

SALES OF CIGARETTES AND TOBACCO PRODUCTS IN CALIFORNIA

A GUIDE FOR WHOLESALERS AND DISTRIBUTORS

THE LAW

The information in this presentation provides general information regarding the law and CDTFA processes. For detailed information, visit the CDTFA website or contact the offices listed at the end of this presentation.

CALIFORNIA CTPLA



The California Cigarette and Tobacco Products Licensing Act (CTPLA) requires all sellers of cigarettes and tobacco products to be licensed with the California Department of Tax and Fee Administration (CDTFA):

- Retailers
- Wholesalers
- Distributors
- Importers
- Manufacturers

California state law defines “tobacco products” as:

- A product containing, made, or derived from tobacco or nicotine that is intended for human consumption, whether smoked, heated, chewed, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, including, but not limited to, cigars, little cigars, chewing tobacco, pipe tobacco, shisha, or snuff and, as of June 2016, “electronic cigarettes.” (**Note:** Therapeutic nicotine products approved by the U.S Food and Drug Administration for smoking cessation are **not** considered a tobacco product, for example, a nicotine patch.)
- “Electronic cigarettes” means any device or delivery system **sold in combination with** nicotine which can be used to deliver to a person nicotine in aerosolized or vaporized form, including, but not limited to eCigarettes, eCigars, ePipes, eHookahs, or vape pens. Electronic cigarettes include any component, part, or accessory of such a device that is used during the operation of the device when **sold in combination with** any liquid or substance containing nicotine for a single price.

Electronic cigarettes also include any liquid or substance containing nicotine, whether sold separately or sold in combination with any device that could be used to deliver to a person nicotine in aerosolized or vaporized form.



STATE LICENSE

CDTFA Cigarette/Tobacco Products License

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
CIGARETTE AND TOBACCO PRODUCTS LICENSING ACT OF 2003
WHOLESALE'S LICENSE


LICENSE NUMBER: _____

BUSINESS MAILING ADDRESS: _____

EFFECTIVE DATE: _____

LOCATION ADDRESS: _____

IS HEREBY AUTHORIZED TO ENGAGE IN THE SALE OF CIGARETTES OR TOBACCO PRODUCTS.
THIS LICENSE IS VALID FOR THE EFFECTIVE DATE OR UNTIL SUSPENDED, REVOKED, OR CANCELED, AND IS NOT TRANSFERABLE.
FOR GENERAL TAX QUESTIONS PLEASE TELEPHONE OUR CUSTOMER SERVICE CENTER AT 1-800-469-7115 (TTY:711).
FOR INFORMATION ON YOUR RIGHTS, CONTACT THE TAXPAYERS' RIGHTS ADVOCATE OFFICE AT 1-888-324-2798 OR 1-916-324-2798.
CDTFA-442-LW REV. 4 (8-17)



A MESSAGE TO OUR LICENSE HOLDER

As a wholesaler, you have certain rights and responsibilities under the Cigarette and Tobacco Products Licensing Act of 2003. In order to assist you in your endeavor and to better understand the law, we offer the following informational sources:

- The Cigarette and Tobacco Products Licensing Act of 2003 found under Division 8.6 (commencing with section 22970) of the California Business and Professions Code.
- Our website at www.cdtfa.ca.gov
- Our toll-free Customer Service Center at 1-800-400-7115 (TTY:711).

As a wholesaler, you are expected to maintain the normal books and records of a prudent businessperson. You are required to maintain these books and records for no less than four years, and make them available for inspection by a California Department of Tax and Fee Administration (CDTFA) representative when requested. In addition, you must keep the records on file at the location identified on your license for at least one year after the date of purchase. Specific requirements are set forth in the Cigarette and Tobacco Products Licensing Act of 2003.

You must notify us if you are buying, selling, adding a location, or discontinuing your business, adding or dropping a partner, officer, or member, or when you are moving any or all of your business locations. This license is valid only for the type of ownership and location specified on the license. A person who obtains a license as a wholesaler who ceases to do business, or who never commenced business, or whose license has been suspended or revoked, shall also notify the CDTFA immediately by writing to the California Department of Tax and Fee Administration, Compliance Branch, P.O. Box 942879, Sacramento, CA 94279-0088 in order to make arrangements to surrender the license, or by giving the license to a CDTFA representative.

If you would like to know more about your rights as a taxpayer, or if you are unable to resolve an issue with the CDTFA, please contact the Taxpayers' Rights Advocate office for help by calling, 1-888-324-2798 or 1-916-324-2798. Their fax number is 1-916-323-3319.

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
Compliance Branch

- Apply online.
- Pay all license fees.
- Applications may take 7-10 days to process.
- Upon approval, you will be able to go online to print your license, along with related information.
- Must have license before making purchases or sales.
- Local tobacco license may also be required.

