

HD C

THE TOBACCO INDUSTRY IN VIRGINIA

**REPORT OF THE
COMMISSION ON TOBACCO TAX
To
THE GOVERNOR
And
THE GENERAL ASSEMBLY OF VIRGINIA**



HD 6, 1968

Commonwealth of Virginia
Department of Purchases and Supply
Richmond
1967

MEMBERS OF COMMISSION

W. C. (DAN) DANIEL, Chairman

HOWARD P. ANDERSON, Vice-Chairman

ROBERT L. CLARK

JOHN GALLEHER

W. BROOKS GEORGE

MARVIN A. GOODE

A. H. RICHARDSON

GEORGE M. WARREN, JR.

LANDON R. WYATT

STAFF

G. M. Lapsley

Wildman S. Kincheloe, Jr.

Robert L. Masden—Frank R. Dunham—Mary R. Spain—Daniel E. Bray, Jr.

THE TOBACCO INDUSTRY IN VIRGINIA

REPORT OF THE COMMISSION ON THE TOBACCO TAX TO THE GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA

Richmond, Virginia, May 22, 1967

To: HONORABLE MILLS E. GODWIN, JR., *Governor of Virginia*

THE GENERAL ASSEMBLY OF VIRGINIA

The word "Tobacco" has been associated with Virginia since early Colonial Days. Before then, the Indians who were here when the colonists arrived, had been smoking tobacco for many years. There is some dispute as to who introduced the practice of tobacco smoking into England. One legend is that it was Sir Francis Drake upon his return to England from Virginia in 1585. Whether it was Drake or someone else who taught Englishmen to smoke may be debatable but it is certain that the practice was bitterly denounced by king and church alike. Popes issued orders excommunicating those who used snuff in church. The denunciation of the use of tobacco by King James I of England is an historical certainty. However, these denunciations went for naught and tobacco smoking literally swept the world. From these early days, various forms for smoking tobacco were developed. During the twentieth century cigarette smoking became by far the most popular. Of course, during this almost five hundred year period, Virginia maintained a prominent place in the tobacco growing and producing world. As cigarette smoking gained in popularity, more and more cigarette companies erected plants in the State. Today, Larus and Brother Company, Philip Morris, Inc., Liggett and Myers Company, American Tobacco Company, United States Tobacco Company and Brown and Williamson all have cigarette manufacturing plants located in Virginia. As an adjunct to these manufacturing plants, stemming and redrying plants have been erected in the State, employing in 1965, 3,400 employees who received a total salary in excess of \$14,330,000. These plants increased the value of tobacco \$25,242,000 and made capital expenditures of approximately \$3,817,000.

The manufacture of a package of cigarettes involves far more than the processing of tobacco. In order for a purchaser to receive one package of cigarettes in addition to the processing of tobacco, all of the following are necessary: paper in which the cigarette is wrapped, paper for the package, cellophane in which the package is wrapped, aluminum for other packaging in lieu of paper, adhesives for sealing, ink for lettering the cigarette, package and carton, filters for filtered cigarettes, cartons for shipping and boxes for shipping the cartons to the distributor and retailer. Thus, the cigarette industry is big business and one vitally affecting Virginia's economy.

Because cigarettes are so widely used and the industry manufacturing them so large, the amount of State taxes on cigarettes has increased at a rapid rate. Cigarettes became ready sources for raising extra and needed State revenues caused by our present population explosion and increased demand for State services.

With the thought in mind that Virginia should not by its taxing practices directly harm an industry as vital to its economy as the cigarette industry and also mindful of the fact that Virginia's tax on cigarettes at the time of its initial enactment in 1960 was to be temporary, the 1966 General Assembly adopted House Joint Resolution No. 131 creating a commission to study the effect of the State's taxing policy on the tobacco industry. This resolution is as follows:

HOUSE JOINT RESOLUTION NO. 131

Creating a Commission to study matters relating to the tax on tobacco.

