. BOE has directed SICPA to begin implementing the stamping machine modifications upon release of this Notice.

To capture brand information and meet contract specifications, a bar code reader will be installed on all existing High Volume Stamp Machines (HVSM) at no cost to the distributor. No additional modifications are required to the HVSM; however, distributors may elect to purchase a new HVSM or choose to upgrade their existing HVSM. The benefits of a new or upgraded HVSM include faster stamping rates, less moving parts, and greater efficiency. The decision to purchase a new HVSM or upgrade an existing HVSM is a business decision, not a BOE requirement. Please contact Sherwin Earl at (703) 440-7791 for an equipment and services price list.

Low Volume Stamping Machines (LVSM) which consist of two component parts, a (Gecko) hand applicator and a scanner, may continue to be used, but the scanner component must be replaced. The existing scanners cannot be modified to meet the new brand information requirements. Therefore, distributors with LVSMs will be given a trade-in credit for their existing scanner toward the lease or purchase of a new scanner. The new LVSM scanners have been fully re-designed and re-engineered for ease of use and efficiency.

A SICPA representative will be contacting all cigarette distributors to schedule the HVSM modifications and LVSM scanner replacements. In order to ensure uninterrupted operations it is essential that the installation schedule is finalized by August 15, 2011.

Please contact Scott Miller at (916) 323-3990 or Scott.Miller@boe.ca.gov if you have questions about the requirements or information contained in this Notice.

(This notice supersedes the notice dated September 21, 2010, which was suspended on October 1, 2010)