



# Cigarette and Tobacco Products Taxes

*This publication is designed to provide basic information about California's Cigarette and Tobacco Products Tax programs. If you have questions that are not answered in this publication, please visit our website [www.boe.ca.gov](http://www.boe.ca.gov) or contact us at 800-400-7115.*

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 surtax*.

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 stamp includes both the cigarette tax and the surtaxes. Currently, each cigarette 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 (see definition in next column).

The surtax rate is determined annually by the Board of Equalization (BOE) and is equivalent to the combined rate of tax applied to cigarettes. Effective July 1, 2008, through June 30, 2009, the rate is 45.13 percent of the wholesale cost (in accordance with section 30126 and 30131.5 of the Revenue and Taxation Code).

## Who is required to register?

You are required to register if you are either a distributor or a wholesaler of cigarettes or tobacco products in California (see following definitions).

**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 store.

**Tobacco 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 store.

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

**Tobacco Products Wholesaler.** A tobacco products wholesaler is a person, other than a 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.

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

You must first apply to us for a distributor's or wholesaler's license. If you are applying for a distributor's license, you must 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, you may contact the Excise Taxes Division for available options or download publication 63, *Cigarette Distributor Licensing and Tax Stamp Guide*. There is

## What if consumers purchase cigarettes or tobacco products 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 on the Internet, and shipped into California. Consumers also owe the tax if they physically bring tobacco products or more than 400 cigarettes into California. Those purchases are also subject to California use taxes (see publication 112, *Purchases from Out-of-State Vendors*.)

### BOARD OF EQUALIZATION MEMBERS

BETTY T. YEE  
1st District  
San Francisco

BILL LEONARD  
2nd District  
Ontario/Sacramento

MICHELLE STEEL  
3rd District  
Rolling Hills Estates

JUDY CHU, Ph.D.  
4th District  
Los Angeles

JOHN CHIANG  
State Controller

RAMON J. HIRSIG  
Executive Director



no security requirement for the wholesaler's license.

All licensed distributors and wholesalers are required to file monthly returns or reports, which are due on or before the 25<sup>th</sup> of the month following the reporting period. Tax returns and reports must be filed even if no distributions were made during the reporting month.

Unless we have approved another location for them, all records must be kept and maintained at the taxpayer's licensed premises in California.

### Are any transactions not subject to tax?

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

- Sales and distributions 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 and distributions of cigarettes or tobacco products by the manufacturer to a licensed distributor.  
(Rev. & Tax. Code § 30103)
- Sales and distributions by distributors to common carriers engaged in interstate or foreign passenger service.  
(Rev. & Tax. Code § 30104)
- Sales and distributions to United States military exchanges, commissaries, ship's stores, or the Veteran's Administration.  
(Rev. & Tax. Code § 30102)
- Sales and distributions of federally tax-free cigarettes or tobacco products that are under internal revenue bond or 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 laws or under the California Constitution or laws, 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.

### How are the revenues used?

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

The 25-cent (Proposition 99, November 1988) 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.

The 50-cent (Proposition 10, November 1998) 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.

*Note:* This publication summarizes the law and applicable regulations in effect as of June 2008. However, changes in the law or regulations may have occurred since that time. If there is a conflict between the statements in this publication and the law or regulations, the law and regulations are controlling.

### For More Information

**BOE website and Member contact information:** [www.boe.ca.gov](http://www.boe.ca.gov)

**Taxpayer Information Section:**  
**800-400-7115**

TDD/TTY: 800-735-2929

Representatives are available to help you from 8 a.m. to 5 p.m., Pacific time; M-F, except state holidays.

#### Excise Taxes Division

Call us at 800-400-7115

Or write to us at:

Excise Taxes Division, MIC:56  
State Board of Equalization  
450 N Street  
P.O. Box 942879  
Sacramento CA 94279-0056

#### Taxpayers' Rights Advocate

Call toll-free for help with problems you have been unable to resolve at other levels: 888-324-2798.

#### Other Related Publications

- 4 *California Cigarette and Tobacco Products Tax Law*
- 4A *California Cigarette and Tobacco Products Licensing Act of 2003*
- 15 *California Cigarette and Tobacco Products Tax*
- 63 *Cigarette Distributor Licensing and Tax Stamp Guide*
- 78 *Sales of Cigarettes and Tobacco Products in California—License Requirement for Retailers*