KENTUCKY DEPARTMENT OF REVENUE

Nonresident Wholesaler

Filer Guide

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Version 1.0

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Filing Information

General

This guide is published to accompany the Kentucky Department of Revenue's cigarette tax electronic filing (e-file) program. It contains some general information directed to the specific Kentucky license type. To successfully file a Kentucky cigarette return, the filer must adhere to the required electronic file format, as well as the rules, procedures, and technical requirements. See the website for additional information and resources. Kentucky DOR Tobacco and Vapor Products

State Contact

Questions regarding the e-filing program should be directed to the Tobacco Tax Section between the hours of 8:00 a.m. and 5:00 p.m., Eastern Time, Monday through Friday, except for holidays, by utilizing one of the following options:

- Phone: (502) 564-6823; select option 2
- Internet: Tobacco and Vapor Products Tax - Department of Revenue (ky.gov) (select "Send us a message")

Program Overview

The Kentucky e-filing program for cigarette returns is based on an extensible markup language (XML) electronic data interchange (EDI) schema format. The group responsible for developing and maintaining this XML schema is the Federation of Tax Administrators (FTA) Tobacco Tax Uniformity Committee. The adoption of a national standard for electronic filing enables filers to easily deploy electronic filing in all states in which they do business.

The XML schema has two main sections; the first is for the account details, and the second is for the transaction details.

- The account detail section contains information that pertains to the entire document, including the filing date, company name, address, filing period, license number, contact information, and so forth.
- The transaction detail section contains information that pertains to purchases and sales of cigarettes, stamp purchases and usage, inventory information, and so forth.

Updates to the guide or the schema will be posted for download on the following Web site: Tobacco and Vapor Products Tax - Department of Revenue (ky.gov).

Persons Required to File Electronically

All cigarette and tobacco licensees, manufacturers, and suppliers **must file electronically**. Kentucky Revised Statutes (KRS) 138.195(9)(a) states, "The department may by administrative regulation require any person requesting a license or holding a license under this section to

supply such information concerning his business, sales or any privilege exercised, as is deemed reasonably necessary for the regulations of such licensees, and to protect the revenues of the state." The Department enacted the administrative regulation 103 KAR 41:220 requiring e-filing beginning January 2020. The only exception is by waiver granted under the provisions of KRS 131.250 due to lack of internet access, computer hardware or other rare circumstance determined by the Department.

XML is the filing standard for data transmission defined later in this document. Payments must also be transmitted electronically in a manner prescribed by the Department.

Failure to comply with these statutes may result in the revocation of license(s) and/or additional penalties. The taxpayer must contact the Tobacco Tax Section to be able to begin e-filing. Taxpayers having trouble e-filing and/or submitting payment should contact the state tax representative listed in this document.

Responsibilities

It is the filer's responsibility to:

- successfully send the XML file to the Kentucky Excise Tax System (KyETS)
- ensure the XML file is without errors (allowing it to be loaded into the KyETS)
- fix electronic filing issues detected by the KyETS
- view their returns once electronic filing issues are resolved
- adjust any schedule transactions correcting any errors
- submit and sign their return once it is ready, and
- pay any tax due to Kentucky.

Timely Filing

To be considered timely, all monthly returns/reports must be filed on or before the 20th day of the month following the month in which the transaction took place. If the 20th falls on a weekend or holiday, returns would be due the following Monday or the day after the holiday.

A rejected filing could put the tax filer at risk for having failed to file or failed to file in a timely fashion. Any field that is stated to be "Used" in Kentucky's EDI guide but not provided by the filer will cause a filing to be rejected. Non-accounting data may be designated as "Used" even if it is not essential for the posting of the transaction. Additionally, XML syntax errors, for example, the use of alpha characters in a field designated as strictly numeric can cause an electronic transaction to be rejected.

The DOR requires the following rules be met for a filing to be considered timely:

- The electronic document must have enough information to identify the filer.
- The electronic document must be filed in the XML format as designated by Kentucky.

DOR has also provided an Excel Template and XML conversion tool to assist the filers in creating an XML file.
https://pats.gateway.ui.dor.ky.gov:8443/FileConvertor/FileConvCommon

- The electronic document must have sufficient information to identify the tax type, calculate the tax liability, and meet the posting requirements of Kentucky (for example, the user must complete all "Used" fields).
- The electronic document must have sufficient information to permit the mathematical verification of the tax liability.
- The return must be received by Kentucky on or before the due date. An "in process" status is not considered received.

