



# The Leaf Sheet

Volume 14

APRIL 2019

## Message from National Chair, Deb Cannon

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### \* Upcoming Meetings:

- \* Uniformity Meeting  
Oklahoma City, OK  
April 10—11, 2019
- \* Western Region  
Spokane, WA  
May 1–2, 2019
- \* Northeast Region  
Wilmington, DE  
May 22—23, 2019
- \* Southern Region  
Raleigh, NC  
June 5–6, 2019
- Uniformity Meeting  
August 16—17, 2019
  - Annual Meeting  
August 18—20, 2019  
Grand Rapids, MI

Greetings from soggy Virginia! I hope the 1st part of the year has treated everyone well. I'm not sure about the rest of you but the East Coast is ready for some dry weather. I was beginning to wonder if it'd ever stop raining. This year is already flying by; soon we'll all be together in Grand Rapids for the Annual Meeting.

Speaking of the Annual Meeting, please let Gerald Robinett, Al Milak, or myself know if there are any topics you'd like included at that meeting. Conversely, if there is something we've been covering you don't feel is a benefit, please let us know. We operate under our state's statutes and rules so not all topics will apply to each state, but we do want to make the topics interesting to everyone even if they are not all

something that will be implemented in your state. Additional knowledge is always a good thing. However, if there's a topic you just cannot hear about one more year, please let us know.



As the last few months of being the FTA Tobacco Section Chair passes, I've been thinking back on the changes we've seen in tobacco over the last 10 years. We've seen the creation of e-cigarettes, legalizing of marijuana, vapor bars as well as tax rates doubling and, in some cases, tripling just to name a few. We even had the ciga-

rette and tobacco XML schemas in place with state description codes as well as a Cigarette Brand Code Table. The Uniformity Committee has been working diligently and has implemented the Tobacco Tax Information by State (TTibS) booklet which is a great resource for both states & industry to look up the various state taxes and procedures. The Uniformity Committee is also working on a Technology Survey and the RYO Brand Code Table. Exciting progress is being made!

I want to take this opportunity to say thank you to all of the wonderful people I have met over the years of attending FTA conferences and meetings. The knowledge and contacts you make at these meetings are priceless.

(cont. on pg. 7)

## Message from Uniformity Committee Co-chairs

Spring has sprung, and we can't believe the April meeting is upon us. Some states have already seen their legislative sessions come and go, and for others the sessions are upcoming or continuous. At the first Uniformity meeting of 2019

in Prattville, AL, we had some great discussions with state and Industry on bad debt forms, cover pages, schema state tobacco description codes, state-to-state exchange schemas, TTibS update, uniform RFP electronic filing re-

quirements, whitepapers, audits, inspections, and legislative updates which the subcommittees will get into greater detail in their articles within this Leaf Sheet.

(cont. on pg. 2)

## Message from Uniformity Co-Chairs (cont. from pg. 1)

In addition, an Illicit Trade Group was started under the Compliance Subcommittee as a working group at the January meeting. The group will give an update on their second meeting here in Oklahoma City. As with other working groups, we encourage as many people to attend that are interested - it is an open working group.



In other news, we welcome Kristin Harrell (Associated Wholesale Grocers) as she joins Sally Staufer (South Dakota) on the Compliance Subcommittee. We are excited to have you and thank you for joining the subcommittee, Kristin!

We are excited for everyone's interest and involvement at the January meeting and also at this meeting. As more states become uniform with electronic filing and with industry's experience/input with those states' filings, we will continue to move forward and ahead to make it easier for other states to implement the schema and codes.

There are always lessons learned and growing pains, but we have accomplished so much and will continue to do so. If you would like to become more involved or have any ideas/suggestions, please reach out to any of the Chairs. Welcome to the April Uniformity meeting and to Oklahoma!

*~ Jeanne and Tim*

## The Compliance Subcommittee Update

Jeanne gave an update on how audits have changed since Kentucky has gone to E-file. There is now an overwhelming amount of data that is available to an auditor. The auditor may be able to let the system sort out matches and the auditor can concentrate on the mis-matches. Also, a discussion took place on what constitutes an invoice - EDI versus an actual invoice.

South Carolina has just started stamping cigarettes. Some of the smaller distributors found the process too expensive and went out of business. Overall, South Carolina tested and tested so the transition was painless.

The discovery of a tobacco auction in Omaha, Nebraska was discussed. ATF confiscated tobacco products from the HoChunk (HCI) tribe in Nebraska and planned to auction them off. There will be no notification to the states regarding the purchaser.

