



# The Leaf Sheet

Volume 15

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## Message from Uniformity Committee Co-Chairs

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### \* Upcoming Meetings:

- \* Uniformity Meeting  
January 2020
- \* Central Region  
April 2020
- \* Western Region  
April 2020
- \* Northeast Region  
May 2020
- \* Southern Region  
June 2020
- Uniformity Meeting  
August 14–15, 2020
  - Annual Meeting  
August 16–19, 2020  
Doubletree Hotel  
Portland, ME

Welcome to Grand Rapids! At our last meeting in Oklahoma City, eleven states were in attendance including the District of Columbia. Those states were ID, IN, KY, NC, OK, OR, KS, SC, SD, TX, and WI. A huge “Thank You” to states & industry that participate in the FTA Tobacco Uniformity Committee. Without you, the Committee would not be the success it is today. We have made some great friends and look forward to seeing those same familiar faces and also meeting those new to the FTA Tobacco world. We encourage everyone in Grand Rapids to introduce themselves to a person they have not spoken with or met yet. The knowledge here is incredible! You never know what

knowledge you can pass along. For those new to the tobacco group, you will find so many welcoming faces. Chat with them, go to lunch/dinner with them, or just plain belt out your greatest Janis Joplin karaoke song with them. (You know who you are!) The friendships made at these meetings are priceless. We have seen each other through so many ups and downs. We cherish those friendships and look forward to those we haven’t met yet. Speaking of those with knowledge, Jason Kraemer with Wisconsin has graciously accepted the state co-chair position of the Technology Subcommittee. He and Mark Triplett are working on the Uniformity schemas, codes, and state de-

scriptions. Wisconsin has recently adopted the Uniformity schemas and codes for electronic filing. They are a great asset for states looking to see how it is going in those states that have adopted Uniformity. Welcome Jason!

At this meeting, in Michigan, we will be discussing schema changes, state description codes, the tobacco cover page, bad debt form, TTIBS updates, whitepapers, the Illicit Trade Group, legislative updates, and so much more!

We are excited you are here! If you have any suggestions or would like to become more involved with the committee, please see any of the co-chairs. ~ *Jeanne and Tim*

## The Forms Subcommittee Update

Thank you to all who attended the April FTA Uniformity meeting in Oklahoma City. We had some really good discussions and a great time networking. We are very much looking forward to the next meeting in Grand Rapids!

During the April Uniformity meeting tobacco cover pages were approved. These pages included one form for sales-based (generally non-resident) filers and a second form for purchase-based (in-state) filers. A bad debt draft form was also presented. After much discussion, no decision was made as to whether this form is needed as few states actually permit bad

debt deductions. We will continue this discussion in August to determine whether to proceed with this form.

Additionally, at the August meeting, we will be presenting the approved tobacco cover page forms with instructions for final approval. We will also continue our discussion regarding best practices for e-file transmission responses. We will be compiling a list of standard information we suggest be given to a filer upon submission of an e-filed return.

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 Forms Committee work on next?

~ MARCI & HELEN



## The Compliance Subcommittee Update

Jim Oliver spoke about audit sampling. Because of the large amount of information, Jim shared what sampling/extraction processes are utilized for the AG's office for MSA purposes. How do you gather data, is it "protest proof" and how do you get the taxpayer to agree to sampling? Also discussed was the distinction between a tax audit and a MSA audit.

Kristin Harrell spoke about the Return Management Services (RMS) Reclamation Center. It is sometimes difficult to report on the tax returns because there can be a significant lag time from the time the wholesaler returns product to reclaim and when an affidavit is received for a variety of reasons. Some manufacturers only pick up from RMS or accept returned product once a quarter or when a certain amount of product has accumulated.

There was discussion of Foreign Trade Zones (FTZ). Three agencies have oversight in the FTZs. FTZ vs. duty free was also discussed. Product can be missing and/or manipulated in the FTZ.

The action of cigarettes confiscated in Nebraska by ATF resulted in Smokin' Joes purchasing a large amount of the cigarettes. Smaller



amounts were purchased by small shops in California. Comments were made regarding the ultimate disposition of these cigarettes. Would the purchaser(s) try to return to manufacturer or sell on the black market?

Discussion took place on Federal Drug Administration (FDA) age compliance. If the FDA discovers

underage tobacco purchases the penalties are usually more severe than a separate state penalty. Kansas works directly with FDA. Arkansas sends out notices of suspensions. Louisiana sends out delinquent notices. What do other states do to communicate suspensions and delinquencies?

Wayfair as it applies to tobacco, specifically cigars, was discussed. States have a law prohibiting direct shipping to a consumer, but many states have an exemption for cigars. Mark Triplett indicated that confidential mail order addresses are a thing of the past. Federal Bill HR 293 would ban internet sales of cigars and e-cigarettes but has not passed at this time.

