	MUNICIPALITY OF ANCHORAGE	
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Rev. December 28, 2018

AMC 12.40 Excise Tax on Cigarettes and Other Tobacco Products

INFORMATIONAL #1

Determining the wholesale price of Other Tobacco Products (“OTP”) when purchased from a distributor, rather than directly from a manufacturer, by usage of an adjustment discount of thirty percent (30%).


This informational bulletin provides uniform guidance to all licensed direct-buying retailers who purchase OTP from distributors, rather than from manufacturers. It is the responsibility of the Treasury Division of the Municipality of Anchorage to ensure the proper enforcement of Anchorage Municipal Code (AMC) Chapter 12.40. Therefore, all direct-buying retailers must account for these taxable transactions in the following prescribed manner.

AMC 12.40.006 defines wholesale price as the established price for which a manufacturer sells other tobacco products to a distributor or other person, after deduction of a discount or other reduction received by the distributor for quantity or cash. For purposes of determining wholesale price when the purchase is being made from a distributor or other person rather than a manufacturer, a uniform deduction of 30% may be applied to the invoice price paid for the other tobacco products. (Amended December 4, 2018, AO 2018-107).

*AMC 12. 40 defines manufacturer as a person who **makes, fashions or produces** cigarettes or other tobacco products for sale to cigarette distributors, other tobacco products distributors, bonded distributors, direct-buying retailers, or other persons within the municipality.*

Prior to applying the 30% discount to an invoice, a direct-buying retailer must first determine whether the vendor is on Treasury’s Vendors Classified as Distributors for 30% Discount list, which is published at www.muni.org/tobaccotax. If the vendor is not on the Vendors Classified as Distributors for 30% Discount list, the direct-buying retailer must request and receive approval from Treasury that the vendor qualifies as a distributor, rather than a manufacturer, under AMC 12.40 before applying the 30% discount to the invoice. The request to Treasury may include any or all of the following:

- Written correspondence from the vendor that describes its business operations as it relates to manufacturing tobacco products;
- Printouts from the vendor’s website that details its business model or manufacturing process;
- Copy of the vendor’s ATF license; or
- Any other information that would assist Treasury in determining whether the vendor meets the Code definition of “manufacturer.”

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The discount must be applied directly to the invoice price of OTP purchased from an approved distributor, less shipping or handling charges. A copy of the invoice with clearly stated calculations of the 30% discount must be attached to the monthly tax return.

It is the responsibility of the direct-buying retailer to document all efforts made to determine the actual manufacturer's wholesale price of OTP purchased from a distributor. The documented efforts must be retained and available for inspection under AMC 12.40.190.

Under AMC 12.40, the Department is authorized to disallow the 30% discount and file an involuntary tax return for the unpaid taxes, which may also result in penalties and interest. Treasury is also authorized to assess civil penalties in the event a direct-buying retailer files tax returns with unauthorized discounts. The Department may determine the wholesale price of any tobacco product based on available evidence. Treasury will not accept any methodology or discount schemes other than as set forth in AMC 12.40 and clarified in this informational bulletin. Direct-buying retailers are encouraged to contact Treasury as far in advance as possible from the tax-filing due date to request a determination of a vendor's status as manufacturer or distributor.