



General Assembly

January Session, 2001

Raised Bill No. 6974

LCO No. 4643

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

**AN ACT CONCERNING THE PRESUMED COST OF CIGARETTES
OFFERED FOR SALE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 12-326a of the general statutes is repealed and the following
2 is substituted in lieu thereof:

3 (a) As used in sections 12-326a to 12-326h, inclusive, (1) "stamping
4 agent" means a licensed distributor other than a buying pool, who
5 purchases cigarettes at wholesale from manufacturers or other
6 distributors for sale to licensed dealers and who maintains an
7 established place of business, including a location used exclusively for
8 such business, which has facilities in which a substantial stock of
9 cigarettes and related merchandise for resale can be kept at all times,
10 and who sells at least seventy-five per cent of such cigarettes to
11 retailers who, at no time, shall own any interest in the business of the
12 distributor as a partner, stockholder or trustee; (2) "subjobber" means a
13 licensed distributor who purchases stamped cigarettes at wholesale for
14 sale to licensed dealers who, at no time, shall own any interest in the
15 business of the distributor as a partner, stockholder or trustee; (3)
16 "chain store" means a licensed distributor (A) operating or franchising

17 five or more retail stores in this state for the sale of cigarettes who
18 purchases cigarettes at wholesale either from another distributor or
19 direct from the manufacturer for sale to dealers but sells such
20 cigarettes exclusively in or to retail stores such person is operating or
21 franchising, or (B) operating and servicing twenty-five or more
22 cigarette vending machines in this state who buys such cigarettes at
23 wholesale and sells them exclusively in such vending machines; (4)
24 "cost" means the basic cost of cigarettes plus the cost of doing business;
25 (5) "basic cost of cigarettes" means (A) the lower of (i) the invoice cost
26 of the cigarettes to the distributor or dealer, as the case may be, or (ii)
27 the replacement cost in the quantity last purchased, plus (B) the full
28 face value of any stamps which may be required by this chapter, if not
29 already included in the invoice cost, minus (C) all trade discounts, if
30 any, other than cash discounts; (6) "cost of doing business" means the
31 costs, as computed for federal income tax purposes, that are related to
32 the sale of cigarettes, including but not limited to labor costs, including
33 salaries of executives and officers, rent, depreciation, selling costs,
34 maintenance of equipment, delivery costs, interest, licenses, taxes,
35 insurance, advertising, preopening expenses and any central and
36 regional administrative expenses, expressed as a percentage of the
37 basic cost of cigarettes and applied thereto. In applying such
38 percentage to the basic cost of cigarettes, any fractional part of a cent
39 equal to one-tenth or more of one cent per carton of ten packages of
40 cigarettes shall be rounded to the next higher cent.

41 (b) In the absence of the filing with the Commissioner of Revenue
42 Services of satisfactory proof of a lesser or higher cost of doing
43 business, such cost shall be presumed to be (1) in the case of a
44 stamping agent who is selling cigarettes to subjobbers and chain stores,
45 (A) seven-eighths of one per cent of the basic cost of cigarettes to such
46 stamping agent plus (B) the cost of cartage to such subjobbers and
47 chain stores, if performed or paid for by such stamping agent, which,
48 absent satisfactory proof to the contrary shall be presumed to be three-
49 fourths of one per cent of the basic cost of cigarettes to such stamping
50 agent; or (2) in the case of a stamping agent who is selling cigarettes to

51 dealers, (A) five and three-fourths per cent of the basic cost of
52 cigarettes to such stamping agent plus (B) the cost of cartage to such
53 dealers, if performed or paid for by such stamping agent, which,
54 absent satisfactory proof to the contrary shall be presumed to be three-
55 fourths of one per cent of the basic cost of cigarettes to such stamping
56 agent; (3) in the case of a subjobber who is selling cigarettes to dealers,
57 (A) four and seven-eighths per cent of the basic cost of cigarettes to the
58 stamping agent plus (B) the cost of cartage to such dealers, if
59 performed or paid for by such subjobber, which, absent satisfactory
60 proof to the contrary shall be presumed to be three-fourths of one per
61 cent of the basic cost of cigarettes to the stamping agent; (4) in the case
62 of a dealer, [eight] twenty per cent of the sum of (A) the basic cost of
63 cigarettes to the stamping agent plus (B) the cost of doing business by
64 the stamping agent with respect to cigarettes sold to dealers; and (5) in
65 the case of sales at retail by a stamping agent, subjobber or chain store,
66 the cost to the stamping agent, subjobber or chain store, as the case
67 may be, shall be the same as the cost to the dealer.

Statement of Purpose:

To increase the presumed cost of doing business for dealers of cigarettes.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]