Return Details

Nonresident Wholesalers are required to report all activity relating to Kentucky. Including the following scenarios:

- Disbursements of all cigarettes by the licensee into Kentucky; stamped or unstamped.
- Disbursements of all cigarettes stamped with the Kentucky tax stamp regardless of the destination.
- Receipts of all cigarettes coming from Kentucky; stamped or unstamped.
- Receipts of all cigarettes stamped with the Kentucky tax stamp regardless of the origin.
- Purchases, inventory, and adjustments related to unaffixed Kentucky tax stamps.
- Inventory and adjustments related to Kentucky stamped cigarettes.

Header Information

The header section contains the information about the filer and the return that is being submitted. This includes the following information:

- EIN: The filer's Federal ID Number
- State EIN: The filer's KY Cigarette License Number
- Business Name: Name as it appears on the KY Cigarette License
- Business Address: Physical Address must be provided on Address Line 1
- Business Representative: This should be a contact person that can answer questions regarding the data submitted.
- Tax Period End Date: YYYY-MM-DD

Schedule Transactions

The filer must report transactions on this schedule. Filers should include all transactions that result in accounting for cigarette products that are received or disbursed from the licensed

location. The filer must complete the schedule type, as well as information from the transaction document and the transaction detail.

Schedule Type

The schedule type is a required field that describes the transaction. It is important to properly identify the correct schedule to report the transactions on.

Nonresident Wholesalers will use the following schedule type codes:

- 1B: This schedule is to report cigarettes received from a person other than a manufacturer or first importer. This includes other wholesalers, distributors, subjobbers or other licensees.
- 1C: This schedule is to report cigarettes received from a retailer or end user.
- 2B: This schedule is to report cigarettes disbursed to a person other than a manufacturer or first importer. This includes other wholesalers, distributors, subjobbers or other licensees.
- 2C: This schedule is to report cigarettes disbursed to retailer or end user.
- 2D: This schedule is to report cigarettes returned to the manufacturer.

Note: Entries will always be reported with a positive number

Transaction Document

The filer must provide information available from the transaction document and must include the following fields:

- Date: Format YYYY-MM-DD
- Document Type:
    - Invoice
    - Credit Memo
    - Affidavit
    - Returned Goods Authorization
- Document Number:
    - Invoice Number
    - Credit Memo Number
    - Affidavit Number
    - Returned Goods Authorization Number
- Customer or Supplier Type: Available options
    - Distributor
    - Manufacturer
    - Retailer
    - Subjobber
    - Employee

- Customer
- Wholesaler
- Delivery Seller
- Native
- Military
- Government
- Inter Branch Transfer
- Distribution Center
- EIN: FEIN of the supplier or customer
  - If transaction is to an end consumer put 999999999
- State EIN: If the transaction is to a licensee, put their Kentucky license number. In all other cases enter 999999999.
- Business Name: Name of entity sold to or purchased from.
- Address: Physical Address of the business the product was sold to or purchased from.

Transaction Detail

The filer must report details of the transaction including the following information:

- Federal Description: Cigarette
- MSA Status:
  - OPM
  - SPM
  - NPM
  - PM
  - NPM1
  - NPM2
- Tax Jurisdiction: This identifies the evidence of tax for cigarettes bought or sold.
  - If tax has been applied to the transaction use the state taxing jurisdiction code applicable. For example: KY, IL, IN, OH, TN, and WV.
  - For untaxed product use the code. UNSTP
  - For a full list see the Kentucky Cigarette EDI Guide
- UPC Number:
  - The UPC code can be either for the case, carton or packs but must match with the UPC Unit of Measure entered
- UPC Unit of Measure: The UPC Unit of Measure should match with the UPC Number
  - Pack
  - Carton
  - Case
- Manufacturer:
- Manufacturer EIN:

- Brand Family:
- Quantity: Will always be a positive number
- Sticks Per Pack:
- Total Sticks: Will always be a positive number
- Price: Will always be a positive number

Delivery Service

As required by Federal PACT Act requirements, if a delivery service is used to deliver the cigarette products the filer must include the required information.

