**South Carolina General Assembly**

121st Session, 2015-2016

**A145, R149, H4151**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Pitts, White, Bannister and D.C. Moss

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Introduced in the House on May 7, 2015

Introduced in the Senate on June 3, 2015

Last Amended on February 18, 2016

Passed by the General Assembly on February 25, 2016

Governor's Action: March 14, 2016, Signed

Summary: Stamp tax on tobacco products

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

5/7/2015 House Introduced and read first time ([House Journal‑page 63](file:///h:\HJ%20Archive\2015\05-07-15.docx))

5/7/2015 House Referred to Committee on **Ways and Means** ([House Journal‑page 63](file:///h:\HJ%20Archive\2015\05-07-15.docx))

5/21/2015 House Committee report: Favorable with amendment **Ways and Means** ([House Journal‑page 27](file:///h:\HJ%20Archive\2015\05-21-15.docx))

5/27/2015 House Member(s) request name added as sponsor: D.C.Moss

5/27/2015 House Debate adjourned until Thur., 5‑28‑15 ([House Journal‑page 36](file:///h:\HJ%20Archive\2015\05-27-15.docx))

5/28/2015 House Amended ([House Journal‑page 18](file:///h:\HJ%20Archive\2015\05-28-15.docx))

5/28/2015 House Read second time ([House Journal‑page 18](file:///h:\HJ%20Archive\2015\05-28-15.docx))

5/28/2015 House Roll call Yeas‑94 Nays‑6 ([House Journal‑page 19](file:///h:\HJ%20Archive\2015\05-28-15.docx))

6/2/2015 House Read third time and sent to Senate ([House Journal‑page 45](file:///h:\HJ%20Archive\2015\06-02-15.docx))

6/3/2015 Senate Introduced and read first time ([Senate Journal‑page 14](file:///h:\SJ%20Archive\2015\06-03-15.docx))

6/3/2015 Senate Referred to Committee on **Finance** ([Senate Journal‑page 14](file:///h:\SJ%20Archive\2015\06-03-15.docx))

2/17/2016 Senate Committee report: Favorable with amendment **Finance** ([Senate Journal‑page 10](file:///h:\SJ%20Archive\2016\02-17-16.docx))

2/18/2016 Senate Committee Amendment Adopted ([Senate Journal‑page 15](file:///h:\SJ%20Archive\2016\02-18-16.docx))

2/18/2016 Senate Read second time ([Senate Journal‑page 15](file:///h:\SJ%20Archive\2016\02-18-16.docx))

2/18/2016 Senate Roll call Ayes‑34 Nays‑3 ([Senate Journal‑page 15](file:///h:\SJ%20Archive\2016\02-18-16.docx))

2/23/2016 Senate Read third time and returned to House with amendments ([Senate Journal‑page 13](file:///h:\SJ%20Archive\2016\02-23-16.docx))

2/25/2016 House Concurred in Senate amendment and enrolled ([House Journal‑page 37](file:///h:\HJ%20Archive\2016\02-25-16.docx))

2/25/2016 House Roll call Yeas‑100 Nays‑0 ([House Journal‑page 37](file:///h:\HJ%20Archive\2016\02-25-16.docx))

3/10/2016 Ratified R 149

3/14/2016 Signed By Governor

3/16/2016 Effective date See Act for Effective Date

3/17/2016 Act No. 145

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**VERSIONS OF THIS BILL**

[5/7/2015](file:///p:\pprever\2015-16\4151_20150507.docx)

[5/21/2015](file:///p:\pprever\2015-16\4151_20150521.docx)

[5/28/2015](file:///p:\pprever\2015-16\4151_20150528.docx)

[2/17/2016](file:///p:\pprever\2015-16\4151_20160217.docx)

[2/18/2016](file:///p:\pprever\2015-16\4151_20160218.docx)

(A145, R149, H4151)

