



Important Notice: Changes to North Carolina's Cigar Tax Calculation

On November 18, 2021, the North Carolina General Assembly enacted [Session Law 2021-180](#). This law amends the definition of cost price and caps the excise tax on cigars. These changes are effective July 1, 2022 and apply to sales or purchases occurring on or after July 1, 2022.

Background and Statutory Changes

An excise tax is levied on the sale, use, consumption, handling, or distribution of cigars at the rate of twelve and eight-tenths percent (12.8%) of the cost price. Cost price is the actual price paid for an item subject to the excise tax by the person liable for the excise tax.¹ Session Law 2021-180 amended this definition by allowing a taxpayer an alternative way of determining cost price if the cost price is not available. Effective July 1, 2022, the actual price paid for the product may be either of the following:

1. The actual price paid for an item identified as a stock keeping unit by a unique code or identifier representing the item.
2. If the actual price paid for an item is not available, the average of the actual cost price paid for the item over the 12 calendar months before January 1 of the year in which the sale occurs.²

Session Law 2021-180 also capped the excise tax on cigars. Effective July 1, 2022, the excise tax on cigars is subject to a cap of thirty cents (30¢) per cigar.³

Updated Form B-A-101, New Schedule A, Examples

Due to these statutory changes, the North Carolina Department of Revenue has: (1) updated Form B-A-101, Monthly Other Tobacco Products Excise Tax Return and its instructions; (2) created Form B-A-101, Schedule A; and (3) added examples to assist taxpayers in completing Form B-A-101.

The updated Form B-A-101 must be used on all returns filed on or after August 1, 2022. The first return affected by the new legislation will be the July 2022 return. Schedule A must be included when filing Form B-A-101. These documents can be accessed at the following address:

[Tobacco Products Tax Forms and Instructions | NCDOR](#)

¹ Session Law 2021-180 made technical and clarifying changes to this part of the definition of cost price.

² N.C. Gen. Stat. § 105-113.4(2).

³ N.C. Gen. Stat. § 105-113.36A(a)(2).

To assist taxpayers in completing these updated forms, the Department has created examples showing how to accurately complete Form B-A-101 and Schedule A. These documents can be accessed at the following address:

[Examples on How to Complete the B-A-101, along with Schedule A | NCDOR](#)

Assistance

If you have any questions about this notice, you may call the North Carolina Department of Revenue Customer Service line at 1-877-252-3052 (8:00 am until 4:30 pm EST, Monday through Friday), or write to Customer Service, PO Box 1168, Raleigh, NC 27602.

To the extent there is any change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding the subject of this notice and issued prior to this notice conflict with this important notice, the provisions contained in this important notice supersede the previous guidance