

State of South Carolina  
Department of Revenue



HENRY D. MCMASTER  
Governor

W. HARTLEY POWELL  
Director

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March 15, 2020

The Honorable Hugh K. Leatherman, Sr.  
Chairman, Senate Finance Committee  
111 Gressette Building  
Columbia, South Carolina 29201

The Honorable G. Murrell Smith, Jr.  
Chairman, House Ways and Means Committee  
525 Blatt Building  
Columbia, SC 29201

RE: Cigarette Tax Stamp Expenditure Report

Gentlemen,

Pursuant to the reporting requirements set forth in Act No. 145 of 2016, please find below the costs incurred by the South Carolina Department of Revenue (SCDOR) associated with the operation of cigarette tax stamps.

Effective January 1, 2019, the SCDOR implemented cigarette tax stamps requiring all packs of cigarettes sold in South Carolina to have a cigarette tax stamp affixed to each package (as established by Act 145 in 2016, House Bill 4151 of the 121st Legislative Session). To implement this program, the SCDOR incurred a total cost of \$1,583,948 for Calendar Year 2019 to include the following:

**Redesign of SCDOR's processing system**  
*(\$1,000,000 – Calendar Year 2019)*

The SCDOR's integrated tax processing system, MyDORWAY, was re-designed by a vendor to include a new portal for licensed cigarette distributors to order cigarette stamps and file a monthly report detailing purchases and sales of cigarettes. Prior to January 2019, the tax on cigarettes and other tobacco products (OTP) were reported and paid together. As of January 2019, system reconfigurations allowed cigarettes and OTPs to be taxed and filed separately with the tax on cigarettes now being paid via cigarette tax stamps. Re-design of SCDOR's processing system to include defining, developing, testing and training was a year-long effort.

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**Production and distribution of encrypted tax stamps**  
*(\$189,248 – Calendar Year 2019)*

The SCDOR entered into a partnership with a vendor to effectively print and distribute South Carolina cigarette stamps. Stamps are printed using sophisticated security printing solutions to prevent counterfeit stamps and are shipped directly to distributors.

**Enhanced staffing**  
*(\$394,700 – Calendar Year 2019)*

Administration of the new cigarette stamp tax required the initiation of the processing of cigarette tax stamp orders, credit for purchasing of a cigarette tax stamping machine, stamp refunds, and distributor's monthly reports. These actions required assistance from multiple existing miscellaneous tax examiners and new cigarette tax stamp auditors.

Should you require additional information regarding this report, please contact my office.

Kindest Regards,



W. Hartley Powell  
Director

CC: The Honorable Henry McMaster