**AN ACT** **TO AMEND SECTION 12‑21‑735, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE STAMP TAX ON CIGARETTES, SO AS TO REQUIRE AND PROVIDE FOR THE PROPER AFFIXING OF STAMPS, INCLUDING PROVISIONS FOR EXEMPT PACKAGES, UNIQUE SERIAL NUMBERING OF STAMPS, REVOCATION OF THE LICENSE OF A PERSON VIOLATING THESE PROVISIONS, LIMITATIONS ON THE RECEIPT AND SALE OF UNTAXED CIGARETTES, TO PROVIDE FOR RETURN AND PAYMENT OF THE TAX, AND TO AUTHORIZE THE DEPARTMENT OF REVENUE TO PROMULGATE REGULATIONS NECESSARY TO ESTABLISH, IMPLEMENT, AND ENFORCE THESE PROVISIONS.**

Be it enacted by the General Assembly of the State of South Carolina:

**Stamp tax on cigarettes**

SECTION 1. Section 12‑21‑735 of the 1976 Code is amended to read:

“Section 12‑21‑735. (A) Each person or distributor of cigarettes taxable under this article, first receiving untaxed cigarettes for sale or distribution in this State, is subject to the tax imposed in Section 12‑21‑620. The taxes imposed on cigarettes pursuant to this chapter must be paid by affixing stamps in the manner and at the time provided in this section. Except as otherwise provided in this section, stamps must be affixed to each individual package of cigarettes by distributors before being sold, distributed, or shipped to another person. A distributor may affix stamps only to packages of cigarettes obtained directly from a manufacturer or importer with a valid permit issued pursuant to 26 U.S.C. Section 5713. If cigarettes are manufactured in this State and sold directly to consumers in this State by a manufacturer or importer, the cigarette packages must be stamped by a licensed distributor before being sold.

(B) Only manufacturers or importers with a valid permit issued pursuant to 26 U.S.C. Section 5713, or licensed distributors, may receive or possess unstamped packages of cigarettes. Only a manufacturer or importer with a valid permit issued pursuant to 26 U.S.C. Section 5713 may ship or otherwise cause to be delivered unstamped packages of cigarettes in, into, or from this State, except that a licensed distributor may transfer, transport, or cause to be transported unstamped cigarettes from a facility owned by the distributor to another facility, wherever located, owned by the distributor.

(C) A qualified distributor licensed pursuant to this chapter may sell cigarettes without South Carolina stamps affixed to the package, provided that:

(1) the cigarettes are set forth in separate stock for sale to a licensed distributor of cigarettes in another state;

(2) if the cigarettes are not in the possession of a qualified distributor licensed pursuant to this chapter, the cigarettes must be in the possession of a person having immediate evidence of a license in business as a distributor of cigarettes in the another state, and the cigarettes must be purchased for the purpose of resale in the other state;

(3) the cigarettes, at the time of sale by the distributor, properly are stamped with revenue stamps authorized and issued by another state for use on the cigarettes, if the other state requires revenue stamps, or any applicable tax imposed on the cigarettes by the other state has been paid if the law of the other state permits the sale of the cigarettes to consumers in a package not bearing a stamp; and

(4) at all times there is accompanying the cigarettes an invoice, indicating the purchase date, the name, address, and telephone number of the seller, and the name, address, and telephone number of the purchaser. A distributor shall have on file a record of each sale, the original purchase order, a copy of the invoice, and a signed receipt from the purchaser showing that the purchase was made exclusively for resale in another state.

(D) Cigarettes may be sold by qualified distributors without revenue stamps affixed to the package when exempted from tax by Section 12‑21‑100. A distributor that receives or possesses cigarettes intended for sale or distribution into or within this State which are exempt from the taxes imposed pursuant to this chapter shall affix stamps that indicate the package of cigarettes is exempt from tax.

(E) The department shall prescribe, prepare, and furnish stamps of denominations and quantities as necessary for the payment of the tax imposed by this chapter. The department also shall cause to be prepared and distributed to licensed distributors stamps that indicate that a package of cigarettes is exempt from the taxes imposed pursuant to this chapter.

