Blue Ridge Cigarette Tax Board

September 2022

Thomas Jefferson Planning District Commission

1

Regional Cigarette Tax Board

Authority

- 2020 General Assembly: HB 785 and SB 588 were adopted to authorize additional local revenues.
- 2021 General Assembly: SB 1326 was adopted.
- Encourages local cigarette stamping and tax collection through regional cigarette tax boards of at least six localities, pursuant to joint powers authority and the Regional Cooperation Act.
- Defines various duties of boards and directs a task force review of ways to modernize the stamping and taxing system.

2

Regional Cigarette Tax Board

Back-ground

- Boards guided by agreements that establish membership and powers of a regional board, administrator duties, tax collection, disbursement of revenues, etc.
- Cigarette tax ordinances establish the levy, rules for wholesalers/distributors and for retailers, illegal acts, etc.
- Regional Cigarette Tax Boards—NOVA, Chesapeake Bay, Mount Rogers and Blue Ridge

3

Regional Cigarette Tax Board

Work to Establish a Regional Board

- Shared financial scenarios on projected sales/revenues and potential expenses/costs for administration in requesting start-up funds
- Shaped framework for Board membership, functions and parameters of administration
- The Blue Ridge Cigarette Tax Board was established October 2021

4

Regional Cigarette Tax Board

Other Actions

- Design/development of BRCTB stamp
- MOA between the BRCTB and TAX related to cigarette stamping process
- Establishing/building relationships with distributors/registration process
- Forms for tracking/reconciling stamp purchases/pack sales/revenues collected
- Collections began January, 2022; allowed 90 day "sell through" period

5

Regional Cigarette Tax Board

Cigarette Sales and Tax Revenue Generated

- January collections – ~$203,000
- June – ~$245,00
- Jan – June: ~$1.46 million
- Total packs sold (Jan – June): ~4.8 million
- Working with 20+ distributors who submit monthly reports on sales and remit revenue to BRCTB (designated by jurisdiction) minus 2% discount
- TJPDC distributes revenue to BRCTB members, net actual administrative costs

6

Regional Cigarette Tax Board

Issues We Encountered

- Wrong tax amount collected
- Tax attributed to wrong jurisdiction
- Tax collected at location outside BRCTB jurisdiction
- Calculation error on report/check submitted
- Any combination of the above!

7

Regional Cigarette Tax Board

Real Example from January

- Retailer physically located in Town of Madison, but distributor credited the packs sold to Madison County by mistake
- Conclusion:
  - Allotment given to the wrong locality, so adjustment made to allotment for both Town of Madison (credit) and Madison County (debit)
  - Because the distributor had prepaid taxes based on best guess sales for January, they had a credit. We made the locality allotment adjustments for the month that the distributor took the credit.

8

Regional Cigarette Tax Board

Clear Documentation is Necessary

- We continue to work to combat these errors with careful checking of the reports and dollar amounts received
- But, we still rely on jurisdictions to help catch errors when a retailer is attributed to the wrong locality
- We keep extensive documentation of the issues and actions taken to resolve problems and submit this with the allotment to the localities so they can understand the cash flow, as it does not always match the packs sold/revenue generated

9

Regional Cigarette Tax Board

Compliance Efforts are Underway

- Compliance Agent – Otis Collier
- Work to date: Shaping compliance system – background and Code review, retailer list, vehicle purchase, introduction letter for retailers, and visit checklist
- Goal is to use education and communication to work with retailers to ensure compliance before enforcement action takes place

10

Regional Cigarette Tax Board

Blue Ridge Cigarette Tax Board
www.tjpdc.org/brctb/

David Blount

Thomas Jefferson
Planning District Commission

11