



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS
AUSTIN, TX 78774-0100

October 13, 2006

«TP_Name»
«Address_1»
«Address_2»
«City», «State» «Zip»

Dear Taxpayer:

In May 2006, the Texas Legislature raised the taxes on cigarettes and tobacco products. The increases take effect January 1, 2007.

For cigarettes weighing three pounds or less per thousand, the tax for a pack of 20 will be \$1.41 (up from 41 cents) and \$1.76 per pack of 25 (up from 51 cents). The excise tax on tobacco products other than cigars (smoking and chewing tobacco, and snuff) increases to 40 percent of the manufacturer's list price, exclusive of any trade discount, special discount, or deal.

CIGARETTES

As required by state law, on January 1, 2007, you must complete an inventory of all your cigarette packages stamped with Texas stamps. You must report this inventory to the Comptroller's office no later than January 31, 2007.

If your inventory includes 2,000 or more cigarettes (such as 100 packs of 20 or 80 packs of 25), you must pay the additional tax on those packs. The additional tax due must be paid when you file your report.

The Comptroller's office will mail you a form for filing this report and paying any additional tax. Be sure to keep a copy of your completed inventory report. Remember, you must file a report by January 31, 2007, even if you do not owe any additional tax. Penalty and interest can accrue on any additional tax payments not made by April 2, 2007.

OTHER TOBACCO PRODUCTS

The new tax rate of 40 percent of the manufacturer's list price—exclusive of any trade discount, special discount, or deal—applies to all smoking and chewing tobacco and snuff that distributors receive on and after January 1, 2007. Tobacco products distributors begin paying the new tax rate on January 1, 2007.

If you have any questions or need more information, contact the Comptroller's office toll free at 1-800-862-2260. The local number in Austin is 512/463-1693. You may also visit our Web site at <http://www.window.state.tx.us>.

Sincerely,

Bryant K. Lomax
Manager, Tax Policy Division