



**Am. H.B. 128**  
125th General Assembly  
(As Reported by H. Ways and Means)

**Reps. Schmidt, DeWine, Niehaus, Webster, McGregor, Kearns, Seitz,  
Jolivet, Allen, Hagan, Schaffer**

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**BILL SUMMARY**

- Replaces the mandatory cigarette tax bond filing requirement for cigarette dealers with a discretionary requirement, as decided by the Tax Commissioner.
- Under the new discretionary bond filing requirement, a dealer may not be required to file a bond if it has not defaulted on a bond or been delinquent in the payment of cigarette taxes for five years.
- Requires cigarette dealers not required to file a bond to remit the cigarette tax by electronic funds transfer.
- Declares an emergency.

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**CONTENT AND OPERATION**

**Bond requirements for cigarette dealers**

(R.C. 5743.05 and 5743.051)

The cigarette tax is payable by cigarette dealers through their purchase of tax stamps or meter impressions from the state. The stamps and impressions can be purchased at a discount of between 1.8% and 10% of their face value; the discount represents a commission to dealers for applying the stamps or impressions.

Currently, cigarette dealers may purchase tax stamps and meter impressions on credit, with the payment due within 30 days after delivery. But all dealers must file a bond with the state to secure payment.

The bill eliminates the universal bond filing requirement. A cigarette dealer will be required to file a bond only if required to do so by the Tax Commissioner. But the Tax Commissioner may not require a dealer to file a bond if the dealer has been in good credit standing for five consecutive years before the stamps are purchased. ("Good credit standing" means a dealer is not in default on a bond or is not delinquent in the payment of cigarette taxes or any associated penalties or interest.)

If a dealer that is not required to file a bond does not pay the tax within the 30-day credit period, the dealer is prohibited from purchasing any tax stamps or meter impressions (on credit or otherwise) until the dealer pays the amount due, plus any applicable penalty and interest. The dealer also may be prohibited from future credit purchases without filing a bond until the dealer has been in good credit standing for at least five consecutive years.

If a dealer purchases tax stamps or meter impressions on credit without filing a bond, the discount does not apply; the stamps and impressions must be purchased at their face value. The maximum value of stamps and impressions purchased on credit without a bond cannot exceed 110% of a dealer's average monthly purchases over the preceding calendar year (adjusted for any change in the tax rate and, if the Tax Commissioner approves, for any "changes in the business operations" of the dealer).

Dealers permitted to make credit purchases without filing a bond are required to make cigarette tax payments by electronic funds transfer. Such payments are governed by the general rules and procedures governing the payment of other taxes by electronic funds transfer. Dealers may be excused from the EFT payment requirement by the Treasurer of State (who collects cigarette tax payments).

The bill declares an emergency, meaning it will take immediate effect.

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## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-18-03	p. 258
Reported, H. Ways & Means	05-20-03	pp. 491-492

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