CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

MASTER SETTLEMENT AGREEMENT

Why is the California Department of Tax and Fee Administration (CDTFA) performing inspections?

We routinely perform inspections of cigarette and tobacco products related businesses statewide to make sure they are in compliance with cigarette and tobacco products laws, to provide education and assistance, and to reduce cigarette and tobacco products tax evasion. For more information, see publication 152, *Cigarette and Tobacco Products Inspections*, publication 78, *Sales of Cigarettes and Tobacco Products in California–License Requirements for Retailers*, and watch our *What to Know About Your Cigarette and Tobacco Products Inspection* video.

What is CDTFA looking for?

We are verifying that the cigarettes in your inventory have valid California tax stamps affixed to each package and the cigarettes and roll-your-own tobacco products are listed on the California Attorney General's Tobacco Directory (Tobacco Directory). We will also review your purchase and sales documentation to verify they support your current inventory. We will make sure you have the required cigarette and tobacco products related permits, accounts, and licenses for your business and answer any questions to help you understand your cigarette and tobacco products responsibilities.

What is the law?

The law states that no person shall affix any California tax stamp to a package of cigarettes or pay the California tobacco products excise tax on roll-your-own tobacco if the cigarette or tobacco product manufacturer, brand family, and brand style are not included on the Tobacco Directory. In addition, no person may sell, offer, or possess for sale in this state, ship or distribute into or within California, or import for personal consumption in this state, cigarettes or roll-your-own tobacco products if the manufacturer, brand family, and brand style are not included on the Tobacco Directory. (Revenue and Taxation Code [RTC] section 30165.1[e])

The California Attorney General provides distributors and wholesalers with written notice of each cigarette and tobacco product manufacturer, brand family, and brand style added to, excluded from, or removed from the Tobacco Directory. Distributors and wholesalers must provide a copy of the Attorney General's written notice of removal to each of their existing customers within seven days.

Note that the presence of any product on the Tobacco Directory does not render such product automatically legal for retail sale. The Tobacco Directory operates in addition to any state or local restrictions on the retail sale of tobacco products, including the California flavored tobacco products ban. The California flavor ban law restricts the retail distribution and sale of flavored tobacco products and tobacco product flavor enhancers to California consumers. Under the California flavor ban law, retailers and their agents are subject to fines for the possession and sale of such flavored tobacco products, regardless of whether those products are listed on the Tobacco Directory. These products may also be seized (Business and Professions Code [BPC] section 22974.2). (Health and Safety Code [HSC] section 104559.5)

Additional restrictions may apply to flavored tobacco products and tobacco product flavor enhancers. If a local ordinance imposes greater restrictions than the California flavor ban law, then the businesses in that jurisdiction must abide by the local ordinance (HSC section 104559.5(i)).

The California Attorney General is required to establish and maintain a list of tobacco products that lack a characterizing flavor, which is known as the Unflavored Tobacco List (UTL) (HSC section 104559.1). Any products subject to the California flavor ban not listed on the UTL will be deemed a flavored product. For more information about the flavor ban and the UTL, visit the California Office of the Attorney General's tobacco website and the California Department of Public Health's website.

What happens if CDTFA finds products that I can't legally sell?

Our representatives will seize any cigarettes and tobacco products that are untaxed, counterfeit, flavored, or illegal, as well as any tobacco product flavor enhancers that we find. As of January 1, 2026, cigarette or tobacco product businesses in California may not possess, store, own, or make a retail sale of cannabis, cannabis products, or a product presumed to be a cannabis product at any site where cigarettes or tobacco products are sold or stored. We will seize such products upon our discovery, and a violation can be subject to fines and suspension or revocation of the license (BPC section 22980.6). Our representatives may also issue you a citation.

What should I do if my cigarettes and roll-your-own tobacco products are removed from the Tobacco Directory?

Retailers have 60 days following removal from the Directory, and distributors and wholesalers have 40 days following issuance of the notice of pending administrative action, to sell the cigarettes or roll-your-own tobacco products affected by the removal from the Tobacco Directory. You may also contact your supplier to return the products and negotiate a credit for returning the products. After the 60-day or 40-day sell-off period, the cigarettes and roll-your-own tobacco are contraband and subject to seizure and destruction under RTC section 30436(e) and RTC section 30449(b). (RTC section 30165.1)

How do I sign up to receive notices of products removed from the Tobacco Directory?

You can sign up for Tobacco Directory notices on the California Attorney General's website and subscribe to receive Tobacco Directory notices by email.

Where can I get more information?

If you have questions or concerns about an inspection, you may contact our Inspections Section at 1-916-324-0105 and select option 3.

For information about the Master Settlement Agreement and the Tobacco Directory, visit the California Office of the Attorney General's tobacco website.

For information regarding licensing, excise taxes, and business responsibilities of cigarettes and tobacco products, please read our *Tax Guide for Cigarettes and Tobacco Products* and our *Tax Guide for California Electronic Cigarette Excise Tax*.

For more information, visit our website. You may also call our Customer Service Center at 1-800-400-7115 (TTY:711) and select the option for *Special Taxes and Fees*. Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.