

**Amend Section 30182 of the Revenue and Taxation Code to change the due date of the monthly report filed by cigarette distributors who pay on a twice-monthly basis to the same report due date as cigarette distributors paying on a monthly or weekly basis.**

**Source: Excise Taxes and Fees Division**

### **Existing Law**

Under existing Cigarette and Tobacco Products Tax Law, a distributor may elect to pay on a monthly, twice-monthly or weekly basis for amounts owing for stamps and meter register settings purchased on a deferred basis. If a distributor elects a monthly basis, payment is required to be remitted on or before the 25<sup>th</sup> day of the month following the month in which the stamps and meter register settings were purchased. A distributor electing a weekly payment basis is required to remit payment on or before Wednesday following the week in which the stamps and meter register settings were approved and released. And a distributor electing a twice-monthly payment basis is required to remit payment based on the following schedule:

- The first monthly remittance is due on or before the 5<sup>th</sup> day of the month. The amount due is equal to either one-half of the total amount of those purchases of stamps and meter register settings made during the preceding month or the total amount of those purchases of stamps and meter register settings made between the first day and the 15<sup>th</sup> day of the preceding month, *whichever is greater*.
- The second monthly remittance is due on or before the 25<sup>th</sup> day of the month for the remainder of those purchases of stamps and meter register settings that were made in the preceding month.

In regards to the accompanying report, a distributor that elects to make deferred payments on a monthly or weekly basis is required to file a report on or before the 25th day of each month respecting his or her distributions of cigarettes and purchases of stamps and meter register settings; however, a distributor that elects to make deferred payments on a twice-monthly basis is required to file a report on or before the 5th day of the month.

### **Background**

In 2003, the Legislature approved and the Governor signed AB 1666 (Ch. 867, Cogdill) which authorizes a cigarette distributor to elect a twice-monthly deferred payment option for amounts owing for stamps and meter register settings purchased on a deferred basis. This election, which was to remain in effect until January 1, 2007, was extended indefinitely in 2006 pursuant to AB 2001 (Ch. 70, Cogdill). As originally incorporated into law, the first monthly remittance for a twice-monthly payment basis election is due on or before the 5<sup>th</sup> day of the month. To correspond to this due date, the due date for a distributor's report respecting his or her distributions of cigarettes and purchases of stamps and meter register settings is the same date as the due date for the first monthly remittance.

## **Comments**

Delaying the report due date for a distributor electing a twice-monthly payment basis to be consistent with the report due date for a distributor electing a monthly or weekly payment basis would provide a distributor more time to prepare the report, which could possibly eliminate reporting errors. Currently, distributors on a twice-monthly payment basis only have 5 days to prepare and submit their report. In addition, having the different due date for cigarette reports and tobacco returns may be confusing and burdensome for a distributor of both cigarettes and tobacco products.

Furthermore, reports received on the 5<sup>th</sup> day of the month by distributors electing a twice-monthly payment basis are manually processed by Board staff. Because of the limited number of distributors electing a twice-monthly payment basis, Board computers were not programmed to accept reports on or before the 5<sup>th</sup> day of the month. However, if more distributors elect the twice-monthly payment basis in the future, the Board would be forced to program computers to accept those reports. As such, the proposal could result in a cost savings related to this computer programming (Board computers are already programmed to accept reports on or before the 25<sup>th</sup> day of the month for distributors electing a monthly or weekly payment basis).

And lastly, delaying the report due date for distributors electing a twice-monthly payment basis would not affect the Board administration of the cigarette tax program and would make consistent the reporting requirements for all distributors regardless of their payment plans.

## **This Proposal**

This proposal would change the due date of the monthly report filed by distributors on twice-monthly basis to the 25<sup>th</sup> day of the month to conform to the reporting due date of distributors on a monthly and weekly payment basis.

*Sec 30182 of the Revenue and Taxation code is amended to read:*

30182. ~~(a) Except as provided in subdivision (b), every~~ Every distributor shall file, on or before the 25th day of each month, a report in the form as prescribed by the board, that may include, but not be limited to, electronic media with respect to distributions of cigarettes and purchases of stamps and meter register units during the preceding month and any other information as the board may require to carry out this part.

~~—(b) Every distributor that elects, pursuant to Section 30168, to make deferred payments on a twice-monthly basis shall file a report in the form as prescribed by the board, that may include, but not be limited to, electronic media, with respect to distributions of cigarettes and purchases of stamps and meter register units during the month following the month in which the distribution occurred and the stamps and meter register settings were purchased, and any other information as the board may require to carry out this part. The monthly report shall be filed on or before the fifth day of the month with respect to those distributions of cigarettes and purchases of stamps and meter register settings that were made during the preceding month.~~