Whereas, tobacco is the leading cash crop in the Commonwealth of Virginia as well as its leading manufacturing industry; and

Whereas, the livelihood of thousands of the citizens of this State is dependent upon the ability of this industry to prosper and flourish; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That a commission is hereby created to make a study and report concerning the effect the taxing policy of this State is having upon the tobacco industry in the Commonwealth of Virginia. The Commission shall be composed of nine members appointed as follows: The Speaker of the House of Delegates shall appoint four persons from the membership of the House; the President of the Senate shall appoint three persons from the membership of the Senate and the Governor shall appoint two persons from the State at large. All appropriate agencies of the State shall assist the Commission in its study. The members of the Commission shall receive no compensation for their service but shall be paid their necessary expenses for which and for such secretarial and other assistance as the Commission shall require, such sum, to be paid from the contingent fund of the General Assembly. The Commission shall complete its study and report to the Governor and the General Assembly not later than October one, nineteen hundred sixty-seven.

Pursuant to this resolution, Governor Godwin appointed W. Brooks George of Richmond and Marvin A. Goode of Virginia to this Commission. The Speaker of the House of Delegates appointed the following members of the House to the Commission: Howard P. Anderson, Halifax, Robert L. Clark, Stuart, W. C. (Dan) Daniel, Danville and A. H. Richardson, Dinwiddie. The President of the Senate appointed Senator John Galleher, Manassas, Senator George M. Warren, Jr., Bristol and Senator Landon R. Wyatt, Danville to membership on the Commission.

At the organizational meeting of the Commission, W. C. (Dan) Daniel was elected Chairman and Howard P. Anderson, Vice-Chairman. G. M. Lapsley and Frank R. Dunham served as Secretary and Recording Secretary, respectively, to the Commission.

The Commission held public hearings at Richmond and Abingdon. Both of these hearings were well attended and it was the almost unanimous opinion of those who addressed the Commission that the tax on cigarettes was having an injurious effect on the tobacco industry, was unfair and should be repealed. The Virginia Tobacco Tax Council and various growers from several parts of the State appeared and presented statistical data to illustrate the effect the tax on cigarettes was having on the tobacco industry.

RECOMMENDATION

Based on the data submitted to it, and after mature consideration and reflection, the Commission makes the following recommendation:

The tax on cigarettes should be reduced one-quarter mill per cigarette effective July 1, 1968. The remainder of the tax should be repealed and become inoperative on July 1, 1970.

BACKGROUND

In order to understand the reasons for this recommendation, we will briefly survey the tobacco industry in Virginia, the cigarette consumption in the United States and the history of the cigarette tax in Virginia.

The Tobacco Growing Industry

The magnitude of Virginia's tobacco growing industry is apparent from the following figures: (The figures used are 1965 figures because as of the date of this report these are the latest figures available.) Of Virginia's ninety-six counties, fifty-five grow tobacco; in 1965, the dollar value of the State's tobacco crop was \$84,000,000. Contrasting this with the dollar value of peanuts, \$30,000,000, soy beans \$19,000,000, corn \$17,000,000, and forest products \$16,000,000, the tobacco crop exceeded by some \$2,000,000 the combined dollar value of the other crops named. More than 180,000 of the State's population of 3,966,949, according to the 1960 census, depend on the growing of tobacco for their income. One acre of every thirty-six acres of harvested crop land in Virginia is in tobacco. More than 40 percent of the State's total cash crop receipts are derived from tobacco.

These figures show conclusively that Virginia is a tobacco growing State and that tobacco constitutes a large part of the State's agricultural industry.

After a crop is grown, the next step in the merchandising of it, is the farmer's trip to market to dispose of his crop. In the case of tobacco, the market is the tobacco auction houses in the State.

A picture of tobacco market sales in Virginia can be obtained from the figures released January 23, 1967 by the United States Department of Agriculture which show the following about sales on the various tobacco markets in the State:

Flue-Cured Tobacco—Producers sold 145,278,250 pounds of tobacco on Virginia flue-cured markets during the 1966 season—an increase of 13 percent over the 128,920,582 sold during the previous year. The season's average price was \$63.20 per hundred pounds compared with \$64.65 for the 1965 season. All markets closed in December except Danville and South Boston. January sales on the Danville market for producers amounted to 874,715 pounds for an average price of \$50.72. South Boston producers' sales totaled 249,677 pounds for an average of \$51.29.

