

# SALES OF CIGARETTES AND TOBACCO PRODUCTS IN CALIFORNIA

A Guide for Wholesalers and Distributors

July 2016

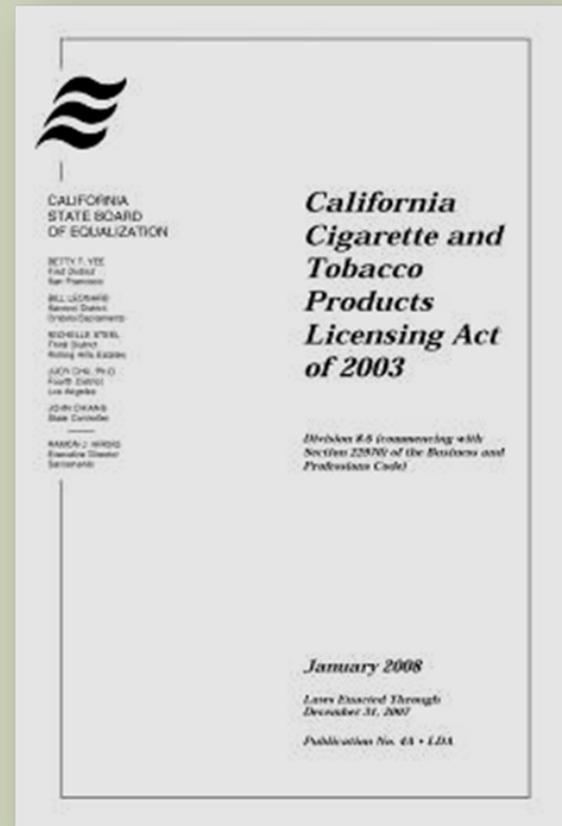


State Board of  
Equalization

# THE LAW

The California Cigarette and Tobacco Products Licensing Act requires all sellers of cigarettes and tobacco products to be licensed with the State Board of Equalization (BOE):

- Retailers
- Wholesalers
- Distributors
- Importers
- Manufacturers



# Electronic Smoking Devices

As of January 1, 2017, electronic smoking or “vaping” devices such as e-cigarettes are defined as “tobacco products” for purposes of the state tobacco license requirement.



**STATE LICENSE**

# STATE LICENSE

- Apply for a license online at [www.boe.ca.gov/electsrv/ereg](http://www.boe.ca.gov/electsrv/ereg).
- Pay all applicable license fees.
- Must have and display license before you can sell.
- Applications may take 7-10 days to process.
- Upon approval of your application, a BOE email is sent to you with your license and other important information.
- There may be local tobacco requirements/fees separate from the BOE license.

CALIFORNIA STATE BOARD OF EQUALIZATION  
**CIGARETTE AND TOBACCO PRODUCTS LICENSING ACT OF 2003  
WHOLESALER'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 TAXPAYER INFORMATION SECTION AT 800-400-7115 (TTY: 711) FOR INFORMATION ON YOUR RIGHTS, CONTACT THE TAXPAYERS' RIGHTS ADVOCATE OFFICE AT 888-324-2798 OR 916-324-2798.  
BOE-442-LW REV. 3 (3-11)

*THIS LICENSE HAS BEEN ISSUED TO YOU UNDER DIVISION 8.6 (COMMENCING WITH SECTION 22970) OF THE CALIFORNIA BUSINESS AND PROFESSIONS CODE.  
NOT VALID AT ANY OTHER LOCATION ADDRESS.*

#### 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.boe.ca.gov](http://www.boe.ca.gov)
- Our toll-free Taxpayer Information Section at 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 Board of Equalization (BOE) 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 BOE immediately by writing to the State Board of Equalization, Special Taxes and Fees, P.O. Box 942879, Sacramento, CA 94279-0088 in order to make arrangements to surrender the license, or by giving the license to a BOE 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 BOE, please contact the Taxpayers' Rights Advocate office for help by calling, 888-324-2798 or 916-324-2798. Their fax number is 916-323-3319.

STATE BOARD OF EQUALIZATION  
Special Taxes and Fees

# Which license do you need?

- **Retailer license (LRQ):**
  - Allows you to sell only to legal-aged consumers.
  - Annual fee of \$265 per 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 tobacco products to retailers and other wholesalers.
  - Annual fee of \$1,200 per location.
  - Valid for a calendar year (Jan – Dec); renewal reminder emailed in October.
- **Distributor license (LDQ):**
  - Allows you to sell tax-paid tobacco products to retailers, wholesalers, and other distributors.
  - Annual fee of \$1,200 per location.
  - Valid for a calendar year (Jan – Dec); renewal reminder emailed in October.
  - Security deposit required.

