

Cigarette and Tobacco Products Taxes

Cigarette and tobacco products taxes are imposed upon the distribution of the products in California. Distributors must be licensed and hold a permit to conduct these transactions.

Two types of excise taxes are collected on cigarettes and tobacco products distributed in California: 1) the *cigarette tax*, and 2) the *cigarette and tobacco products surtaxes*. Each tax is described below, according to the type of product sold.

Cigarettes

Cigarettes are subject to both the *cigarette tax* and the *cigarette and tobacco products surtaxes*.

The tax and surtaxes are paid by distributors through the use of cigarette tax stamps, which are purchased from our agency and affixed to each package of cigarettes before distribution. Distributors can be reimbursed for these taxes by the businesses to whom they sell the cigarettes, and the businesses can include the taxes as part of the retail selling price of the cigarettes.

The cost of the cigarette tax stamp includes both the cigarette tax and the surtaxes. Currently, each cigarette tax stamp costs 87 cents per pack of 20 cigarettes: 12 cents for the cigarette tax and 75 cents for the combined surtaxes. Distributors are allowed a discount of 0.85 percent for each stamp to help offset their costs for affixing stamps.

Tobacco products

Tobacco products, not including cigarettes, are subject only to the *cigarette and tobacco products surtaxes*. Tobacco products include all forms of cigars, smoking tobacco, chewing tobacco, and snuff, as well as other products containing at least 50 percent tobacco. The surtaxes are paid by tobacco products distributors.

The surtax rate is determined annually by the Board of Equalization (BOE) and is equivalent to the combined rate of tax applied to cigarettes (sections 30126 and 30131.5 of the Revenue and Taxation Code). Effective July 1, 2009, through June 30, 2010, the rate is 41.11 percent of the wholesale cost.

How are the revenues used?

Ten cents of the cigarette tax is deposited into the state's General Fund and two cents per package goes into the Breast Cancer Research Fund.

Twenty-five cents (Proposition 99, November 1988) of the cigarette and tobacco products surtax is used for the following purposes:

- Tobacco-related health education programs and disease research.
- Medical and hospital care and treatment of patients who cannot afford those services, and for whom payment will not be made by any private coverage or federal program.
- Programs for fire prevention; environmental conservation; protection, restoration, enhancement, and maintenance of fish, waterfowl, and wildlife habitat areas; and enhancement of state and local parks and recreation.

Fifty-cents (Proposition 10, November 1998) of the cigarette and tobacco products surtax is used for programs that encourage proper childhood development, including the development of professional and parental education and training, informed selection of childcare, development and education of childcare providers, and research into the best practices and standards for all programs and services relating to early childhood development.

Who is required to register?

You are required to register if you are a distributor, wholesaler, manufacturer, or importer of cigarettes or tobacco products in California (see following definitions). For retail licensing requirements, see [publication 78, Sales of Cigarettes and Tobacco Products in California](#).

Cigarette Distributor. A cigarette distributor is a person who makes the first distribution of cigarettes in this state. Distribution includes the sale of untaxed cigarettes, the use or consumption of untaxed cigarettes, and the placing of untaxed cigarettes into a vending machine or retail stock.

Tobacco Products Distributor. A tobacco products distributor is a person who makes the first distribution of untaxed tobacco products. Distribution includes the sale of untaxed tobacco products, the use or consumption of untaxed tobacco products, and the placing of untaxed tobacco products into a vending machine or retail stock.

EXCISE TAX FACTS

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For additional information you may download regulations, forms, and publications from our website or you may call our Taxpayer Information Section to talk to a Board of Equalization representative.

BOE website and Board Member contact information: www.boe.ca.gov

Taxpayer Information Section
800-400-7115
TDD/TTY 800-735-2929

Or write to us at:
Excise Taxes Division,
MIC:56
State Board of Equalization
PO Box 942879
Sacramento, CA
94279-0056

Taxpayers' Rights Advocate
888-324-2798

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Cigarette Wholesaler. A cigarette wholesaler is a person, other than a licensed distributor, who sells stamped cigarettes for resale.