Burley Tobacco—Producers sold 21,058,521 pounds of tobacco on Virginia burley markets from the 1966 crop. This is a reduction of 5 percent from season's sales a year ago. Average price for the 1966 crop was \$67.11 per hundred compared with \$67.85 a year earlier.

Fire-Cured Tobacco—Virginia's fire-cured tobacco markets sold 7,549,301 pounds for producers from the 1966 crop, a decline of 21 percent from 1965 crop sales. Prices to producers average \$41.24 per hundred compared with \$39.86 per hundred the previous year. Markets closed February 9.

The above figures do not take into account Virginia tobacco sold on markets outside the State nor tobacco from other states sold at Virginia markets.

The tax on tobacco in Virginia today is levied exclusively on cigarettes. In order to understand the industry being taxed, the statistics on production and use of cigarettes were looked into by the Commission. The figures used were those of the United States Department of Agriculture, released March 29, 1967 and are as follows:

In 1966, U. S. smokers (including those overseas) consumed over 541 billion cigarettes—2.4 percent more than in 1965 and more than in any previous year. The number of cigarettes consumed per capita by persons 18 years of age and over, totaled 4,290 (214½ packs of 20). This was 0.7 percent increase over 1965 and second only to the 1963 figure of 4,345 (217¼ packs). Average consumption per smoker would exceed this per capita measure, which is obtained by dividing total consumption by the total population 18 years of age and over.

The adult population in 1967 will increase about 1½% over 1966, and consumer incomes are expected to remain at a comparatively high level. Total cigarette consumption this year seems likely to register a modest increase over 1966. In the past several months, a number of new filter tip brands or filter tip and menthol versions of established brands have been placed on the market. The share of the total market held by filter tips—68 percent in 1966—probably will continue to gain in 1967. In a number of states, consumers face possible increases in retail prices of cigarettes if State legislatures adopt increased tax rates on cigarettes.

Total output of cigarettes in 1966 was over 567 billion—about 10½ billion more than 1965 and more than 60 billion above 1960. From 1965 to 1966, output of filter tip cigarettes rose about 28½ billion, more than offsetting a decline of 18 billion in nonfilter tip cigarettes. From 1960 to 1966, output of filter tip cigarettes rose about 129 billion—far greater than the drop of 69 billion in nonfilter tip cigarettes. The big part of the drop in nonfilter tip cigarettes since 1960 has been in the regular size (70 millimeters) brands; the decrease per year in this category since 1960 has averaged 8.1 percent. In contrast, the king size filter tips (85 millimeters) rose an average 8.7 percent per year from 1960 to 1966.

U. S. smokers (including those overseas) consumed about 95 percent of the total U. S. output of cigarettes. Commercial exports and shipments to Puerto Rico and U. S. possessions accounted for the other 5 percent. (Imports of cigarettes into the U. S. are relatively insignificant and account for less than one-hundredth of one percent of total consumption.) U. S. exports of cigarettes totaled 23½ billion in 1966—2 percent more than in 1965. The declared value of 1966 cigarette exports totaled \$110½ million, up 5 percent from 1965—reflecting the increase in export volume and a 3 percent rise in unit value. Shipments of cigarettes to Puerto Rico and other U. S. islands in 1966 were a record 3,927 million—about one percent more than in 1965.

Virginia's Tax on Cigarettes

We have seen the size of the tobacco producing industry, the sales of tobacco in the various tobacco markets of the State and the extent of the consumption of cigarettes in the United States. Now, as a final step, it is necessary to examine the history of and reasons for Virginia's tax on cigarettes.