The affixed versus sales method of reporting NPM products for MSA was discussed. Most states agree it is upon the sale of the NPM product that tax is due. (cont. on pg. 3)

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

Also discussed was the notification of NPM products added or deleted from state directories to distributor/wholesalers. It would be nice to have a central database.

Rounding can be tricky when trying to determine the minimum pricing. Retail is the most difficult.

A ruling in Washington state upholding the Treaty of 1855 pertains to fuel but could also impact tobacco.

This may exempt Native Americans from paying tax on tobacco products.

A new product in the form of smokeless tobacco called Zyn or Dryft, is actually a nicotine product described as nicotine salt.

States should examine their laws to determine whether these products are taxable.

Illicit Trade Group update: Sharon Triplett (Swedish Match) and Tami Light (TTB) (co-chairs) covered the need for shared agreements between the States and TTB. Nick (TTB) explained the Contraband Cigarette Trafficking Act (CCTA). Tami Light talked about the TTB tip site on the website: TIPLine@TTB. It was determined to have Illicit Trade Group under Compliance.

~ Sally & Kristin

**It was  
determined  
to have  
Illicit Trade  
Group under  
Compliance.**

## Fun Facts from Jerry Leonard -OK DOR

- Cigars didn't become popular until the early 1800s. Cigarettes, which had been around in crude form since the early 1600s, didn't become widely popular in the United States until after the Civil War, with the spread of "Bright" tobacco, a uniquely cured yellow leaf grown in Virginia and North Carolina.
- The 1920s were the period when tobacco companies started marketing heavily to women, creating brands such as 'Mild as May' to try to feminize the habit and make it more appealing to women. The number of female smokers in the United States tripled by 1935
- When tobacco use peaked in the mid-1960s, more than 40 percent of the U.S. adult population smoked cigarettes
- Sir Francis Bacon noticed that there was something very addictive about tobacco way back in 1610, saying that it's a tough habit to kick – people back then did not know about the addictive nature of nicotine or that nicotine was even a component of tobacco.
- In ancient America, tobacco was chewed, drunk as tea, inhaled as a powder-like snuff, and consumed as a jelly—but smoking tobacco was by far the most popular
- The term "smoking" wasn't established until the late seventeenth century. Before then, it was often referred to as "Dry Drunkenness"
- Nicotine withdrawals have a negative impact on time perception, which causes one to feel as if time passes very slowly when quitting the use of tobacco
- When in 2007 Minnesota passed an anti-smoking law that banned smoking in public buildings, there was a line that said only actors who had to smoke were allowed to do so. Thus, the Barnacles Bar declared that everyone in the bar is an actor in a live performance.
- The term "pipe dream" came from people having fantasies from smoking an opium pipe
- Breathing the air in Beijing has the same health risks as smoking 40 cigarettes a day.

## The Technology Subcommittee Update

Welcome to Grand Rapids! The goal of the Technology Subcommittee is to fulfill the Uniformity Committee's Mission Statement by providing approved Uniformity Guides and Schemas.

At the April meeting, a presentation was conducted by the State of Wisconsin explaining what was learned in their move to Uniformity. The presentation was conducted by Amy Griffin, Jason Kraemer and Chris Roberts and it was titled "Making the move to Uniformity". The presentation detailed Wisconsin's project planning, system changes needed, system limitation planning, schema updates timelines, XML schema test files, communication timeline, and lessons learned by the state. In the presentation Wisconsin explained that the lessons learned in the move to uniformity was to have a full project plan in place prior to development, plan for significant increases in data, set XML

schema testing deadlines, develop a robust communication plan, and plan for high level customer support before and after the roll-out.

Next the Uniformity Committee discussed the schema changes proposed. The first proposal was by Kara Parga. Kara proposed to make all the optional elements required. This change would make the import and export of data between states accurate. If the elements are optional, the data exchanged between states with different laws may not be as useful. In addition to the proposal made by Kara, Wisconsin has made proposals based on the issues they found with the implementation of Uniformity. Wisconsin proposed increasing the character string from 35 to 85 for the product description, manufacturer, and brand family fields. This was proposed because the 35-character string was not long enough for some of the products. Wisconsin also proposed increasing

the U.S. decimal amount from two to five for the weight/volume, value, and extended taxable amount fields. This was proposed because the two-decimal limit was causing some companies to pay a higher amount of cigar tax. The Uniformity Committee suggested that Wisconsin have two cigar state description codes because Wisconsin taxes cigars at a rate of 71% of cost or at a \$0.50 cigar cap. Wisconsin has agreed to add a WI-CGR2 to the state description codes. All the proposed changes will be approved at the August meeting in Grand Rapids.

Another item discussed was to send out a technology survey to all the states. A survey was sent, but there are still a number of states that need to reply. If you have not replied, please complete the survey and send it to Jason or Mark.