- Name of the carrier
- Federal ID Number of the carrier
- Address information for the destination from where the cigarettes originated from or where the cigarettes were shipped to
- Contact name and phone number of the carrier

Cigarette Schedule of Unaffixed Stamps

Filers must complete this schedule to report and account for all unaffixed cigarette tax stamps. Filers are required to report all Kentucky unaffixed stamps.

Beginning Stamp Inventory – Schedule 2BI

Account for the unaffixed cigarette tax stamps on hand at the beginning of the month. Filers are required to report beginning inventory of Kentucky unaffixed stamps. This inventory should be an accurate reflection of the physical inventory on hand and should include all stamps the filer needs to account for during the filing period. The beginning inventory should match the ending inventory from the previous month.

The following information must be provided:

- Total Beginning Inventory Count:
- Total Beginning Inventory Gross Value:
- Tax Jurisdiction:
- Stamp Unit of Measure:
- Count:
- Gross Value:

Note: Entries will always be reported with a positive number.

Purchases of Stamps – Schedule 2SP

Account for the unaffixed cigarette tax stamps purchased during the month. Filers are required to report all Kentucky purchases of unaffixed stamps.

The following information must be provided:

- Total Purchases Count:
- Total Purchases Gross Value:

For each roll of stamps purchased report the following information:

- Date Received:
- Purchase Order Number:
- Roll ID:
- Tax Jurisdiction:
- Stamp Unit of Measure:
- Count:
- Gross Value:

Adjustments to Stamp Inventory– Schedule 2IA

Account for adjustments pertaining to unaffixed cigarette tax stamps during the month. Filers are required to report adjustments of Kentucky unaffixed stamps.

The following information must be provided:

- Total Adjustments Count:
- Total Adjustments Gross Value:

For each adjustment report the following information:

- Date Received:
- Type of Adjustment:
- Tax Jurisdiction:
- Stamp Unit of Measure:
- Count:
- Gross Value:

Note: Adjustments are deducted from inventory so when an adjustment is reported reducing inventory the adjustment should be a positive number.

Ending Stamp Inventory – Schedule 2EI

Account for the unaffixed cigarette tax stamps on hand at the end of the month. Filers are required to report ending inventory of Kentucky unaffixed stamps. This inventory should be an accurate reflection of the physical inventory on hand and should include all stamps the filer needs to account for during the filing period.

The following information must be provided:

- Total Ending Inventory Count:
- Total Ending Inventory Gross Value:
- Tax Jurisdiction:
- Stamp Unit of Measure:
- Count:
- Gross Value:

Note: Entries will always be reported with a positive number.

Stamps Affixed – Schedule 2SA

Account for the number of cigarette tax stamps affixed during the month. Filers are required to report Kentucky stamps affixed.

The following information must be provided:

- Total Stamps Affixed Count:
- Total Stamps Affixed Gross Value:
- Tax Jurisdiction:
- Stamp Unit of Measure:
- Count:
- Gross Value:

Note: Entries will always be reported with a positive

Cigarette Schedule Pack – Inventory Schedule

The filer must account for all the Kentucky stamped cigarette inventory in possession of the licensee including cigarettes that are deemed unsaleable.

Beginning Inventory – Schedule 3BI

Account for all Kentucky stamped cigarette product on hand at the beginning of the month. This will include cigarettes that are deemed unsaleable. This inventory should be an accurate reflection of the physical inventory on hand and should include all cigarettes the filer needs to account for during the filing period. The beginning inventory should match the ending inventory from the previous month.

The following information must be provided:

- Beginning Stick Count:
- Federal Description: Cigarette
- MSA Status:
    - OPM
    - SPM

- o NPM
- o PM
- o NPM1
- o NPM2
- Tax Jurisdiction: This identifies the evidence of the tax stamp on the cigarettes.
  - o Use the state taxing jurisdiction code applicable. For example: KY, IL, IN, OH, TN, and WV.
  - o For unstamped product use the code. UNSTP
  - o For a full list see the [Kentucky Cigarette EDI Guide](#)
- UPC Number:
  - o The UPC code can be either for the case, carton or packs but must match with the UPC Unit of Measure entered
- UPC Unit of Measure: The UPC Unit of Measure should match with the UPC Number
  - o Pack
  - o Carton
  - o Case
- Manufacturer:
- Manufacturer EIN:
- Brand Family:
- Quantity: Will always be a positive number
- Sticks Per Pack:
- Total Sticks: Will always be a positive number

Note: Entries will always be reported with a positive number.

