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Governor

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Director

## ARIZONA LUXURY TAX NOTICE LTN 06-1

S.B. 1066, 47th Leg., 2d Reg. Sess. [2006 Ariz. Sess. Laws 278]

October 27, 2006

On May 16, 2006, Governor Janet Napolitano signed Senate Bill 1066 into law. Among many other changes to the Arizona luxury tax statutes, effective October 1, 2006, S.B. 1066 amended the definition of "cigarette" found at Arizona Revised Statutes § 42-3001(4) to read as follows:

"Cigarette" means either of the following:

- (a) Any roll of tobacco or any substitute for tobacco wrapped in paper or any substance not containing tobacco.
- (b) Any roll of tobacco wrapped in any substance containing tobacco that, because of its appearance, the type of tobacco used in the filler or its packaging and labeling, is likely to be offered to or purchased by a consumer as a cigarette described in subdivision (a) of this paragraph. This subdivision shall be interpreted consistently with the classification guidelines established by the federal alcohol and tobacco tax and trade bureau.

Questions have been raised by several taxpayers regarding the potential impact this definitional change has on the luxury tax treatment of tobacco products that are commonly known as "little cigars."

Currently, the Department is collecting and reviewing information that will assist in determining the proper tax treatment of little cigars. Before reaching a final determination, the Department would also provide an opportunity to affected taxpayers and other interested parties to offer further comment and input.

When the Department reaches a final position on the tax treatment of little cigars, it will provide notice to all affected taxpayers and the general public. Until such time, taxpayers should continue to timely report and remit tax on these tobacco products in the same manner and at the same tax rates as they did before October 1, 2006.

If you have any questions regarding this notice, you may contact the Tax Policy and Research Section at (602) 716-6803