§ 46.208 Unmerchantable articles.

Articles that the dealer holds for return to a supplier because of some defect are not subject to the floor stocks tax. However, the dealer must segregate any such unmerchantable articles and include them in a separate section of the inventory record. The dealer cannot include as unmerchantable any items that may be held because of poor market demand or to reduce the dealer’s inventory. If, for any reason, the tobacco products or cigarette papers or tubes that were determined to be unmerchantable are not subsequently returned or destroyed, the dealer must file an additional floor stocks tax return and pay tax on such products plus any applicable penalties and interest.

(Approved by the Office of Management and Budget under control number 1513-0129)

§ 46.209 Articles in vending machines.

There is no exemption for articles in vending machines. They are subject to the floor stocks tax and must be included in the dealer’s inventory record.

§ 46.210 Articles marked “not for sale” or “complimentary”.

Articles marked “not for sale” or “complimentary” that are part of a sale (for example, buy two packs and get one pack free) are subject to the floor stocks tax and must be included in the physical or record (book) inventory as provided in §§ 46.202 or 46.203.

TAX LIABILITY CALCULATION

§ 46.221 Floor stocks tax rates.

<table>
<thead>
<tr>
<th>Product</th>
<th>Floor stocks tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small cigars</td>
<td>$48.502 per thousand</td>
</tr>
<tr>
<td>Small cigarettes</td>
<td>30.83 per thousand</td>
</tr>
</tbody>
</table>

27 CFR Ch. I (4-1–11 Edition)