

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



February 16, 2017

NOTICE TO TOBACCO PRODUCT MANUFACTURERS

Any tobacco product manufacturer that manufactures cigarettes that are sold in the District of Columbia (city of Washington, DC) must comply with the District of Columbia's Tobacco Settlement Model Act of 2000 ("Act") (D.C. Official Code §§ 7-1801.01 and 7-1801.02 (2001)).

The Act requires any tobacco product manufacturer selling cigarettes to consumers within the District of Columbia (whether directly or through a distributor, retailer, or similar intermediary or intermediaries) to do one of the following:

- (1) Become a participating manufacturer (as that term is defined in section II(jj) of the Master Settlement Agreement) and generally perform its financial obligations under the Master Settlement Agreement;

or

- (2) Place into a qualified escrow fund by April 15th of the year following the year in question the amount specified in this notice for "units sold" during that sales year.

The Act defines "units sold" as each "cigarette" or "roll-your-own" tobacco upon which District of Columbia excise tax is paid; 0.09 ounces of "roll-your-own" tobacco counts as one "cigarette." For the complete definitions of "tobacco product manufacturer", "cigarette", "units sold", as well as other applicable definitions, see the Act. Copies of the current version of the Act and "Exhibit C" are posted on the District of Columbia Government's web site at www.cfo.dc.gov (click on "Tobacco Directory," then "Manufacturer and Wholesaler Forms and Instructions"). The current version of the Act amends an earlier version of the Act that became effective in the District of Columbia on June 30, 1999. Similar laws have been enacted in all U.S. states and territories that are signatories to the Master Settlement Agreement.

The amount that is required to be deposited by April 15, 2017, is equal to \$0.0188482 multiplied (1) by the number of cigarettes made by the manufacturer that were sold in the District of Columbia during the year 2016, and (2) by an inflation adjustment of 1.7380355. “Exhibit C” to the Master Settlement Agreement sets forth the “formula for inflation adjustment” to which the Act refers. To determine how to calculate the amounts to be deposited in years prior to 2017, multiply the number of cigarettes made by the manufacturer that were sold in the District of Columbia for that year by the applicable statutory per stick amount and inflation adjustment, according to the figures set forth in the table below:

Deposit Due Date Statutory Per Stick Amount Inflation Adjustment

April 15, 2000	\$ 0.0094241	1.03
April 15, 2001	\$ 0.0104712	1.0648841
April 15, 2002	\$ 0.0136125	1.0968306
April 15, 2003	\$ 0.0136125	1.1297355
April 15, 2004	\$ 0.0167539	1.1636276
April 15, 2005	\$ 0.0167539	1.2015102
April 15, 2006	\$ 0.0167539	1.2425497
April 15, 2007	\$ 0.0188482	1.2798262
April 15, 2008	\$ 0.0188482	1.3320594
April 15, 2009	\$ 0.0188482	1.3720212
April 15, 2010	\$ 0.0188482	1.4131818
April 15, 2011	\$ 0.0188482	1.4555773
April 15, 2012	\$ 0.0188482	1.4992446
April 15, 2013	\$ 0.0188482	1.5442219
April 15, 2014	\$ 0.0188482	1.5905486
April 15, 2015	\$ 0.0188482	1.6382651
April 15, 2016	\$ 0.0188482	1.6874131

To be a “qualified escrow fund,” the escrow arrangement must be with a financial institution that (1) is chartered by the United States, a U.S. state, or the District of Columbia, (2) has no affiliation with any tobacco product manufacturer, and (3) has assets of at least \$1,000,000,000 (U.S. dollars). See the definition of “qualified escrow fund” in the Act. A tobacco product manufacturer that places funds into escrow is entitled to receive the interest or other appreciation on the funds as earned. Except as provided by Section 3 of the Act, no funds may be released from the escrow arrangement.

In addition, a tobacco product manufacturer that elects to comply with the Act by placing funds into escrow is required to certify annually in writing to the District of Columbia’s Chief Financial Officer (c/o Tobacco Certifications, Office of the Attorney General) that the manufacturer is in compliance with the Act. **To be timely, a certification of compliance with the Act must be delivered or postmarked by May 15 at Tobacco**

Certifications, Office of the Attorney General for the District of Columbia, Public Advocacy Section, 441 4th Street, NW, Suite 600-S, Washington, DC 20001, U.S.A.

The District of Columbia does not provide a special form for the certification of compliance with the Act. Each certification of compliance should be in the form of a letter that states:

- (1) the full name and address of the manufacturer;
- (2) the full name of the company official responsible for the certification;
- (3) the full name and address of the financial institution holding the qualified escrow fund;
- (4) disclosure of how the amount required by law to be deposited in the qualified escrow fund (since the last annual certification) was calculated;
- (5) the date and amount of each deposit of funds into the qualified escrow fund (since the last annual certification);
- (6) the date and amount of each payment of interest or other appreciation from the qualified escrow fund (since the last annual certification); and
- (7) the total amount of funds currently held in the qualified escrow fund (*attach a copy of the most recent account statement from the financial institution*).

The certification of compliance should be signed as follows:

I declare (or certify, verify, or state) under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.
Executed on (date). (Signature of company official)

Alternatively, a tobacco product manufacturer that elects to comply with the Act who also wishes to comply with the terms of the District of Columbia's Tobacco Product Manufacturer Reserve Fund Complementary Procedures Act of 2004 ("Complementary Act"), may fulfill both Acts' certification requirements through timely submission of the Complementary Act's Annual Tobacco Product Manufacturer Certification form. This form and instructions are posted on the District of Columbia Government's web site at www.cfo.dc.gov (click on "Tobacco Directory," then "Manufacturer and Wholesaler Forms and Instructions", then "Form"). **To be timely, a certification of compliance with the Complementary Act must be delivered or postmarked by April 13 at Tobacco Certifications, Office of the Attorney General for the District of Columbia, Public Integrity Unit, 441 4th Street, NW, Suite 600-S, Washington, DC 20001, U.S.A.**

If this Notice is inconsistent with any provision of the Act, the provision of the Act controls. Any tobacco manufacturer with a question about the Act or about the Master Settlement Agreement may (1) send a written inquiry to Tobacco Statute Enforcement, Public Integrity Unit, D.C. Office of the Attorney General, 441 4th Street, NW, Suite 650-S, Washington, DC 20001, U.S.A., or (2) fax a written inquiry to Tobacco Statute Enforcement, Public Integrity Unit, D.C. Office of the Attorney General at (202) 741-8779 (U.S.A.). All inquiries should be in English, and should include the manufacturer's

name and address, contact person, telephone number, facsimile number, and e-mail address.