In 1960 before the enactment of the State Sales Tax, the General Assembly in search of additional revenue, enacted legislation levying a tax on cigars and cigarettes. This tax is found in Chapter 14.2 of Title 58 of the Code of Virginia in § 58-757.1. The tax levied is "one and one-half mills on each . . . cigarette", or 3 cents a pack. As proof of the temporary nature of this tax, this section provided "This act shall be in force for all purposes from August first, nineteen hundred and sixty, until June thirty, nineteen hundred sixty-two."

In 1962, again while Virginia had no general sales tax, the section was amended and the tax was continued until "June thirty, nineteen hundred sixty-four." In 1964, the tax was again continued until "June thirtieth, nineteen hundred sixty-six." All this time the rate remained the same, and each time the tax was continued only temporarily, i. e., for two years.

In 1966, the General Assembly amended this section again and this is the law today. The present § 58-757.1:1 reads in part as follows: "(b) As of the end of August thirty-one, nineteen hundred sixty-six, the taxes levied by this chapter on little cigars, cheroots, stogies and cigars shall expire by limitation and shall not be levied after that date.

"(c) On September one, nineteen hundred sixty-six, the tax levied by this chapter on cigarettes at the rate of one and one-half mills on each cigarette shall be reduced to one and one-quarter mills on each cigarette; and such reduced rate shall be in force on that date and thereafter until otherwise provided by law, together with all other provisions of this chapter relating to cigarettes."

The 1966 General Assembly also enacted another tax affecting the sale of cigarettes when the popularly termed "State Sales Tax" was added in Chapter 8.1 in Title 58 of the Code of Virginia, consisting of §§ 58-441.1 through 58-444.51. These sections levy a tax of 2 percent on every dollar or fraction thereof of retail sales of every commodity including cigarettes beginning September 1, 1966. On July 1, 1968 the rate will be increased to 3 percent on every one dollar or fraction thereof of merchandise sold at retail. Cigarettes sell at retail from 25 to 35 cents per pack. The present tax on a 25 or 35 cents sale amounts to one cent and will remain the same when the amount of the State sales tax is increased to 3 percent.

Therefore, on every sale of a package of cigarettes, the Virginia tax will amount to 3½ cents under present tax statutes.

REASONS FOR RECOMMENDATION

This Commission feels the special tax on cigarettes in Virginia is unfair to the farmers and manufacturers of the farmers' product, and should be reduced in 1968 and completely removed in 1970 for the following reasons:

1. The special sales tax on cigarettes was enacted in 1960 to raise additional State income in lieu of a Sales Tax. In 1966, the General Sales Tax was enacted and the amount of this tax will be increased in 1968 to 3 percent. Sufficient revenue should be available from the Sales Tax to make this discriminatory tax on an agricultural product unnecessary.

The tobacco industry objected vigorously to the imposition of the tax on cigarettes and cigars in 1960. From the wording of the Act imposing the tax, the legislative intent that such a tax be a temporary measure clearly can be seen. This intent continued in 1962 and 1964 and again is seen in the wording of the statute.

It is not debatable that the tax is discriminatory, for in all the tax statutes of the Commonwealth, tobacco is the only product of agriculture taxed solely for revenue. Some other agricultural products are singled out for special taxation, but the tax is earmarked for promoting the sale or improving the methods of cultivating the product and not for raising revenue. Thus, in all fairness, the tax on cigarettes should be repealed as soon as possible after other revenue can be obtained to replace it. In this instance, the Sales Tax provides this revenue. An examination of the estimated revenues of the cigarette tax and sales taxes clearly show that other tax income is available. The annual average revenue from the tobacco tax at the rate of three cents per pack was fifteen million dollars per year, in fact, for the fiscal year 1966, \$15,700,000. The reduction of ½ cent per pack using the same consumption index as in 1965, will produce \$12,725,000 for the State fiscal year ending June 30, 1967. Actually, the State estimate for tobacco revenue from the cigarette tax for the fiscal year 1967 is \$13,950,000. For the fiscal year 1967, in which there will be only nine months of collections, the Sales Tax is estimated to produce \$33,586,500. The estimated Sales Tax income for the fiscal year 1967-68 is \$47,020,500. On July 1, 1968 the rate of the Sales Tax will be increased to 3 percent.