## License:

License Type	Old Application Fee (On or before June 8, 2016)	New Application Fee (On or After June 9, 2016)
Retailer	\$100 per location	\$265 per location
Wholesaler/Distributor	\$1,000 per location	\$1,200 per location

## Renewal:

License Type	Old Renewal Fee (On or before December 31, 2016)	New Renewal Fee (On or After January 1, 2017)
Retailer	\$0	\$265 per location
Wholesaler/Distributor	\$1,000 per location	\$1,200 per location

# RETAILER

A tobacco Retailer is a person who sells cigarettes or other tobacco products (OTP) directly to the public from a retail location.

A retailer is not allowed to sell cigarettes or other tobacco products (OTP) to other retailers, wholesalers or distributors.



# Retailer's License

- A separate license is required for each location.
- New locations must be added to your seller's permit (SR) before a cigarette and tobacco product license (LRQ) can be activated for that location.
- A license is not assignable or transferable.
- A BOE tobacco license is separate from a local city or county tobacco license that may also be required.

- A Retailer can purchase tax-paid cigarette and OTP inventory only from a BOE-licensed Distributor or Wholesaler. A Retailer cannot purchase cigarettes or OTP from other Retailers or unlicensed person.
  - **Example:** *A mini-mart cannot purchase cigarettes or OTP from the retail grocery store down the street.*
  - **Exception:** *Retailers may purchase e-cigarettes or other electronic smoking/vaping devices and their components, parts or accessories from sellers without a tobacco license as excise tax does not apply to such items.*
  
- “Tax-paid” means that the California excise taxes have been paid on the cigarettes and OTP.
  - *Cigarettes – .0435 cents per cigarette / 87 cents per pack of 20 cigarettes.*
  - *OTP – 27.3% excise tax rate for July 1, 2016 through June 30, 2017.*

# WHOLESALE

- A tobacco Wholesaler is anyone who sells for resale cigarettes or OTP and is not a Distributor by definition.
- A Wholesaler resells tax-stamped cigarettes and tax-paid OTP.
- “Stamped” cigarette packs have a valid California tax stamp applied, which represents 87 cents in excise taxes.
- A Wholesaler cannot be in possession of untaxed cigarettes or OTP and cannot purchase their products directly from an importer or manufacturer.

# Wholesaler's License/Permits

As a Wholesaler you must obtain the following BOE permit/license before you can make any cigarette or OTP sales:

- SR – Seller's permit
- LWQ – Cigarette & Tobacco Products Licensing Act of 2003—Wholesaler's License

When you register for a Wholesaler cigarette and tobacco license with the BOE, we will also assign you one or both of the following accounts, depending on the type of products you sell:

- CW – Cigarette Wholesaler permit
- TW – Tobacco Wholesaler permit

## **CW Permit –**

- **Wholesaler permit 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 Permit –**

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

## LWQ License –

- Separate license for each location; **\$1,200 per location.**
  - License not required for a storage location where no sales or shipments are being made; this type of location is registered with the BOE as a sub-location and no fee is charged.
- Valid for a calendar year and is not transferrable.
- A BOE tobacco license is separate from a local city or county tobacco license that may also be required
- A Wholesaler's license will not be issued if the location is not registered with an active seller's permit (SR).
- If you also want to make retail sales of cigarettes and OTP, you must obtain a Retailer's license in addition to your Wholesaler's license.



# DISTRIBUTOR

- A cigarette and tobacco Distributor is anyone who sells or possesses for distribution cigarettes or OTP.
- A Distributor may possess untaxed cigarettes and OTP. Products may be purchased directly from an importer or manufacturer.
- A cigarette Distributor may purchase unstamped cigarettes, affix them with California cigarette tax stamps, and resell the stamped product to California distributors, wholesalers and retailers.
- A tobacco Distributor may purchase untaxed OTP, pay the excise tax, and resell the tax-paid OTP.

**Note:** although now defined as tobacco products, electronic smoking devices such as e-cigarettes do not require payment of excise taxes.

# Distributor's License/Permits

As a Distributor you must obtain the following BOE permits/license before you can make any cigarette or OTP sales:

- SR – Seller's permit
- LDQ – Cigarette & Tobacco Products Licensing Act of 2003—Distributor's License

When you register for a Distributor cigarette and tobacco license with the BOE, we will also assign you one or both of the following accounts, depending on the type of product you sell:

- CR – Cigarette Distributor permit
- CP – Tobacco Distributor permit

## CR Permit –

- Distributor permit required if selling cigarettes.
- Permit required 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
  - the end-of-month inventory.
- Amounts are reported in “sticks.”
- These are informational reports only, due on or before the 25<sup>th</sup> day of the following month.

## CP Permit –

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

## LDQ License –

- Separate license for each location.
- **\$1,200 per location.**
  - License not required for a storage location where no sales or shipments are being made; this type of location is registered with the BOE as a sub-location and no fee is charged.
- Valid for a calendar year and is not transferrable.
- A BOE tobacco license is separate from a local city or county tobacco license that may also be required.
- A Distributor's license will not be issued if the location is not registered with an active seller's permit (SR).
- If you also want to sell cigarettes or OTP at retail, you must obtain a Retailer's license in addition to your Distributor's license.



**\$1,200**