Cigarette Distributor Licensing and Tax Stamp Guide

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Preface

This publication is designed to help cigarette distributors understand the California Cigarette and Tobacco Products Licensing Program and the Cigarette Tax Stamp Program. It provides information on how to purchase California cigarette tax stamps, general information on cigarette and tobacco product taxes, and how to become a licensed cigarette distributor.

If you cannot find the information you are looking for in this publication about purchasing cigarette tax stamps, please call the Stamp Desk at 1-916-341-6923. Representatives are available to assist you Monday through Friday, 8:00 a.m. to 5:00 p.m., excluding state holidays. If you have general tax questions, please see page 9 for contact information.

Note: This publication summarizes the law and applicable regulations in effect when the publication was written as noted on the cover. 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.

To contact your Board Members, see www.boe.ca.gov/members/board.htm.
Introduction to cigarette taxes and distributor licenses

If you are already a licensed California cigarette distributor, you may want to skip this section and begin with “Purchasing cigarette tax stamps.”

What is a cigarette?
Under California law (Revenue and Taxation Code section 30003), a cigarette is defined as a rolled product for smoking of any size or shape that:

- Is made of any tobacco, flavored or not, and
- Has a wrapper made of paper or another material.

*Exception:* Flavored cigarettes and products wrapped in tobacco or with a cover made mostly of tobacco are not cigarettes when they weigh more than three pounds per thousand sticks.

Which California excise taxes apply to cigarettes? How are they paid?
Cigarettes are subject to the cigarette tax and the cigarette and tobacco products surtaxes. Cigarette distributors pay the tax and surtax to the State of California by purchasing cigarette tax stamps. Distributors must attach a stamp to each package of cigarettes before distributing it. Distributors receive a purchase discount to help offset the costs of applying the stamps. Distributors may include the cost of the stamps in the amounts they charge their customers. For current cigarette rates, please visit our website at [www.boe.ca.gov/sptaxprog/tax_rates_stfd.htm#5](http://www.boe.ca.gov/sptaxprog/tax_rates_stfd.htm#5).

Products labeled as little or small cigars under federal regulation (27 C.F.R. § 40.214 [2006]) and the federal Cigarette Labeling and Advertising Act (15 U.S.C. § 1331 et seq.) are considered cigarettes under the California Cigarette and Tobacco Products Tax Law and require tax stamps. Little cigars are not currently required to be listed on the California Attorney General’s Tobacco Directory, but are required to be stamped.

*Important note:* It is against the law to place a California cigarette tax stamp on any cigarette package unless the manufacturer and brand family are listed in the California Tobacco Directory located on the Office of the Attorney General’s website. For more information, see [www.oag.ca.gov/tobacco/directory](http://www.oag.ca.gov/tobacco/directory).

Who is considered a cigarette distributor? What permits and licenses are required?
A cigarette distributor is a person or company that makes the first distribution of untaxed cigarettes in this state. In general, distributors purchase cigarettes before any tax is due on them, then sell stamped cigarettes to wholesalers, retailers, and other distributors. Anyone who distributes cigarettes in California must register with the Board of Equalization (BOE) as a cigarette distributor.

**Seller’s permit and distributor license requirements**
You must apply for a seller’s permit and two types of distributor licenses:
• **Cigarette Distributor’s License.** You need this license to distribute cigarettes, purchase tax stamps, and file monthly returns or reports that detail your cigarette distributions. When you obtain this license you must post a minimum of $1,000 security (see additional security information for deferred payments on page 4). Acceptable forms of security include cash deposits, surety bonds, letters of credit, deposit accounts in banks, and state and federal credit union shares. There is no renewal requirement for this license, but we may suspend or revoke it if you do not comply with the requirements of the tax law.

• **Cigarette and Tobacco Products Distributor’s License.** You need this license to purchase and maintain untaxed cigarettes, and to sell cigarettes in California. The cost is $1,000 per location. You must renew this license and pay the license fee every year.

You can apply online for accounts, licenses, or permits using our online registration system, available on our website at [www.boe.ca.gov](http://www.boe.ca.gov). Online registration is also available in our field offices. Please contact our Customer Service Center for assistance at 1-800-400-7115 (TTY:711).

### Reporting requirements as a licensed distributor

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

To apply for a cigarette and tobacco products distributor’s license you must pay $1,000 annually, and you must also post a minimum of $1,000 security before the license can be issued. For more information on licensing, please visit our website at [www.boe.ca.gov/sptaxprog/spctlicact03.htm](http://www.boe.ca.gov/sptaxprog/spctlicact03.htm).

All licensed distributors are required to file returns or reports along with the accompanying schedules, 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. Returns or reports along with the accompanying schedules can be filed electronically.

