



STATE & LOCAL TAX REPORTING

PACT Act: State Reporting Compliance Services

On December 27, 2020, Congress amended the Prevent All Cigarette Trafficking (PACT) Act to place additional state regulatory compliance burdens on interstate sellers of e-cigarettes and other vaping products.

The amended law modified the definition of “cigarettes” to include Electronic Nicotine Delivery Systems (ENDS) into the amendment’s regulatory framework and broadly defined ENDS to include nearly all vaping products regardless of their nicotine content.

What You Need to Know to be Prepared

Compliance with monthly state reporting requirements under the PACT Act is time consuming and must be completed within a very short period of time (reports are due by the 10th of each month). This requires even more effort as your business expands into new jurisdictions and markets. You may be currently handling PACT Act reporting using in-house resources, but for companies that are lean and don’t want to add headcount or divert existing resources, this in-house solution may not be practical. If you want to step away from this regulatory compliance burden knowing that nearly every step of the process will be managed by experienced professionals who understand your business, as well as the demands of the states, turn to Cherry Bekaert’s compliance team.

End-to-End Tax Compliance Solution

Cherry Bekaert’s tax professionals will manage all aspects of your PACT Act compliance with affordable services and personalized attention. We handle the necessary registrations, filings, and notices that demand valuable time and resources. We work independently, but unlike automated-technology solutions, you have direct access to experienced consultants who are dedicated to your needs.

Think of us as your go-to team for tackling your industry reporting and compliance obligations. We offer an end-to-end service solution to include reporting and tax compliance obligations to meet your tax requirements:

- ▶ **Sales Tax Compliance:** Prepare Sales Tax nexus analysis and submit tax returns and exemption certificate management.
- ▶ **PACT Act Reporting:** Prepare and submit monthly PACT Act reports for all applicable states.
- ▶ **Excise Tax Compliance:** Prepare and submit excise tax reports to state jurisdictions.

Important Considerations for PACT Act Compliance

Key compliance highlights for online sellers of vaping products shipping goods across state lines:

- ▶ No later than the 10th day of each calendar month, sellers of ENDS must file with applicable states a detailed report containing transactional details for every shipment made during the previous month.
- ▶ Sellers of ENDS must keep a record of any delivery for four years, including tax administration information. Records must be organized by state and be made available to officials upon request to demonstrate compliance.

Break Through the Haze: What You Need to Know and Do

New vape businesses typically begin by handling PACT Act reporting along with sales and excise tax compliance in-house. Successful growth results in a larger state footprint, and filing reports and tax returns timely can become more challenging. Automating the process can help, but only if trained staff have the tools and time to manage the system. In addition to reporting and tax compliance, below are other key considerations:

- ▶ **Delivery Requirements:** The Act generally prohibits the mailing of cigarettes, smokeless tobacco and e-cigarettes through the U.S. Postal Service. Common carriers or other delivery services must comply with in-person age verification on shipping delivery.
- ▶ **Labeling Requirement:** Sellers must meet specific labeling requirements regarding the contents of shipping packages containing cigarettes or smokeless tobacco.
- ▶ **Recordkeeping:** Sellers must maintain records of all delivery sales, organized by state, for four years after the date of the delivery sale, and make such records accessible to state, local and other tax authorities, and the Attorney General.

How We Can Help

There are significant potential business impacts for online sellers who do not comply with new regulations. Cherry Bekaert is one of the few providers to provide an end-to-end, state-by-state PACT Act reporting, excise tax, and sales tax filing solution. Managing these demands can be difficult and time-consuming. Our State & Local Tax advisors can help lift the fog with our deep understanding of the numerous requirements, taking the pressure off you.

We are ready to answer your questions and provide guidance on the latest PACT Act compliance requirements. Contact your Cherry Bekaert advisor or email our compliance team directly at SalesTax@cbh.com.

Let Us Be Your Guide Forward



Louis Cole, CPA

Partner, State & Local Tax Practice Leader
louis.cole@cbh.com



Lauren Stinson, CMI

Partner, Sales & Use Tax Leader
lstinson@cbh.com



Catherine Shaw, CPA

Partner, Tax Services
cathie.shaw@cbh.com

About Cherry Bekaert

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