



# Northwest Arctic Borough

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## **\*\*NOTICE TO TAXPAYERS\*\***

**June 8, 2018**

The Northwest Arctic Borough Tobacco Excise Tax provides a credit for payment of a tobacco excise tax to a city within the Borough under Section 7.12.040 of the Borough Code. The credit is limited to cigarettes and tobacco products actually sold within the qualifying city for which tax payment was remitted to the city under the city's tobacco excise tax. The credit shall not exceed: (a) one dollar per pack for each pack of cigarettes brought into or acquired in the Borough regardless of quantity; and (b) 22.5% of the wholesale price of other tobacco products brought into or acquired in the Borough.

Deductions for the credit are the sole obligation of the taxpayer, and the Borough may require proof of payment for the city's tobacco excise to the city treasurer when deductions are made on the Borough tax form. Credits are not allowed for tax payments that have already been remitted on prior tax forms.

*Example 1.* Distributor imports a pack of cigarettes for sale in the City of Kotzebue. The taxpayer is entitled to a one dollar credit for a pack of cigarettes if it paid the City of Kotzebue's tobacco excise tax. The Borough imposes a tax of \$2 per pack of cigarettes regardless of quantity. The credit would then reduce the amount of Borough tax by \$1, reducing the payment due to the Borough from \$2 to \$1.

*Example 2.* Distributor imports snuff for sale in the City of Kotzebue. The wholesale price for the snuff is \$100. The City's tax is 55% of the wholesale price—or \$55. The Northwest Arctic Borough imposes a tax of 45% of the wholesale price of "other tobacco products," including snuff—or \$45. The credit would then reduce the amount of Borough tax by 22.5%. Distributor would owe the Borough tax of \$22.50 (\$45 - \$22.50).