Which CTPLA License Do You Need?

- **Retailer license (LRQ*):**
 - Allows you to sell tax-paid cigarettes and tobacco products only to legal-aged consumers.
 - Annual fee of \$265 per location; separate license for each location.
 - Valid for 12 months; renewed annually; renewal reminder sent 60 days in advance.
- **Wholesaler license (LWQ):**
 - Allows you to obtain and sell tax-paid cigarettes and tobacco products to retailers and other wholesalers.
 - Annual fee of \$1,200 per location; separate license for each location.
 - Valid for a calendar year (Jan – Dec); renewal reminder sent in October.
- **Distributor license (LDQ):**
 - Allows you to sell tax-paid cigarettes and tobacco products to retailers, wholesalers, and other distributors.
 - Annual fee of \$1,200 per location; separate license for each location.
 - Valid for a calendar year (Jan – Dec); renewal reminder sent in October.

* Beginning May 2018, the Retailer CTPLA license designation will change from LRQ to CRL.

- Cigarette/Tobacco Retailer – anyone who sells cigarettes or other tobacco products (OTP) directly to the public from a retail location.

RETAILER



- Can purchase only tax-paid inventory from a CDTFA-licensed Wholesaler or Distributor.

For example, a mini-mart retailer cannot purchase cigarettes for resale from the retail grocery store down the street.
- “Tax-paid” means CA excise taxes have been paid on cigarettes and OTP.
- Cannot sell to other retailers, wholesalers, or distributors.
- License is not transferable.
- For current and historical [cigarette and tobacco products tax rates](#), see the CDTFA website.

- Cigarette/Tobacco Wholesaler – anyone who sells for resale cigarettes or OTP and is not a Distributor by definition.

WHOLESALER



- A Wholesaler resells tax-stamped cigarettes and tax-paid OTP.
- “Stamped” cigarette packs have a valid California tax stamp applied, which represents excise taxes paid.
- A Wholesaler cannot be in possession of untaxed cigarettes or OTP and cannot purchase inventory from an importer or manufacturer.
- A wholesaler must obtain a seller’s permit (SR) and cigarette/OTP license (LWQ) from the CDTFA before making sales.
Note: CTPLA license not required for a storage location where no sales or shipments are made; it is registered as a sub-location with the CDTFA.
- If retail sales of cigarettes and OTP will also be made, a Wholesaler must obtain a Retailer’s license (LRQ) in addition to the Wholesaler’s license (LWQ).

When you register for your wholesaler license, the CDTFA will also assign you one or both of the following accounts, depending on the type of tobacco products you sell.

CW License - Cigarette

- Wholesaler license required if selling cigarettes.
- Requires you to report your beginning inventory of stamped cigarettes, the amount purchased, and the amount sold.
- The amounts are reported by carton and filed monthly. These are informational reports only.

TW License - Tobacco

- Wholesaler license required if making sales of OTP.
- No reporting requirements.

- Cigarette/Tobacco Distributor – anyone who sells or possesses for distribution cigarettes or OTP.

DISTRIBUTOR



- A Distributor may possess untaxed cigarettes/OTP and inventory may be purchased directly from an importer or manufacturer.
 - A Distributor applies California cigarette tax stamps on cigarette packs and resells them to California distributors, wholesalers, and retailers.
 - A Distributor pays the excise tax on OTP and resells the tax-paid product.
 - A Distributor must obtain a seller's permit (SR), LDQ, CR (cigarette) and/or CP (tobacco) licenses from the CDTFA before making sales.
- Note:** CTPLA license not required for a storage location where no sales or shipments are made; it is registered as sub-location with the CDTFA.
- If retail sales of cigarettes and OTP will also be made, a Distributor must obtain a Retailer's license (LRQ) in addition to the Distributor's license (LDQ).

When you register for your distributor license, the CDTFA will also assign you one or both of the following accounts (security deposit required), depending on the type of products you sell.

CR License - Cigarette

- Distributor CR license required if selling cigarettes.
- License allows you to purchase California cigarette tax stamps.
- Requires you to report your monthly levels of stamped and unstamped cigarettes:
 - beginning inventory,
 - amount purchased during the month, and
 - end-of-month inventory.
- Amounts are reported in "sticks."
- These are informational reports only, due on or before the 25th day of the following month and can be efiled.

CP License - Tobacco

- Distributor CP license required if selling OTP.
- Requires you to report whole-sale cost of all OTP:
 - distributed,
 - any exemptions (primarily interstate or foreign commerce sales), and
 - total amount of tax due.
- Tax is due on or before the 25th day of the following month in which the OTP is purchased or when distributed (as selected by licensee during registration).