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ARIZONA LUXURY TAX NOTICE LTN 17-01

Eligibility for Waiver of Bonding Requirement for Indian Reservation Tobacco Tax Cigarette Stamps

All cigarettes sold within Arizona must bear an official tax stamp issued by the Arizona Department of Revenue (“Department”) to indicate that all applicable taxes have been paid. Only licensed distributors may purchase, obtain or affix cigarettes stamps.

Official cigarette tax stamps are available for purchase from the Department. Distributors are required to pay for each cigarette tax stamp at the time of purchase unless a surety bond is posted in an amount equal to two times the distributor’s current monthly stamp purchases. If a bond is posted, the distributor must make payment for the stamps on or before the twentieth day of the month following the date of purchase. Credit privileges are conditioned upon timely payment of the amount due and may be cancelled if stamp purchases exceed seventy-five percent of the bond amount.

A distributor may request a waiver of the bonding requirement if the distributor: (i) maintains a “timely, accurate and complete filing and payment record” for a period of two years; and (ii) complies with all requirements of a licensed distributor. If granted, the waiver applies only to the distributor’s purchase of those stamps evidencing prepayment of the Indian Reservation Tobacco Tax (i.e., red-colored stamps). Waivers are not granted for any other cigarette stamp type.

The Department reviews the eligibility of all distributors who seek, or have been issued, a waiver of the bonding requirement pursuant to A.R.S. § 42-3459(D). Along with compliance with other statutory requirements, the Department will consider whether the distributor has made timely filings and payments for a two-year period. A distributor that has been granted a waiver, but fails to maintain a “timely, accurate and complete filing and payment record,” is ineligible for the waiver and must either pay for stamps at the time of purchase or post the required bond. The Department will notify the distributor in writing if the distributor is, or becomes, ineligible to hold a waiver from the bonding requirement. The notice will contain information on the distributor’s ability to appeal the Department’s decision. If the distributor is determined to be ineligible for the waiver, the distributor is required to pay for stamps when purchased or furnish a bond of surety in the proper amount.

If you have any questions regarding this notice, please contact the Tobacco Tax Unit at (602) 716-7808.

Explanatory Notice: The purpose of a tax notice is to provide general guidance to assist taxpayers in becoming familiar with Arizona tax laws. Relevant statutes, case law or administrative rules, as well as a subsequent notice, may modify or negate any or all of the provisions of any tax notice. In the case of inconsistency or omission in this notice, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail. Please see General Tax Ruling (“GTR”) 08-1 for more detailed information regarding documents issued by the Department of Revenue. GTR 08-1 is available online on the Department’s website at <https://www.azdor.gov/LegalResearch/Rulings.aspx>.