Included in these estimated figures is one cent per package on each sale of a package of cigarettes. Thus, the Sales Tax estimated income will be more than adequate to replace that raised from the cigarette tax.

2. The tax on cigarettes cannot be justified on any other basis than as a tax to produce revenue.

a. *It cannot be justified as a Use Tax.*

A use tax is imposed upon users of certain products or facilities in order to finance the construction or maintenance of the facility or promote the product. The gasoline tax is such a tax. By it, Virginia taxes gasoline and the proceeds are used for the construction and maintenance of highways. Thus, those who pay the tax use the highways. The gasoline tax can be justified on this basis, but no such basis exists for a tax on cigarettes. The State provides cigarette smokers no special facilities which the tax dollar constructs or maintains.

b. *It cannot be justified as a Luxury Tax.*

Certain taxes are imposed upon special items which are singled out for taxation as nonnecessities and are presumed to be used by persons of means who can pay the extra tax in order to, in the vernacular, "live high on the hog." Such taxes are levied on the ability to pay of those who indulge themselves by using such articles. No such rationale exists for the cigarette tax. Persons in the very lowest income group enjoy and purchase cigarettes just as much as those in the highest income group. In fact, according to the United States Bureau of Labor statistics, persons having less than \$7,500 per year family gross income before taxes, purchase over 55 percent of all cigarettes sold. Thus, no reason or basis can be found to classify the tobacco tax a luxury tax.

c. *It cannot be justified as a Deterrent Tax.*

Under the police power of a State, taxes often are imposed to deter overuse of a commodity and provide funds with which to finance either wholly or partly the policing of the users or traffic in the commodity necessitated by its existence. An example is the tax on alcoholic beverages. In this case, extra police are needed to watch those who may overindulge and to protect the public from illegal traffic in alcoholic beverages. No analogy can be found between the sales of alcohol and of cigarettes. No special State personnel is needed to either police smokers or prohibit illegal traffic in cigarettes.

Sometimes without any specific purposes, items are singled out for special taxation because they produce necessary income, are in line with taxes imposed by other states and have no effect on the sales of the product taxed.

3. How do the federal and other State taxes affect cigarette sales? A look at the taxing policies of cigarettes by the federal and state governments show that cigarettes are the most heavily taxed commodity in existence and that increased taxes on cigarettes are decreasing sales. Let's look at the taxing policies of the federal and other state governments on cigarettes. The federal government places an 8 cent per pack tax and Virginia a 3 cent tax plus the sales tax making the taxes approximately between 12 cents and 13 cents per pack. In the United States, state and local taxes in forty-nine states run from 2 cents to 14 cents a pack. In 1965, these taxes cost citizens \$3½ billion, of which amount the United States Government collected \$2,070,000, state governments \$1,373,000 and municipalities \$65,000,000. These taxes amount to five times the receipts of tobacco growers. If automobiles were taxed at the same rate as cigarettes, a \$3,000 new car would cost approximately \$6,000.

The states neighboring to Virginia levy the following excise taxes on tobacco products:

<i>State</i>	<i>Cigarettes per pack</i>	<i>Taxes on other tobacco products</i>
Georgia	8 cents	<i>Cigars:</i> Graduated rates ranging from \$1.50 per 1,000 where retail price does not exceed 3-1/3 cents each to \$20 per thousand where retail price exceeds 20 cents each. <i>Small cigars:</i> 2 mills each
Kentucky	2½ cents	None
Maryland	6 cents	None
North Carolina	0	None
South Carolina	5 cents	<i>Cigars:</i> \$1.00 per 1,000 where retail price does not exceed 5 cents each, \$10.00 per thousand where retail price exceeds 5 cents each <i>Small cigars:</i> 1 cent for each 10 or fraction thereof <i>Smoking tobacco:</i> 1 cent for each 5 cents or fraction thereof of retail price. <i>Snuff and chewing tobacco:</i> 1 cent for each 3 ounces or fraction thereof.
Tennessee	7 cents	<i>Cigars:</i> Graduated rates ranging from \$1.00 per 1,000 where retail price does not exceed 3-1/3 cents each to \$13.50 per thousand where retail price exceeds 20 cents each. <i>Small cigars:</i> 1 cent for 10 or fraction thereof. <i>Manufactured tobacco and snuff:</i> 6% of wholesale cost price.
West Virginia	6 cents	None