**PACT Act Requirements for California Licensed Cigarette and Tobacco Products Distributors**

The federal Prevent All Cigarette Trafficking (PACT) Act became effective on June 30, 2010. The PACT Act amends the Federal Jenkins Act (15 U.S.C. §§ 375-378). These amendments require all persons who sell, transfer, or ship for-profit cigarettes or smokeless tobacco products in interstate commerce to register and file monthly reports with the tobacco tax administrator of the state into which shipment is made no later than the 10th day of each month.

Interstate commerce is defined as commerce between a state and any place outside the state, commerce between a state and any Indian Country in the state, or commerce between points in the same state but through any place outside the state or through any Indian Country. These provisions apply to California’s tribal...
reservations, as well as to both in-state and out-of-state distributors shipping cigarettes and smokeless tobacco into California.

You are required to file PACT Act reports with the BOE if you are a licensed California cigarette and tobacco products distributor physically located outside of California and you ship taxed or untaxed cigarettes or smokeless tobacco products into California, or you are physically located and licensed in California and make distributions to any Indian Country in California.

For additional information, you may download Special Notice L-298, PACT Act Requirements for California Licensed Cigarette and Tobacco Products Distributors, on our website at www.boe.ca.gov/sptaxprog/cig_n_tob_prod_tax.htm.

Purchasing cigarette tax stamps

How do I register to become a tax stamp purchaser?

To purchase cigarette tax stamps from us, you must be a licensed cigarette distributor and have a stamping machine. You must register to become an authorized cigarette tax stamp purchaser.

To register, you must complete and submit BOE-400-ACTS, Application for Licensed Cigarette Distributor to Register Cigarette Tax Stamp Purchaser. This form will be mailed to you upon approval of your online registration. This form is not available on the BOE website. If you need to obtain this form, please call the Stamp Desk at 1-916-341-6923.

The registration requirement protects you by making sure that only authorized representatives can make purchases that will be charged to your account. Your application must designate a specific person to make purchases for you. If you wish to authorize more than one person to make stamp purchases, you must submit a separate application for each person. Each authorized purchaser will have a unique User ID and password.

Send your completed application to the address below or fax to the Stamp Desk at 1-916-327-6235.

Cigarette Tax Stamp Program, MIC:41
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0041

Registration confirmation

If you provide an email address on your stamp purchaser application, we will email you to confirm your cigarette tax stamp purchaser registration. We will send two email messages: one for your User ID and one for your password.

If you do not provide an email address, we will send you two letters: one to confirm your cigarette tax stamp purchaser registration and a separate letter with your User ID.
How do I obtain stamping equipment?
You can purchase or lease two types of stamping machines depending on the volume of stamps you will affix. Vendors of both machines can assist you with your equipment needs and installation requirements (wiring, data lines, air compressors, etc.). Please contact United Silicone at 1-800-639-3799 for a high-volume stamping machine. For a less expensive stamping machine, please contact Form 10 Group at 1-408-988-0110.

Are there cigarette tax stamp purchasing options?
Yes. At the time you register as a cigarette distributor, you must choose to purchase stamps on a cash basis or a deferred payment basis (on credit).

If you choose the deferred payment option, you must complete and submit BOE-356, Cigarette Distributor’s Application for Deferred Payment Option. You can access BOE-356 from our website or contact the Stamp Desk at 1-916-341-6923 to have the form faxed or mailed to you.

Please note: You can only choose one option for payment. Once approved by Special Taxes and Fees, you will be required to purchase stamps under the authorized option for at least one year from the date the election is made.

The following deferred payment options are available:

- **Monthly Payments**—If you elect this option, the BOE requires security equal to no less than 70 percent of the amount that may be deferred. Your payments are due on the 25th day of the month following the month in which you purchase stamps.

- **Twice-Monthly Payments**—If you elect this option, the BOE requires security equal to no less than 50 percent of the amount that may be deferred. Your payments are due on the 5th and 25th days of the month following the month in which you purchase stamps.

- **Weekly Payments**—If you elect this option, the BOE requires security equal to no less than 25 percent of the amount that may be deferred. Your payments are due on Wednesday of the following week in which you purchase stamps.

However, upon authorization, no security is required if you meet all of the following criteria:

- Your average monthly purchase of stamps for the previous 12 months must not exceed seventy-two thousand (72,000) stamps.

- You have been licensed with the BOE for a minimum of five years.

- You are in good standing (no late payments or filing of returns/reports) for three consecutive years.

Acceptable forms of security include cash deposits, surety bonds, letters of credit, deposit accounts in banks, and state and federal credit union shares.

If you choose the deferred payment basis, we will establish your credit limit and notify you in writing.
Penalties apply to late deferred payments
A ten percent penalty and interest charge will apply to late payments. We may immediately suspend your privilege to purchase stamps on the deferred payment basis or reduce your credit limit if you do not pay in full by the due date.

