

Revenue Notice # 05-14 was corrected on December 27, 2005. The first page is the correction notice and the second page is the notice as published on November 28, 2005.

MINNESOTA DEPARTMENT OF REVENUE

Correction to Revenue Notice # 05-14: Special Taxes – Cigarette Sales Tax - Promotional Packs of Cigarettes

The notice appearing at *State Register* 30 SR 567 (Monday 28 November 2005) had a typographical error and should contain the following correction. In the first sentence of the third paragraph, the word “date” should be “state” so it reads as follows: “*Minnesota Statutes*, section 297F.08, subdivision 1, provides that before delivering any package of cigarettes to any person in this **state**, a distributor shall firmly affix the appropriate stamps to each package of cigarettes.”

Publication Date: December 27, 2005

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice # 05-14: Special Taxes – Cigarette Sales Tax – Promotional Packs of Cigarettes

Background

As of August 1, 2005, cigarettes are no longer subject to sales tax at the retail level. Instead, Minnesota Statutes, section 297F.25, provides that a cigarette sales tax is imposed “on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state.”

Minnesota Statutes, section 297F.01, subdivision 16, defines “sale” to mean “a transfer, exchange, or barter, in any manner or by any means, for consideration, and includes all sales made by any person. It also includes gifts or samples provided for advertising or promotional purposes, made by a person engaged in the selling of cigarettes or tobacco products.”

Minnesota Statutes, section 297F.08, subdivision 1, provides that before delivering any package of cigarettes to any person in this state, a distributor shall firmly affix the appropriate stamps to each package of cigarettes. Furthermore, Minnesota Statutes, section 297F.25, subdivision 6, provides that the payment of cigarette taxes, including the cigarette sales tax, is evidenced by a stamp affixed to the package.

Department Position

The Department takes the position that the imposition of the cigarette sales tax on cigarette distributors on a “sale” of cigarettes includes a sale using pricing reductions, discounts, promotions, or other marketing practices. Cigarette distributors must affix a stamp to all cigarette packages evidencing that the cigarette sales tax has been paid.

Example

A cigarette distributor sells cigarettes to a retailer on a two-for-one basis. The cigarette sales tax is imposed on each pack of cigarettes, and the cigarette distributor must affix stamps to each cigarette package.

JOHN H. MANSUN, Assistant Commissioner
for Tax Policy and External Relations

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