Of the fifty United States, twenty-three increased their tax rates in 1965. These twenty-three states showed a decrease in sales in cigarettes of 4.6 percent. In twenty-six states whose rates were not increased in 1965, an increase of 2.9 percent was shown in cigarette sales. When New York State increased its cigarette tax from 5 cents to 10 cents per package in April 1965, the State showed a 15 percent loss in the sales of cigarettes. New York City, in addition, imposed a 4 cents local tax and the general sales tax added another 2 cents tax. Thus, in New York City the tax on cigarettes is 24 cents a pack. As a result, from April 1965 to January 1, 1967, cigarette sales were down 23.5 percent.

From the foregoing, it appears that increases in taxation of tobacco substantially cause decreases in sales of cigarettes. It seems apparent that unless the tobacco producing states take some action to protect their own industry, taxes in some states may reach 25 cents per pack. If this occurs, it can be said with assurance that the tobacco industry will be severely injured, if not obliterated. It would seem to be logical for tobacco states to move to protect themselves by facilitating the sale of their chief agricultural product. It cannot be said as a certainty that such action will deter other states from increasing their taxes, but if they do not, tobacco sales will zoom in the states which do not tax cigarettes to a point of making the cost prohibitive.

From the foregoing, this Commission feels that Virginia's present tax on cigarettes is discriminatory, can be justified only as a revenue measure and is unfair to Virginia's principal, oldest and stablest industry. The purpose of the cigarette tax when enacted was to raise additional revenue in lieu of a sales tax. Now Virginia has a sales tax and the purpose of the cigarette tax no longer exists and its revenue more than adequately has been replaced.

We realize that for some eight years, Virginia has become accustomed to and planned for the income from cigarette sales. The income to be produced by the tax has been taken into account in making the budget for the 1966-68 biennium. Also the full 3 percent State sales tax will not be effective until July 1, 1968. Therefore, we suggest that a transition period be provided and the tax on cigarettes be reduced only one-half cent per package to one mill per cigarette effective July 1, 1968. Under this recommendation until July 1, 1970, the State will still receive revenue from the cigarette tax until the Sales Tax is in full operation at the 3 percent rate for a complete biennium. On July 1, 1970, the revenue from the Sales Tax can be accurately estimated and its income be more of a certainty for future planning. On July 1, 1970, we recommend the entire special sales tax on cigarettes be repealed.

The power to tax often amounts to the power to destroy and it is our considered opinion that continued taxation of cigarettes will reap such financial havoc on the tobacco industry in Virginia that it will be destroyed. To so do will affect the economy of fifty-five of Virginia's ninety-six counties and the income of some 180,000 Virginia citizens, many of whom are retired. This, we think, is unjustified and could be said to amount to the sale of Virginia's birthright for a mess of pottage.

CONCLUSION

Before concluding this report, this Commission wishes to express its appreciation to the various associations and individuals who cooperated with this Commission by expressing their views and providing statistical data necessary to a thorough and comprehensive study of the effect of

Virginia's taxing policies on the tobacco industry. In addition, the Department of Taxation was most helpful in providing figures and estimates on present and future State tax revenues. Furthermore, the Commission wishes to express its deep appreciation to the Division of Statutory Research and Drafting for their assistance in the study and specifically in the preparation of this Report.

A bill to carry out the Commission's recommendation contained herein is attached.

Respectfully submitted,

W. C. (Dan) Daniel, Chairman

Howard P. Anderson, Vice-Chairman

Robert L. Clark

John Galleher

W. Brooks George

Marvin A. Goode

A. H. Richardson

George M. Warren, Jr.