The South Dakota v Wayfair decision was discussed. South Dakota had many calls from consumers wondering why they could no longer buy cigars on-line. At last count, 37 states tax internet sales. Will States be able to assess tobacco taxes since this is a sales/use tax ruling? At a minimum, these customers owe sales tax and could register and pay for excise taxes.



The question of using technology to conduct inspections was discussed. We went around the room to find out what other states are doing. Kansas had issues with connectivity and went back to paper. In Nebraska three-part forms are used. Alabama auditors have a laptop and small portable printer that can print out data on the spot. The question was raised regarding using a bar code reader to log con-

fiscated product rather than a manual count. It was noted a bar code reader can be purchased off the internet for \$10.

The regulation by some States mandating the stamping of cigarettes within a certain period of time from receiving was discussed. Why was this necessary? Some felt this was an old and perhaps outdated law. It was recommended by the states that a large amount of unstamped product in a warehouse would not be advisable.

On January 22, 2019 a new committee, the Illicit Trade Group, held their first meeting. This group was first conceived through discussions at the annual meeting where the idea was proposed of organizing a working group made up of those Federal, State, Industry and Local entities who have an interest in combating illicit trade of tobacco products. During the first meeting the goals and direction of this group were discussed. (cont. on pg. 3)

## The Forms Subcommittee Update

In January, a cover page was discussed with the focus toward a tobacco cover page. Examples of tobacco cover page were shown. There was a lot of discussion regarding the cover page, with focus on what specifically IS a cover page. It was determined by the group that a cover page is like a tax return or a summary of the schedules. Although the group would like to see paper filers and electronic filers the same, it was

acknowledged that they are two very distinct groups. A cover page may not be added to the schema as a standard but, may be added by individual states as they move to electronic filing. The group would like to see a standard uniform form that can be used for the cover page.

A Bad Debt form was also discussed in January. The committee will present a draft for approval by the group in April.

The committee asks that you review the current uniformity forms. Is there a form missing? Are there changes needed with the current forms? What would you like to see the committee work on next?

~ MARCI & HELEN

## The Compliance Subcommittee Update (cont. from pg. 2)

Topics included: hijacked product, stamps and stamp machine, RYO and RYO machines, vaping products and counterfeit products. Also discussed were the pockets of activity where no tools for prevention exist along with the lack of resources to stop the illicit

trade. This group will work closely with TTB.

Lastly, I'd like to introduce Kristin Harrell, Senior Tax Manager, from Associated Wholesale Grocers, Inc. Kansas City, Kansas. Kristin is a

CPA who brings over 25 years of combined direct and indirect tax experience to FTA. She will be the industry co-chair of the Compliance Committee for Uniformity.

~ Sally & Kristin

## Fun Facts from Jerry Leonard -OK DOR

- The Phillip Morris cigarette mascot was once a tattooed sailor before switching to the "Marlboro Man" in 1963.
- In 1776 Americans used tobacco as collateral for French loans to subsidize payment for the American Revolution.
- Lite' cigarettes are produced by infusing tobacco with CO2 and superheating it until the tobacco 'puffs up' like expanding foam. The expanded tobacco then fills the same paper tube as 'regular' tobacco.
- In Europe, smoking tobacco was thought to cure syphilis in the mid-sixteenth century.
- In early Hollywood, directors used cigarette smoke to add atmosphere, mystery, and sensuousness to their films. Tobacco firms also paid Hollywood to place cigarette products in popular movies in the 1930s, 40s, and 50s.
- The first commercial cigarettes were made in 1865 by Washington Duke on his 300-acre farm in Raleigh, North Carolina. His hand-rolled cigarettes were sold to soldiers at the end of the Civil War. It wasn't until James Bonsack invented the cigarette-making machine in 1881 that cigarette smoking became widespread.
- Native Americans smoked tobacco through a pipe for special religious and medical purposes. They did not smoke every day. Tobacco was the first crop grown for money in North America. In 1612 the settlers of the first American colony in Jamestown, Virginia grew tobacco as a cash crop.

## The Technology Subcommittee Update

Welcome to Oklahoma City! The goal of the Technology Subcommittee is to fulfill the Uniformity Committee Mission Statement by providing approved Uniformity Guide and Schemas.

At the January meeting, a PowerPoint by Michelle was presented explaining schema. This was an excellent high-level overview described in simple terms on how a schema works and its benefits.