~ JASON AND MARK

## Communications and Legislation Subcommittee Update

At our last meeting in April in Oklahoma City we had twelve states (ID, IN, KY, NC, OK, OR, KS, SC, SD, TX, and WI) in attendance.

First on the agenda was a Tobacco Tax Information by State (TTiBS) update. To start, the subcommittee gave an update on the states that had responded thus far to the 2019 survey questions given out earlier in the year. As of this writing all the responses received are being added to the TTiBS for an August 2019 publication. Last page count, TTiBS is over 580 pages! Please take the time to review/reference this document to see the results of the hard work the states put in to provide valuable feedback on various tobacco topics.

Also, start thinking about questions for 2020. We will discuss new question ideas during our breakout session.

Next, Whitepaper groups gave brief updates on their progress. Jim Oliver gave an update on Modified Risk Tobacco and Mike Albin spoke on E-Cigarette Taxation. We look forward to seeing the final product for approval and publication in August..

Review and refinement of the Electronic Filing RFP document took much of the breakout time. The goal of this document is to provide a checklist of Best Practices for states as they convert to

FTA Uniformity e-file.

The document includes input from vendors and states alike with tasks broken down in chronological order contained within clearly defined sections – pre-development, development, implementation and post-implementation. This is another document up for approval at the August meeting.



(Cont. on pg. 5)

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

The rest of the time in Oklahoma City was filled with a legislative update roundtable. Robust conversation took place on new and emerging products such as CBD, synthetic nicotine and tobacco derived nicotine. We have no doubt that this conversation will contin-

ue in Grand Rapids.

Thank you to all that have come to Michigan. 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 July 22, 2019

FDA launches its first youth e-cigarette prevention TV ads, plans new educational resources as agency approaches one-year anniversary of public education campaign

“The Real Cost” Youth E-Cigarette Prevention Campaign aims to reach nearly 10.7 million at-risk youth through TV, digital platforms, social media, in-school ads and posters nationwide.

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



**...the new [FDA] TV ads and school resources are designed to continue to engage youth with important public health messages about the risks of e-cigarette use.**

## Training & Development Opportunities

### FTA Tobacco Basic Training October 6—10, 2019 - Greensboro, NC

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. Save the 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 Grand Rapids, Michigan! Did you know...?

- Ottawa Indians were Grand Rapids' first inhabitants and in 1826 the city was settled by French fur traders.
  - The city's name comes from the Grand River, Michigan's largest inland river.
  - Grand Rapids was once known as America's Furniture Capital for its fine residential furniture. It is known today as the center of office furniture manufacturing.
  - Gerald R. Ford, a native son, became the 38th President of the United States on August 9, 1974.
  - Grand Rapids is home to two Frank Lloyd Wright designs - the privately owned Amberg House and the Meyer May House, which is open to the public three days per week.
  - Grand Rapids is Michigan's 2nd largest city, with a metro-area population of 1.4 million.
  - The Gerald R. Ford International Airport. is the second largest airport in Michigan and the 86th largest airport nationally, serving more than 2 million passengers annually.
  - Grand Rapids is headquarters to many national and multi-national headquarters including Steelcase, Herman Miller, Haworth, Alticor (formerly Amway), Wolverine World Wide, Meijer and Zondervan.
  - Grand Rapids was the first city in the U.S. to add fluoride to its drinking water - way back in 1945.
  - Michigan is 2nd only to California in agricultural diversity - and West Michigan produces 85% of all crops harvested in Michigan ... for an economic impact of over \$2 billion.
  - Michigan is America's 3rd largest apple producer - and Kent County produces more than any other Michigan county.
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## The Grand Rapids Michigan skyline along the banks of the Grand river



### 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.

#### Forms

Marci Rosencutter  
State of Kansas

Helen Hayes  
Core-Mark International Inc.

#### Compliance

Sally Staufer  
State of South Dakota

Kristin Harrell  
Associated Wholesale Grocers

#### Technology

Jason Kraemer  
State of Wisconsin

Mark Triplett  
Triplett & Assoc./ Swedish Match



### Tobacco Regional Officers

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Governor

Jacob Hunter, Illinois  
Lt. Governor

Betsy Shroyer, Indiana  
Secretary

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Florence Sam, DC

Lt. Governor

Marijane LaMattina, New Jersey  
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#### Western Region

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John Manning, Utah  
Lt. Governor

Shane Taylor, Wyoming  
Secretary

# Tobacco Tax Section Officers

## Acting National Chair

Gerald Robinett, Missouri

## National Vice Chair

Gerald Robinett, Missouri

## National Secretary

Al Milak, North Carolina



The Leaf Sheet

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

This edition of The Leaf Sheet  
edited by  
Don Anderson  
and Dawn Evans

FTA Tobacco Tax Section Manager  
Cindy Anders-Robb, FTA  
(307) 632-4144  
[cindy.anders-robb@taxadmin.org](mailto:cindy.anders-robb@taxadmin.org)

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.

