

**Final Text to California Code of Regulations, Title 18,
Article 7, Records, and Section 4801, Retailer's Records,**
(A new article and regulation to be added to the California Code of Regulations)

Article 7. Records

Regulation 4801. Retailer's Records.

(a) In General. A retailer shall retain purchase invoices for all cigarettes or tobacco products the retailer purchased for a period of four years from the date of purchase. The invoices shall be kept at the retail location to which the cigarettes or tobacco products were sold for at least one year after the purchase. Invoices shall be made available upon request during normal business hours for review, inspection, and copying by the California Department of Tax and Fee Administration (Department).

(b) Transfers. A licensed retailer of cigarettes or tobacco products may transfer portions of their tax-paid inventory from one retail location to another retail location provided that:

- (1) The retailer is the licensee that holds a license issued by the Department for each of the retail locations;
- (2) The retailer prepares a transfer log or similar document that satisfies the requirements of subdivision (d) at the time each transfer occurs;
- (3) The retailer keeps the original transfer log or similar document for a period of four years from the date the retailer purchased the transferred inventory;
- (4) The retailer keeps copies of the transfer log or similar document and purchase invoices for the transferred inventory at the transferring and receiving retail locations for at least one year from the date of transfer; and
- (5) The retailer provides copies of the transfer log or similar document and purchase invoices for the transferred inventory upon request at the time the inspection has commenced.

A retail location under inspection cannot establish that its inventory of cigarettes and tobacco products was purchased tax paid solely by providing a purchase invoice showing that the same type of product was sold tax paid to a different retail location, even if the different retail location is owned by the same licensee. A transfer log is also required to establish that the tax-paid product sold to a different retail location is the same product being inspected.

(c) Prohibited Transfers. A licensee may not transfer portions of its tax-paid inventory under subdivision (b), unless the licensee holds a license issued by the Department for the transferring and receiving retail locations. For example, if a partnership holds the license for retail location A and a partner in the partnership holds the license for retail location B, then the partnership may not transfer its tax-paid inventory from retail location A to retail location B because the partnership does not hold the license for retail location B. Similarly, if a parent corporation holds the license for retail location 1 and its wholly owned subsidiary corporation holds the license for

retail location 2, the parent corporation may not transfer its tax-paid inventory from retail location 1 to retail location 2 because the parent corporation does not hold the license for retail location 2.

(d) Transfer Log. A transfer log or similar document shall contain the following information:

- (1) The date of the transfer;
- (2) The name, address, and license number of the transferring retail location;
- (3) The name, address, and license number of the receiving retail location;
- (4) A legible itemized list, separated by supplier, date of purchase, and purchase invoice number, of the transferred cigarettes or tobacco products that uses the same descriptions used on the original purchase invoices for the cigarettes or tobacco products; including packaging (e.g., 20 5-packs; 60-ct boxes; 30 ml bottle), tobacco flavor and/or style, nicotine strength, and quantity transferred; and
- (5) The names and license numbers of each of the suppliers that sold the retailer the transferred cigarettes or tobacco products.

Appendix A contains an example transfer log that satisfies the requirements of this subdivision.

(e) Alternative Storage Media. If a retailer complies with the requirements of California Code of Regulations, title 18, section 4901, subdivision (h), the retailer may convert hardcopy documents, including purchase invoices and transfer logs or similar documents, required to be retained under this regulation to storage-only imaging media, such as PDF files or other media used in electronic imaging, and may discard the original hardcopy documents.

(f) Inspections, Citations, and Seizures. Purchase invoices and transfer logs or similar documents must be provided upon request at the time of inspection. Failure to provide such documentation when requested may result in the issuance of a citation and the seizure of cigarettes or tobacco products. The Department will not accept a transfer log or similar document that was not prepared at the time a transfer occurred or was not provided upon request at the time of inspection, and such a transfer log cannot be used to establish that cigarettes or tobacco products were erroneously or illegally seized, as grounds for the dismissal of a citation for any violation of the Cigarette and Tobacco Products Licensing Act of 2003 (Act), or for the reduction of penalties imposed under the Act.

Appendix A
Example Transfer Log
Record of Cigarettes or Tobacco Products Transferred
Between a Licensed Retailer's Retail Locations

Date of Transfer	Transferring Location, Address & License No.	Receiving Location, Address & License No.	Items Transferred (Complete Description from Original Invoice)	Supplier's Name and License No., Invoice No., & Purchase Date
3/2/21	A Street Market123 A Street Anywhere, CA 91-0XXXXX	B Street Market456 B Street Anywhere, CA 91-1XXXXX	50 packs Bear cigarettes Red Label, 100 5 boxes Clark y Lois Reserve Metropolis Cigars (25ea)	LD Tobacco Distributors 90-2XXXXX #123456 February 14, 2021
4/30/21	A Street Market123 A Street Anywhere, CA 91-0XXXXX	B Street Market456 B Street Anywhere, CA 91-1XXXXX	15 bottles-100ml Tobacco Flavor by Link Vapes (e-liquid w/ 3 mg nicotine)5 bottles-30ml Killer Tobacco by GoodValue (e-liquid w/ 3 mg nicotine)	S&W Wholesale 90-3XXXXX #22333 April 27, 2021
6/28/21	A Street Market123 A Street Anywhere, CA 91-0XXXXX	D Street Market123 1st Avenue Anywhere, CA 91-3XXXXX	50 packs Bear Cigarettes Red Label, 10012 packs Boondocks Little Cigars (6ea)	Tobacco Road Distributors 90-4XXXXX #999001 June 12, 2021
8/15/21	A Street Market123 A Street Anywhere, CA 91-0XXXXX	C Street Market789 C Street Anywhere, CA 91-2XXXXX	10 bottles-100mL Tobacco Flavor by Link Vapes (e-liquid w/ 3 mg nicotine)	S&W Wholesale 90-3XXXXX #22932 June 21, 2021
8/28/21	D Street Market123 D Street Anywhere, CA 91-3XXXXX	A Street Market123 A Street Anywhere, CA 91-0XXXXX	6 packs Boondocks Little Cigars (6ea)	Tobacco Road Distributors 90-4XXXXX #999876 June 12, 2021
10/3/21	A Street Market123 A Street Anywhere, CA 91-0XXXXX	E Street Market 456 10 th Avenue Anywhere, CA 91-4XXXXX	20 packs Bear Cigarettes Black, 1002 rolls Cheers Long Cut (5ea) 2 rolls Cheers Outlaw. (5ea)	LD Tobacco Distributors 90-2XXXXX #12876 September 29, 2021

Authority cited: Section 22971.2, Business and Professions Code; Sections 15570.22 and 15570.24, Government Code. Reference: Sections 22971,22972, 22974, 22974.3 and 22980, Business and Professions Code.