Adjustments to Inventory – Schedule 3IA

Account for any adjustments to Kentucky stamped cigarette products during the month. Adjustments should not include transactions that are reported as a receipt or a disbursement.

The following information must be provided:

- Adjusted Stick Count:
- Federal Description: Cigarette
- MSA Status:
  - o OPM
  - o SPM
  - o NPM
  - o PM
  - o NPM1
  - o NPM2
- Tax Jurisdiction: This identifies the evidence of the tax stamp on the cigarettes.

- Use the state taxing jurisdiction code applicable. For example: KY, IL, IN, OH, TN, and WV.
- For unstamped product use the code. UNSTP
- For a full list see the [Kentucky Cigarette EDI Guide](#)
- UPC Number:
  - The UPC code can be either for the case, carton or packs but must match with the UPC Unit of Measure entered
- UPC Unit of Measure: The UPC Unit of Measure should match with the UPC Number
  - Pack
  - Carton
  - Case
- Manufacturer:
- Manufacturer EIN:
- Brand Family:
- Quantity:
- Sticks Per Pack:
- Total Sticks:

Note: Adjustments are deducted from inventory so when an adjustment is reported reducing inventory the adjustment should be a positive number.

Ending Inventory – Schedule 3EI

Account for all Kentucky stamped cigarette product on hand at the end of the month. This includes cigarettes that are deemed unsaleable. This inventory should be an accurate reflection of the physical inventory on hand and should include all cigarettes the filer needs to account for during the filing period.

The following information must be provided:

- Ending Stick Count:
- Federal Description: Cigarette
- MSA Status:
  - OPM
  - SPM
  - NPM
  - PM
  - NPM1
  - NPM2
- Tax Jurisdiction: This identifies the evidence of the tax stamp on the cigarettes.
  - Use the state taxing jurisdiction code applicable. For example: KY, IL, IN, OH, TN, and WV.

- o For unstamped product use the code. UNSTP
- o For a full list see the [Kentucky Cigarette EDI Guide](#)
- UPC Number:
  - o The UPC code can be either for the case, carton or packs but must match with the UPC Unit of Measure entered
- UPC Unit of Measure: The UPC Unit of Measure should match with the UPC Number
  - o Pack
  - o Carton
  - o Case
- Manufacturer:
- Manufacturer EIN:
- Brand Family:
- Quantity: Will always be a positive number
- Sticks Per Pack:
- Total Sticks: Will always be a positive number

Note: Entries will always be reported with a positive number.

Frequently Asked Questions

How are returns to the manufacturer reported?
- A filer should account for product removed from inventory that is returned to the manufacturer.
- The transaction should be reported with the Schedule Code 2D to designate this transaction.
- It is important for the filer to report the transaction and account for the products removed from inventory in the month that it occurs.
- The filer should identify the transaction by using the appropriate document number associated with the transaction. This includes the credit memo, affidavit number or the returns authorization number.

How is stale, damaged or unsaleable inventory reported?
- All inventory should be reported and accounted for on the inventory schedule.

How does a filer report credits given to a customer?
- A filer should report transactions that result in product being received into inventory or disbursed from inventory.
- If a transaction occurs that does not result in actual receipt or disbursement of product that transaction should be reported but the quantity should be zero. The credit memo should be referenced in the document number to identify the transaction.

How does a filer report activity that may result in a loss of product in a warehouse?

- A filer can report any activity that results in a loss of product on the underline inventory schedule. The section 'Adjustments to Inventory' allows a filer to identify changes to the inventory and provide an explanation for the event.
- A transaction resulting in a reduction in inventory numbers should be reported as a positive number.

How does a filer report sales to employees?

- A filer can report sales to employees just like any other disbursement by identifying the schedule code 2C and report all the appropriate information to identify the transaction and customer.
- All sales to employees must contain the proper KY cigarette and tobacco tax rates as well as the appropriate consumer sales tax.