How do I order cigarette tax stamps?
After you become a registered cigarette tax stamp purchaser, you may order tax stamps directly from our website at www.boe.ca.gov or you may fax BOE-663-CTS, California Cigarette Tax Stamp Purchase Order to the Stamp Desk at 1-916-327-6235.

In either case, you need your User ID to place an order. If you forget your User ID or password, please contact the Stamp Desk at 916-341-6923. We will give you your User ID and reset your password if necessary.

Ordering online
To order online, you must have a valid email account, a User ID, and a password. When you first log into the stamp purchasing system, you will be required to change your password. Please be sure to write it down.

You can also change your User ID and password at any time by selecting the Change User ID/Password link from the menu bar. If you forget your password, please select the Forgot Password link and follow the online instructions.

Ordering by fax
You may order stamps by faxing a copy of BOE-663-CTS, California Cigarette Tax Stamp Purchase Order, sent to you when we confirmed your purchaser registration. Additional copies are available on our website at www.boe.ca.gov. Please sign the stamp purchase order form and include your User ID.

Fax the form to 1-916-327-6235, then confirm the receipt of the order by calling the Stamp Desk at 1-916-341-6923.

Stamp purchase orders received before 10:00 a.m. (Pacific time) will be processed the same day. Your stamps will be shipped by the manufacturer after we approve your order.

Please note: The stamp manufacturer will not process stamp purchase orders on certain holidays. To make sure you have an uninterrupted supply of cigarette stamps, please place your stamp purchase order with the Stamp Desk at least two business days before a holiday. You can find the holiday schedule on our website at www.boe.ca.gov.

What options should I consider as I place my stamp purchase order?

Stamp denominations
Stamps are sold in the denominations noted below and only in full rolls (the number refers to the number of cigarettes in the package). Your stamp purchase order must indicate the number of rolls you need in each denomination.
• Large roll of 20 denomination: 30,000 stamps per roll  
  (For high volume stamp machines only)
• Small roll of 20 denomination: 1,200 stamps per roll  
  (For low volume stamp machines)
• Small roll of 10 denomination: 1,200 stamps per roll  
  (For low volume stamp machines)
• Small roll of 25 denomination: 1,200 stamps per roll  
  (For low volume stamp machines)

**Shipping options**

The stamp manufacturer will ship your cigarette tax stamps within one business day of the date we approve your stamp purchase order. You must select one of two shipping options on the stamp purchase order or online order form. If you require shipping by both methods, you must submit a separate stamp purchase order for each method. If you do not select an option, the stamp manufacturer will use the standard shipping option.

• **Standard Option.** After we approve your stamp purchase order, you will receive your stamps within three business days of the shipping date. There is no shipping charge for this option.

• **Expedited Option.** After we approve your stamp purchase order, you will receive your stamps within one business day of the shipping date. There is an additional charge for this shipping option. The stamp manufacturer will bill you separately for the additional cost. Contact the stamp manufacturer at 1-630-682-6271 for the cost of expedited shipping to your area.

**How do I pay for the stamps?**

You must make all payments for tax stamps through Bank of America. To make payment arrangements, please contact Bank of America, Client Service Team at 1-888-841-8159, Option 4.

**How can I determine the status of my order?**

For online orders, log on to our website at [www.boe.ca.gov/sptaxprog/spactssb1701.htm](http://www.boe.ca.gov/sptaxprog/spactssb1701.htm) and select Online Cigarette Tax Stamp Ordering. Only those who are registered with the BOE as authorized cigarette tax stamp purchasers will be able to check the status of the online orders. You may also call the Stamp Desk at 1-916-341-6923 for faxed or online orders.

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**Maintaining your cigarette distributor account**

**User ID and password**

*If you order online*

As previously stated, when you first log onto the cigarette tax stamp purchasing system, you will be required to change your password. Please make note of the new password.
You can also change your User ID and password on our website at any time by selecting the Change User ID/Password link from the menu bar. If you lose or forget your password, please select the Forgot Password link and follow the online instructions.

**If you order by fax**

If you use purchase orders and lose or forget your User ID, please call the Stamp Desk at 1-916-341-6923.

**Authorized purchasers**

You must maintain authorizations that allow one or more designated individuals to purchase stamps for your cigarette distributor account. To add authorized purchasers, please submit BOE-400-ACTS, Application for Licensed Cigarette Distributor to Register Cigarette Tax Stamp Purchaser. This form is not available on the BOE website. To obtain the form, please call the Stamp Desk at 1-916-341-6923.

To remove authorized purchasers, please submit a request in writing to the Stamp Desk at the address listed on page 8. Your request should state your business name, cigarette distributor account number, authorized purchaser’s name, authorized purchaser’s email address, and name and signature of the distributor’s principal owner or authorized representative.