(1) The stamps must be of a type that when affixed on each individual package the stamps cannot be removed without being mutilated or destroyed.

(2) The department, by rules and regulations, shall designate the type of stamps to be applied.

(3) The stamps must be sold only in amounts of thirty thousand or multiples of thirty thousand.

(4) In addition to stamps, the department, by rules and regulations, may authorize licensed distributors to use other devices which imprint distinctive indicia evidencing the payment of the tax upon each individual package. The machines must be constructed in a manner as accurately records or meters the number of impressions or tax stamps made. The tax meter machines or other devices must be kept available at all reasonable times for inspection by the department.

(5) The department, by rules and regulations, may authorize a process allowing for a credit for damaged tax stamps, for product returned as unsellable, and for product unrecoverable as a result of bad debt.

(6) A distributor is allowed a tax credit for the purchase of one stamping machine and equipment acquired by the distributor within one year of implementation by the department. The credit may be claimed beginning in the first calendar month following the purchase of the machine and equipment and continuing for the immediately succeeding seventeen months. The amount of the credit equals the direct costs actually incurred by the distributor to acquire the stamping machine and equipment, as determined by the department, divided by eighteen, with the maximum cumulative credit equaling one hundred seventy‑five thousand dollars. The direct costs must exclude costs for shipping, installation, or for ongoing maintenance related to the machine. Any tax credit must be applied only to the tax remitted pursuant to this chapter. The department may promulgate regulations necessary to implement the provisions of this credit.

(7) The department, by rules and regulations, may authorize the sale of stamps to a distributor on thirty‑day credit periods. Those persons authorized to pay tax by such means are required to execute a bond with a solvent surety company qualified to do business in this State, in an amount of one hundred ten percent of the distributor’s estimated tax liability for thirty days, but not less than two thousand dollars, and conditioned upon the distributor paying all taxes due the State arising from this section. This form of payment is in lieu of cash or its equivalent. Payment for each month’s liability is due on or before the twentieth day of each month, including Sundays and holidays. At the discretion of the department, default in the bonding and payment provisions by any distributor may result in the revocation of the distributor’s privilege to purchase stamps.

(F) All stamps prescribed by the department must be designed and furnished in a fashion that permits identification of the distributor that affixed the stamp to the particular package of cigarettes by means of a serial number or other mark on the stamp. A stamp on a package of cigarettes must note whether the taxes prescribed in this chapter were paid or whether the package of cigarettes was exempt from the taxes.

(G) Stamps only may be affixed to packages of cigarettes that are listed on the South Carolina Tobacco Directory published by the Office of the Attorney General pursuant to Section 11‑48‑30.

(H) The department may appoint manufacturers and distributors of cigarettes, in or out of this State, as agents to buy or affix stamps to be used in paying the tax imposed by this chapter, but the agent at all times has the right to appoint a person in his employ who is to affix the stamps to any cigarette under the agent’s control.

(1) When the department sells and delivers to an agent, the agent is entitled to receive as compensation for his services and expenses as an agent in affixing and accounting for the taxes represented by the stamps and to retain out of the money to be paid by the agent for the stamps a discount of four and twenty‑five one hundredths percent of the face value of the stamps.

(2) The department, by rules and regulations, shall provide a method of purchasing stamps.

(I) The department may promulgate regulations necessary to enforce this section.

(J) For the limited purpose of recovering the costs incurred by the department associated with the installation and operation of the cigarette stamp program, annually the department may retain up to four hundred thousand dollars of tax revenue generated pursuant to Section 12‑21‑620(A)(1), not to exceed actual costs. By March fifteenth of each year, the department must report to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee the costs incurred by the department associated with the operation of the cigarette tax stamp program.”

**Time effective**

SECTION 2. This act takes effect on January 1, 2019, except that Section 12‑21‑735(I) takes effect upon approval by the Governor.

Ratified the 10th day of March, 2016.

Approved the 14th day of March, 2016.

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