



Special Notice

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TO CALIFORNIA CIGARETTE DISTRIBUTORS AND WHOLESALERS

New Legislation Affects the Sale of Foreign Manufactured Cigarettes

Effective May 5, 2000, cigarette distributors can no longer affix a California cigarette tax stamp to cigarette packages bearing a cigarette brand name which is a registered U.S. trademark of a participating manufacturer if the cigarettes are imported into the United States by anyone other than the participating manufacturer. *A participating manufacturer is any manufacturer that has signed the Master Settlement Agreement (MSA) between cigarette and tobacco manufacturers and the attorneys general of 46 states.*

This change is the result of the passage of Senate Bill 1038 (SB 1038), which is discussed below.

Cigarette packages stamped after the effective date of SB 1038 bearing a registered U.S. trademark of a participating manufacturer and imported by anyone other than the participating manufacturer, *cannot* be sold in California.

Senate Bill 1038—In General:

More specifically, SB 1038 amends section 30163 of the Revenue and Taxation Code. Section 30163 makes it unlawful to affix a California cigarette tax stamp to any package of cigarettes that:

- Is labeled for sale outside the U.S. (for example, the label states “For Export Only,” “U.S. Tax Exempt,” or “For Use Outside the U.S.”) or similar wording indicating that the manufacturer did not intend for the product to be sold in the United States.
- Is imported into the U.S. after January 1, 2000, in violation of Title 26, Section 5754 of the U.S. Code (a section of the Internal Revenue Code that requires cigarette packages marked for export either to be shipped back to the manufacturer or reimported to an export warehouse for eventual shipment outside the U.S.)
- Has been altered by adding or deleting the wording, labels, or warnings indicating that the manufacturer did not intend that the product be sold in the U.S.

In addition, Senate Bill 1038 makes it illegal to affix a California cigarette tax stamp to any package that bears a cigarette brand name which is a registered U.S. trademark of a participating manufacturer and the package was imported by anyone other than the participating manufacturer of that cigarette brand.

Penalties

Distributors who are in violation of section 30163 will have their licenses revoked and are subject to misdemeanor charges.

Per section 30436, cigarettes contained in packages that are stamped in violation of section 30163 are **subject to seizure by the Board of Equalization** and will be forfeited to the State.

For more information, please call the Board’s toll-free Customer Service Information Center at 1-800-400-7115. Staff is available from 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding State holidays.

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