

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 20224

Industry Circular No. 67-2

March 15, 1967

## COSTS INCLUDABLE IN RETAIL PRICE OF LARGE CIGARS

Manufacturers of tobacco products:

This circular is to advise you of the provisions of Revenue Ruling 67-60, Internal Revenue Bulletin 1967-8, 18, which states:

Advice has been requested as to whether mailing and handling costs charged to the purchaser (consumer) at retail for large cigars, should be included in the "retail price" of these cigars to determine the proper class for tax purposes under section 5701 of the Internal Revenue Code of 1954.

Section 5701 (a) (2) of the Code imposes a tax on large cigars on the basis of the price at which "removed to retail" and provides that in determining this retail price "regard shall be had to the ordinary retail price of a single cigar in its principal market."

Usually the costs of transporting large cigars to the consumer are not stated separately but are merely included in the basic retail price quoted to and charged to the consumer. The fact that these transportation charges are quoted separately would not exclude them from the retail price for Federal tax purposes.

Therefore, it is held that all direct costs to the consumer, with the sole exception of the exact amount of State and local taxes which are specifically excluded by the statute, are part of the retail price of a single cigar for Federal tax purposes. When the retail price of the single cigar after excluding State and local taxes includes a fraction of a cent, the fraction is an integral part of the price for determining the applicable Federal tax.

See Revenue Ruling 55-20, C.B. 1955-1, 516, for method of determining the retail price of a single cigar in its principal market where sold singly at retail for more than one price.

Inquiries regarding this circular should refer to its number and be addressed to the office of your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

*Harold A. Serr*

Harold A. Serr  
Director, Alcohol and Tobacco Tax Division