**Changes of mailing or email addresses**

You must inform us, in writing, of any changes to your business or email address. Please use the Cigarette Tax Stamp Program address on page 8.

**Changes to your data communications network**

The stamp machines are synchronized daily with the BOE’s Data Management System through a high-speed data line. If you plan to make changes to your data communications network, please call SICPA Customer Service at 1-800-313-2790. Staff can help guide you through any changes or adjustments to the stamping machine.

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**Important information regarding tax stamps**

**How to initiate a claim for refund for California cigarette tax stamps**

If you have cigarettes which have become unfit for use or unsalable that need to be returned to the manufacturer and the stamp is affixed to the packages of cigarettes, you must request a refund of tax stamps in writing to the Appeals and Data Analysis Branch (ADAB), P.O. Box 942879, Sacramento, CA, 94279-0033, or fax your request to 1-916-323-9497.

The request must state the number of tax stamps affixed to the cigarette listed by brand family and the reason for refund. In addition, you must physically sort the cigarettes by brand family and package the cigarettes in open cartons. This will reduce the time it takes to scan the tax stamps and count the number of packs by...
brand family. You must also have staff available to destroy the tax stamps using an indelible marker. As a final requirement, a copy of the manufacturer’s credit memorandum or affidavit must be provided to the ADAB before your claim for refund can be processed.

If the stamped cigarettes are not returned to the manufacturer, the product must be destroyed in the presence of a BOE employee or your claim for refund will be denied. Destruction of product may include, but is not limited to, shredding, cutting, burning, incinerating, or depositing directly into a landfill.

Upon receiving your written request, ADAB staff will contact you to arrange for the verification and destruction of the cigarette tax stamps.

**Destruction of unstamped cigarettes**

If you destroy unstamped cigarettes without a BOE witness present, you may be liable for any unpaid excise tax. Please contact us before you destroy unstamped cigarettes to make sure that you receive proper credit on your cigarette inventory. To make arrangements for a BOE employee to be present for the destruction, please call 1-916-323-6361 or email adab@boe.ca.gov.

**Defective/noncompliant stamps**

In the event that you have defective or noncompliant stamps, you should promptly notify the manufacturer at 1-630-682-6271 and make arrangements to have a technician from the manufacturer validate the problem stamp issue. You should also notify the Stamp Desk at 1-916-341-6923.

If the manufacturer’s technician determines that the stamps cannot be used, you should complete a **BOE-413-ACTS, Cigarette Distributor’s Report of Returned Stamps**, for each roll of defective or noncompliant stamps and have the technician sign and date each form.

Fax the completed BOE-413-ACTS, Cigarette Distributor’s Report of Returned Stamps, to the Stamp Desk at 1-916-327-6235.

Retain a copy for your records. Enclose the original with the defective stamps that are being returned to the manufacturer.

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**For more information**

**Cigarette tax stamp questions**

If you have specific questions regarding cigarette tax stamps or need to make changes to your authorized purchaser, please contact:

Cigarette Tax Stamp Program, MIC:41
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0041
Telephone: 1-916-341-6923 (Stamp Desk)
Fax: 1-916-327-6235
FOR MORE INFORMATION

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER
1-800-400-7115
TTY:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

FIELD OFFICES

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Out-of-State Field Offices

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INTERNET
www.boe.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller’s permit numbers on the BOE website (look for “Verify a Permit/License”) or call our toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our website at www.boe.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

FAXBACK SERVICE

Our faxback service, which allows you to order selected publications, forms, and regulations, is available 24 hours a day. Call 1-800-400-7115 and choose the fax option. We’ll fax your selection to you within 24 hours.

TAX INFORMATION BULLETIN

The quarterly Tax Information Bulletin (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current and archived TIBs on our website at www.boe.ca.gov/news/tibcont.htm. Sign up for our BOE updates email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

Most of our statewide field offices offer free basic sales and use tax classes with some classes offered in other languages. Check the Sales and Use Tax Section on our website at www.boe.ca.gov for a listing of classes and locations. You can also call your local field office for class information. We also offer online seminars including the Basic Sales and Use Tax tutorial and how to file your tax return that you can access on our website at any time. Some online seminars are also offered in other languages.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.boe.ca.gov/info/email.html to email your request. You may also send your request in a letter to: Audit and Information Section, MIC:44, State Board of Equalization, P. O. Box 942879, Sacramento, CA 94279-0044.

TAXPAYERS’ RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see Understanding Your Rights as a California Taxpayer, publication 70. or contact the Taxpayers’ Rights Advocate Office for help at 1-916-324-2798 (or toll-free, 1-888-324-2798). Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers’ Rights Advocate, MIC:70; State Board of Equalization; P. O. Box 942879; Sacramento, CA 94279-0070.