Landon R. Wyatt

A BILL to amend and reenact § 28, as amended, of Chapter 392 of the Acts of Assembly 1960, Approved March 30, 1960, relating to the expiration of taxes on little cigars, cheroots, stogies and cigars; and the gradual elimination of the tax on cigarettes.

Be it enacted by the General Assembly of Virginia:

1. That § 28, as amended, of Chapter 392 of the Acts of Assembly 1960, approved March 30, 1960, be amended and reenacted as follows:

§ 28. (a) This act shall be in force without change until August thirty-first, nineteen hundred and sixty-six.

(b) As of the end of August thirty-one, nineteen hundred sixty-six, the taxes levied by this act on little cigars, cheroots, stogies and cigars shall expire by limitation and shall not be levied after that date.

(c) On September one, nineteen hundred sixty-six, the tax levied by this act on cigarettes at the rate of one and one-half mills on each cigarette shall be reduced to one and one-quarter mills on each cigarette; * *on July one, nineteen hundred sixty-eight, the tax levied by this act on cigarettes shall be reduced to one mill on each cigarette and on July one, nineteen hundred seventy, the tax shall expire by limitation and shall not be levied after that date.*

(e) Any qualified wholesaler who may have on hand or in transit as of the close of business * *June* thirty, nineteen hundred sixty- * *eight*, any Virginia revenue stamps designed for cigarettes, whether affixed or unaffixed to packages, which he purchased from the Department of Taxation and for which he paid the rate of tax in force prior to * *July* one, nineteen hundred sixty- * *eight*, namely, one and one- * *quarter* mills per cigarette, may apply to the Department of Taxation, on forms prescribed and furnished by it, for the issuance of a tax credit certificate to cover the difference between the higher rate of tax thus paid and the lower rate of tax in effect on * *July* one, nineteen hundred sixty- * *eight*, less the discount of five per cent previously allowed the wholesaler thereon. Every such application for a tax credit certificate shall be filed within ten days after * *July* one, nineteen hundred sixty- * *eight*; it shall state the pertinent facts as of the close of business * *June* thirty, nineteen hundred sixty- * *eight*, and it shall be verified by the affidavit of the applicant. If the Department of Taxation is satisfied that the application is in proper form and substance, it shall issue a tax credit certificate to the applicant in the correct amount as soon as practicable after the receipt of the application. Additional evidence may be required in any doubtful case. The foregoing provisions of this paragraph shall also apply to qualified wholesalers who use authorized metering devices to evidence the payment of the cigarette tax, and in the case of an unused portion of any meter setting at the higher rate of tax, relief by tax credit certificate shall be given for the difference between the higher rate of tax in force prior to * *July* one, nineteen hundred sixty- * *eight*, and the lower rate of tax in effect on * *July* one, nineteen hundred sixty- * *eight*, less the discount of five percent previously allowed the wholesaler at the time of the meter setting.

(f) *Any qualified wholesaler who may have on hand or in transit as of the close of business June thirty, nineteen hundred seventy, any Virginia revenue stamps designed for cigarettes, whether affixed or unaffixed to packages, which he purchased from the Department of Taxation and for which he paid the rate of tax in force prior to July one, nineteen hundred*

seventy, namely one mill per cigarette, may apply to the Department of Taxation, on forms prescribed and furnished by it, for the issuance of a tax credit certificate to cover the tax thus paid, less the discount of five percent previously allowed the wholesaler thereon. Every such application for a tax credit certificate shall be filed within ten days after July one, nineteen hundred seventy, it shall state the pertinent facts as of the close of business June thirty, nineteen hundred seventy, and it shall be verified by the affidavit of the applicant. If the Department of Taxation is satisfied that the application in in proper form and substance, it shall issue a tax credit certificate to the applicant in the correct amount as soon as practicable after the receipt of the application. Additional evidence may be required in any doubtful case. The foregoing provisions of this paragraph shall also apply to qualified wholesalers who use authorized metering devices to evidence the payment of the cigarette tax, and in the case of an unused portion of any meter setting for which he has paid tax, relief by tax credit certificate shall be given for the amount of such tax, less the discount of five percent previously allowed the wholesaler at the time of the meter setting.