Tobacco Products Wholesaler. A tobacco products wholesaler is a person, other than a licensed distributor, who sells tax-paid tobacco products for resale.

Manufacturer. A manufacturer is a person that manufactures cigarettes and tobacco products sold in this state.

Importer. An importer means any purchaser for resale in the United States of cigarettes or tobacco products manufactured outside the United States for the purpose of making a first sale or distribution within the United States.

What if consumers purchase cigarettes or tobacco products from outside the State of California?

If consumers purchase cigarettes or tobacco products for their own use from outside the state without paying California excise tax, they are required to pay the tax directly to us. This includes products purchased through the mail, by telephone, or the Internet, and shipped into California. Consumers also owe the tax if they physically bring tobacco products or more than 400 cigarettes into California. These purchases are also subject to California use taxes (see [publication 112](#), *Purchases from Out-of-State Vendors*).

If I am required to register, what are my filing requirements?

Licensing. You must first apply for a distributor's, wholesaler's, manufacturer's, or importer's license and pay the applicable licensing fee. For more information on licensing fees, please visit our website at www.boe.ca.gov/sptaxprog/sptlicact03.htm. If you are applying for a distributor's license you must also post a minimum of \$1,000 security before the license can be issued. If you wish to purchase cigarette tax stamps on a deferred payment plan, please contact the Excise Taxes Division for available options or download [publication 63](#), *Cigarette Distributor Licensing and Tax Stamp Guide*. There is no security requirement for wholesalers and manufacturers.

Filing. All licensed distributors, wholesalers, manufacturers, and importers are required to file returns or reports, which are due on or before the 25th of the month following the reporting period. Tax returns must be filed even if no transactions were made during the reporting period. All records must be kept and maintained at the taxpayer's licensed premises in California unless another location has been approved by the BOE.

Are any transactions not subject to tax?

Yes. The following sales and distributions of cigarettes and tobacco products are generally not subject to the cigarette tax and the cigarette and tobacco products surtaxes:

- Sales of cigarettes or tobacco products by the original importer to a licensed distributor if the cigarettes or tobacco products are manufactured outside the United States. (*Rev. & Tax. Code § 30105*)
- Sales of cigarettes or tobacco products by the manufacturer to a licensed distributor. (*Rev. & Tax. Code § 30103*)
- Sales by a distributor to a common carrier engaged in interstate or foreign passenger service. (*Rev. & Tax. Code § 30104*)
- Sales to United States military exchanges, commissaries, ship's stores, or the Veteran's Administration. (*Rev. & Tax. Code § 30102*)
- Distributions of federally nontax paid cigarettes or tobacco products that are under Internal Revenue bond or US Customs control. (*Rev. & Tax. Code § 30102.5*)
- An individual shipment of not more than 400 cigarettes personally transported into California. (*Rev. & Tax. Code § 30106*)
- Sales and distributions of cigarettes and tobacco products that cannot be taxed by the state under the U.S. Constitution or federal law or under the California Constitution or state law, such as shipments to purchasers in other states, territories, or foreign countries when the cigarette and tobacco products are not to be returned to this state before use.

Need to destroy unstamped cigarettes or nontax paid tobacco products?

If you destroy unstamped cigarettes or nontax paid tobacco products without the presence of a BOE employee, you may be liable for any unpaid excise tax. If you need to destroy unstamped packs of cigarettes or nontax paid tobacco products, contact us before you destroy your product to make sure your cigarette or tobacco products inventory is properly credited.

Unless the contrary is established, it is presumed that all cigarettes and tobacco products acquired by a distributor that are untaxed; and that all cigarettes or tobacco products manufactured in this state or transported to this state no longer in the possession of the distributor have been distributed. (*Rev. & Tax. Code § 30909*)

Other Related Publications

[4](#) California Cigarette and Tobacco Products Tax Law

[63](#) Cigarette Distributor Licensing and Tax Stamp Guide

[4A](#) California Cigarette and Tobacco Products Licensing Act

[78](#) Sales of Cigarettes and Tobacco Products in California

[15](#) Cigarette and Tobacco Products Tax

Note: This publication summarizes the law and applicable regulations in effect when the publication was written. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.