

**State of Hawaii – Department of Taxation  
Cigarette Tax Stamps Floor Stock Return**

**Caution:** Licensees, as defined in section 245-1, Hawaii Revised Statutes (HRS), may continue to use their existing inventory of cigarette tax stamps with the denominated value of \$2.00 (light brown stamps) after June 30, 2009, if licensees pay the price difference between the light brown stamps and the cigarette tax stamps with the denominated value of \$2.60 (red stamps) on all affixed and/or unused light brown stamps in their ending inventory at the close of business on June 30, 2009. Form M-107 is used to report and pay the cigarette tax stamp price difference. All licensees approved to purchase cigarette tax stamps are required to submit Form M-107 along with any amount due to the Department of Taxation by July 31, 2009. **Failure to timely file Form M-107 and to timely pay any amount due may result in the suspension of the licensees' approval to purchase cigarette tax stamps.**

Name	Contact Name
Doing Business As	Telephone Number
Mailing Address	Cigarette Tax and Tobacco Tax License Number
City, State, Postal/Zip Code	Federal Employer ID No./Social Security No.

1. Number of affixed light brown cigarette tax stamps in ending inventory at the close of business on June 30, 2009 (see instructions) ..... \_\_\_\_\_
2. Number of unused light brown cigarette tax stamps in ending inventory at the close of business on June 30, 2009 (see instructions) ..... \_\_\_\_\_
3. Total number of light brown cigarette tax stamps in ending inventory at the close of business on June 30, 2009 (add lines 1 and 2)..... \_\_\_\_\_
4. Difference in cigarette tax stamp price - see instructions for explanation of price difference..... .6078
5. Amount due (line 3 multiplied by line 4) ..... \_\_\_\_\_
6. Penalty (applicable if Form M-107 is filed after July 31, 2009 - see instructions)..... \_\_\_\_\_
7. Interest (applicable if Form M-107 is filed after July 31, 2009 - see instructions) ..... \_\_\_\_\_
8. Total amount due (add lines 5, 6, and 7)..... \_\_\_\_\_

I declare, under the penalties set forth in section 231-36, HRS, and the penalties for perjury, that this is a true and correct return indicating the ending inventory of cigarette tax stamps possessed or under the control of the undersigned at the close of business on June 30, 2009.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Print name of signatory

\_\_\_\_\_  
Date

**MAILING ADDRESSES / CONTACT INFORMATION**

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Telephone: (808) 587-4242  
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Wailuku, Hawaii 96793-2198  
Toll-Free: 1-800-222-3229

**Hawaii District Office**  
75 Aupuni St. #101  
Hilo, Hawaii 96720-4245  
Toll-Free: 1-800-222-3229

**Kauai District Office**  
3060 Eiwa St. #105  
Lihue, Hawaii 96766-1889  
Toll-Free: 1-800-222-3229

**General Instructions**

Section 245-3, Hawaii Revised Statutes (HRS), increases the cigarette tax to 13 cents per cigarette beginning on July 1, 2009. Licensees, as defined in section 245-1, HRS, may continue to use their existing inventory of cigarette tax stamps with the denominated value of \$2.00 (light brown stamps) after June 30, 2009, if licensees pay the price difference between the light brown stamps and the cigarette tax stamps with the denominated value of \$2.60 (red stamps) on all affixed and/or unused light brown stamps in their ending inventory at the close of business on June 30, 2009.

Form M-107 is used to report and pay the cigarette tax stamp price difference on all affixed and/or unused light brown stamps in the ending inventory at the close of business on June 30, 2009.

**Note:** All licensees approved to purchase cigarette tax stamps are required to submit Form M-107 along with any amount due to the Department of Taxation by July 31, 2009. Failure to timely file Form M-107 and to timely pay any amount due may result in the suspension of the licensee's approval to purchase cigarette tax stamps.

**Specific Instructions**

**Lines 1 and 2:** Licensees must report all affixed and/or unused cigarette tax stamps in their ending inventory at the close of business on June 30, 2009. The ending inventory of all affixed and/or unused cigarette tax stamps does **not** include cigarette tax stamps damaged before July 1, 2009.

Example: A licensee plans to distribute (as defined in section 245-1, HRS) 2,000 packages of cigarettes on July 1, 2009. Each package contains 20 cigarettes. In the process of affixing cigarette tax stamps to these 2,000 packages on **June 30, 2009**, licensee damaged 500 cigarette tax stamps. As a result, licensee used 2,500 cigarette tax stamps to affix cigarette tax stamps to the 2,000 packages on **June 30, 2009**. In addition to the 2,000 affixed cigarette tax stamps, licensee has 4,000 unused cigarette tax stamps in the licensee's ending inventory at the close of business on June 30, 2009. Based on these facts, licensee must report 2,000 affixed cigarette tax stamps on Line 1 and 4,000 unused cigarette tax stamps on Line 2. For the 500 damaged cigarette tax stamps, licensee should report these 500 stamps on Line 5, Page 3, Form M-19, (Cigarette and Tobacco Products Monthly Tax Return) for the month of June 2009.

**Line 4:** The difference in price is computed as follows:

Description	July 1, 2009	Prior to July 1, 2009	Difference
Denominated value of stamp	\$2.6000	\$2.0000	\$.6000
Stamp fee @ 1.7% of denominated value of stamp - see following explanation	\$.0442	\$.0340	\$.0102
Reduction @ .4% of denominated value of stamp - see following explanation	(\$0.104)	(\$0.080)	(\$0.024)
Total	\$2.6338	\$2.0260	\$.6078

Section 245-26(a), HRS, provides for a stamp fee of 1.7% of the denominated value of each stamp sold. This stamp fee is used to pay for the State's cost of providing and enforcing the tax stamp. To defray the cost of affixing the stamps, section 245-22(e), HRS, provides for a .4% reduction of the denominated value of the stamp if certain requirements are met. Since the denominated value of the stamp is increased from \$2.00 per stamp to \$2.60 per stamp and the stamp fee and stamp price reduction are calculated by taking specified percentages of the denominated value, the amount of the stamp fee and reduction have also changed.

Section 245-22(e), HRS, provides that cigarette tax stamps may be sold at a reduction of .4% of each denominated value of stamp if the licensee is in compliance with the State of Hawaii's tax laws. To demonstrate compliance with the State of Hawaii's tax laws and thus be eligible for the reduction of \$.0104 per stamp beginning on July 1, 2009, the licensee must have obtained a tax clearance certificate (Form A-6, Tax Clearance Application) with the State's approval when the licensee renewed the licensee's Cigarette and Tobacco Tax Permit for fiscal year ending June 30, 2010.

**Lines 6 and 7:** Failure to timely file Form M-107 and to timely pay any amount due may result in the suspension of the licensee's approval to purchase cigarette tax stamps and will result in the following actions:

- A. Assessment of penalties. Penalties will be assessed at a rate of 5% per month or part of a month up to 25% on the amount due (Line 5).
- B. Assessment of interest. Interest will be assessed at a rate of 2/3 of 1% per month or part of a month on the sum of the amount due and penalties (Line 5 plus Line 6).