How is stolen product reported?

- A filer can report any activity that results in a loss of product on the inventory schedule. The section 'Adjustments to Inventory' allows a filer to identify changes to the inventory and provide an explanation for the event.
- A transaction resulting in a reduction in inventory numbers should be reported as a positive number.

How can a filer report adjustments to inventory?

- A filer can report any activity that results in an adjustment to inventory on the inventory schedule. The section 'Adjustments to Inventory' allows a filer to identify changes to the inventory and provide an explanation for the event.
- A transaction resulting in a reduction in inventory numbers should be reported as a positive number.
- A transaction resulting in an increase to inventory numbers should be reported as a negative number.

How does a filer report inventory?

- The filer is required to report the ending inventory at the end of each calendar month. This inventory should be an accurate reflection of the physical inventory on hand and should include all product the filer needs to account for during the filing period. This includes inventory that is damaged, unsaleable as well as inventory remaining in the warehouse.

How the does the filer obtain a FEIN or a state EIN from the vendor or customer?

- A filer is required to identify the entity they are doing business with by reporting the FEIN and the state EIN. The filer should contact the business to obtain their identification numbers. State EIN numbers are available on our website.
  - Tobacco and Vapor Products Tax - Department of Revenue (ky.gov)

How the does the filer report when the vendor/customer does not have a FEIN or a state EIN?

- When a FEIN or EIN does not exist, the filer can enter '999999999' into the data field.

How do I report sales into a state that does not stamp cigarettes i.e. North Carolina?

- The tax jurisdiction field is used to identify the taxing jurisdiction in which the tax is being collected. For example: Transactions sold into North Carolina which are taxed but do not have a tax stamp the tax jurisdiction should be reported with a code of NC.

How do I report sales when the product is untaxed?

- Untaxed transactions are be reported using the appropriate code of UNSTP for untaxed cigarettes or UNTAXED for all other product to identify those transactions are untaxed.

How do I report sales of little cigars that are stamped with a cigarette tax stamp?

- Transaction of little cigars are reported on the tobacco tax return. However, to account for the stamps used an adjustment is made on the Stamp inventory schedule to account for the cigarette tax stamps used on a tobacco product.

How does the filer create a tax return?

- The user should login into the OneStop account to access the system to file the excise tax return.
- The filer can either manually entering data via web entry or upload a properly formatted XML file.
- The filer is required to report all transactions and inventories.
- The tax return and tax due (if applicable) is prepopulated based on the data inputted.

How does a filer report UPC codes of the products?

- The UPC is a unique number contained on the products. This number identifies the manufacturer, the product as well as the packaging style.
- The Department uses this number to help correctly identify the cigarettes being bought and sold.
- Each product has a different UPC for the pack, carton, or case.
- Filers are required to report the UPC number as well as the UPC Unit of Measure. These numbers must match the type of package being bought or sold.

Does "in process" mean my tax return has been submitted?
- No, it means that your tax return is ready for you to edit, delete, or review.

Why does my return say I paid on my tax return when it was just a zero return?
- The system is set up to show a zero tax due as a paid return of zero tax paid.

How and when do I need to file my Pact Act?
- The PACT reporting requirement is fulfilled when you submit your monthly online filing for the license you have acquired. All reporting is considered late if it is not submitted by the 20th of the following month.

What is the Pact Act?
- It stands for Prevent All Cigarette Trafficking (PACT) Act
- This is a Federal Mandated Reporting Requirement
- If you sell, transfer, or ship for-profit Electronic Nicotine Delivery Systems (ENDS) into Kentucky from outside the state, you are required to register and file monthly reports with the Department of Revenue.

- Also, if you sell, transfer, or ship for-profit cigarettes, smokeless tobacco products, or ENDS in interstate commerce, you must register and file monthly reports with the tobacco tax administrator of the state where the shipment is delivered.

- Current Kentucky filers, who are filing and reporting on sales of vapor products, should not be affected by this federal requirement. The Kentucky electronic filing format captures all data needed for the federal mandated report. Kentucky filers reporting all ENDS products on their tax returns are meeting the Kentucky state filing requirements.

If my supplier or customer does not have a FEIN, can I leave it blank?
- No, use 999999999 in the FEIN field.