Next, the Uniformity Brand Code Table was reviewed. It is currently only cigarettes.

The committee then led a conversation around uniform local and tribal jurisdiction codes. The need is to have common naming conventions for all reportable jurisdictions including local and tribal. It was noted that Motor Fuel uses a three-digit code. An example of a state-county-city-PJ/CY/CO combo was presented by Mark. The

example showed 2-digit state, 3-digit county, 3 -digit city and 2-digit city identifier. Also discussed was that tax jurisdiction is unique by stamp type (i.e., AZB, AZG, AZR is a tax jurisdiction, but also a stamp type).

Next the group reviewed a comprehensive table of state descriptors. A roundtable discussion took place regarding informational data vs data needed for state tax calculation and the potential to expand with more description.

**“..Changes will be presented at the Annual meeting for approval.”**

It was noted that the Uniform Stamp Table “attribute” data field is currently not being used. For now, it will remain turned off. It was unclear

what would go in this data field.

Oregon will resubmit changes implemented last quarter of 2018. Due to the transition of co-chairs of the Technology Subcommittee, the changes Oregon submitted were overlooked.

Schema changes will be addressed at April Uniformity meeting. Any changes will be presented at Annual meeting for approval.

### Looking ahead:

Lessons learned from Wisconsin’s implementation of uniformity  
Tobacco Technology Survey  
State Data Exchange Schema  
Miscellaneous Schema Topics, i.e.  
description codes for cigars,  
expanding decimal fields

~MICHELLE AND MARK

## Communications and Legislation Subcommittee Update

Welcome to Oklahoma City and Happy Spring! Our last meeting in January in Montgomery, Alabama 2019 was exciting and informative.

As with every meeting, an overview was given of the latest and greatest Tobacco Tax Information by State (aka TTIBS) guide. A map was shown of states that have yet to submit data. The list of the questions for 2019 were presented and in March, Cindy sent them out to all the states. So far, the responses have been flowing in! In this meeting you will get to see, in map form, the states that have submitted their questionnaires. Look for these responses and overall state updates in the published document available in August.

At the January meeting, we began to put together the Electronic Filing

RFP. Input was received from around the room and we hope to finalize the document at the April meeting for approval in August. Key points on the RFP included:

- Adhere to the approved FTA Uniformity XML schema
- Develop timeline and testing milestone schedule
- Use the approved cigarette brand code table
- Clearly define responsibilities
- Define the interfaces needed (back-end system, stamp fulfillment, payment system)
- Define the acknowledgement (output)

To make progress on the Whitepaper front, the field of topics has been narrowed down to four:

Modified Risk Tobacco

Taxing Remote Sellers

Shipping Tobacco via the Mail

Taxation of E-Cigarettes, Vape and Components



(cont. on pg. 5)

## Communications and Legislation Subcommittee Update (cont. from pg. 4)

Communication and Legislation will be facilitating the whitepaper process to help the groups stay on task. An update from each group will be given in Oklahoma City.

The rest of the time in Montgomery was filled with a legislative update roundtable. Topics included proposed

tax increases at the state and federal levels, tax bills, fair trade minimums, e-cigarette tax, increases to the minimum smoking age, and flavor bans. Each state also chimed in on bills making their way through their judicial system.

Thank you to all that have come Oklahoma City. We are looking forward to networking, learning and great discussion. We are glad you are here!

~ Don and Dawn

## NEW SECTION !! FDA Press Release dated March 13, 2019

Statement from FDA Commissioner Scott Gottlieb, M.D., on advancing new policies aimed at preventing youth access to, and appeal of, flavored tobacco products, including e-cigarettes and cigars

- FDA is proposing to end current compliance policy as it applies to flavored electronic nicotine delivery system (ENDS) products such as electronic cigarettes (other than tobacco-, mint-, and menthol-flavored products), and prioritize enforcement of such products offered for sale in ways that pose a greater risk for minors to access these tobacco products.

In addition, FDA expects manufacturers of all flavored ENDS products (other than tobacco-, mint-, and menthol-flavored) that remain on the market under these new conditions to submit premarket applications to the agency by Aug. 8, 2021. This application date is one year earlier than the agency previously proposed.



**U.S. Food and Drug Administration**  
10903 New Hampshire Avenue  
Silver Spring, MD 20993  
1-888-INFO-FDA (1-888-463-6332)

Side note—  
Scott  
Gottlieb has  
resigned and  
said he would  
leave within a  
month.

## Training & Development Opportunities

### FTA Tobacco Basic Training 2019 - TBD

State & industry attendees will be trained on tobacco terminology, distribution of products, taxation, legislation, the Master Settlement Agreement (MSA), compliance, auditing, etc. In the past, attendees have toured a cigarette manufacturing facility. Stay tuned for dates!



## How Can You Become More Involved In Uniformity?

- ◆ Regularly check for updates at FTA's updated Tobacco Uniformity website at [taxadmin.org](http://taxadmin.org).
- ◆ If you don't currently require cigarette and/or tobacco returns, and/or PACT Act reports to be filed electronically, do you know when your state is expected to do so?
- ◆ Has your revenue staff coordinated with your AG's staff to ensure the uniform schedules will also fulfill all of their filing requirements? If you're from the AGO, reach out to your Revenue Department.
- ◆ Talk to other states and industry members.
- ◆ Attend meetings!



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## Welcome to Oklahoma City, Oklahoma! Did you know...?

- Oklahoma City is the largest city in the State of Oklahoma, with a metro population of more than 1.3 million
- Oklahoma City was settled by the historic Land Run of April 22, 1889. The city's population grew to more than 10,000 in a single day.
- Oklahoma City averages more than 300 days of sunshine per year
- The world's first installed parking meter was in Oklahoma City, on July 16, 1935.
- The first shopping cart was invented and used in Oklahoma City at Standard Food Markets in 1937.
- The state capitol building at 23rd and Lincoln is the only capitol in the nation with a working oil well on its grounds.
- Oklahoma means "Land of the Red People" in the Choctaw Language.
- Oklahoma City is equal distant from Los Angeles and New York, and within 500 miles of 71 million people
- Oklahoma has the largest American Indian population of any state.
- The official state meal of Oklahoma consists of fried okra, cornbread, barbecue pork, squash, biscuits, sausage and gravy, grits, corn, strawberries (state fruit), chicken fried steak, pecan pie, and black-eyed peas.
- Oklahoma was the setting for the movie "Twister".



## Message from National Chair, Deb Cannon (cont. from pg. 1)

Thank you for taking the time to answer questions and explain your state's laws and procedures and for those on the industry side for explaining your company's processes and procedures. I hope you'll continue to work as a unified group going forward for many years to come. It's definitely been a pleasure to work with all of you.

Deb Cannon  
Northern Virginia  
Cigarette Tax Board  
dcannon@nvctb.org



### Uniformity Chairs

Jeanne Thompson  
State of Kentucky

Tim Harris  
Eby Brown Company LLC



### NEW!! Subcommittee Chairs

#### Communication and Legislation

Don Anderson  
State of Idaho

Dawn Evans  
McLane Company Inc.

#### Compliance

Sally Stauffer  
State of South Dakota

Kristin Harrell  
Associated Wholesale Grocers

#### Forms

Marci Rosencutter  
State of Kansas

Helen Hayes  
Core-Mark International Inc.

#### Technology

Michelle Corbett  
State of South Carolina

Mark Triplett  
Triplett & Assoc./ Swedish Match

### Tobacco Regional Officers

#### Central Region

Sally Stauffer, South Dakota  
Governor

Jacob Hunter, Illinois  
Lt. Governor

Betsy Shroyer, Indiana  
Secretary

#### Northeastern Region

Deb Cannon, Northern Virginia  
Governor

Florence Sam, DC  
Lt. Governor

Marijane LaMattina, New Jersey  
Secretary

#### Southern Region

Mark See, Tennessee  
Governor

Lee Poe, Alabama  
Lt. Governor

Joseph Sewell, Georgia  
Secretary

#### Western Region

Justin Scott, Texas  
Governor

John Manning, Utah  
Lt. Governor

Shane Taylor, Wyoming  
Secretary

# Tobacco Tax Section Officers

## National Chair

Deb Cannon, Northern Virginia

## National Vice Chair

Gerald Robinett, Missouri

## National Secretary

Al Milak, North Carolina



The Leaf Sheet

[www.taxadmin.org](http://www.taxadmin.org)

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FTA Tobacco Tax Section  
Uniformity Committee  
Mission Statement

Provide an opportunity for government and industry to partner for the efficient and effective reporting and remittance of tobacco taxes, to minimize tobacco tax evasion, and to act as an information resource to stakeholders.

