

# MASTER SETTLEMENT AGREEMENT

## Why is the California Department of Tax and Fee Administration performing inspections?

The California Department of Tax and Fee Administration (CDTFA) is performing routine inspections statewide to increase compliance with cigarette and tobacco licensing requirements and reduce cigarette and tobacco tax evasion.

## What is CDTFA looking for?

The CDTFA is looking to verify that cigarettes in your inventory have valid California tax stamps attached to them and the cigarettes and roll-your-own tobacco products are listed on the California Attorney General's Tobacco Directory (Directory). Purchase and sales documentation to support your current inventory is also reviewed.

## What is the law?

The law states that no person may attach any tax stamp to a package of cigarettes or pay the tobacco products tax on roll-your-own tobacco if the cigarettes or tobacco product manufacturer and brand family are not included in the Directory. In addition, no person may sell, offer, or possess for sale in this state, or import for personal consumption in this state, cigarettes or roll-your-own tobacco products if the manufacturer and brand family are not included in the Directory. For tax-paid cigarettes that are subsequently removed from the Directory, the law allows retailers sixty (60) days and wholesalers forty (40) days to possess, transport, and sell their inventory of tax-stamped cigarettes and roll-your-own tobacco products from the effective date of the removal. (The Directory can be viewed at [www.oag.ca.gov/tobacco/directory](http://www.oag.ca.gov/tobacco/directory). The statute can be found in Revenue and Taxation Code section 30165.1.)

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## **What happens if CDTFA inspectors find products that I can't legally sell?**

The inspectors will seize any untaxed, counterfeit, or illegal cigarette and/or tobacco products they find. They may also issue you a citation.

## **What should I do if my tax-paid cigarettes and roll-your-own tobacco products are removed from the Directory?**

As a retailer you have 60 days, or 40 days for wholesalers, to sell off and/or transport your tax-stamped cigarettes or roll-your-own tobacco products. You may also contact the licensed distributor/wholesaler who sold the merchandise to you and negotiate a credit for returning the products removed from the Directory.

If you need assistance contacting your distributor or wholesaler to return these products, please let us know.

## **Notification of removal by Attorney General, distributor and/or wholesaler.**

If you provided an electronic mail address to the California Attorney General for this purpose, you will be notified by that office upon removal of any cigarettes and/or roll-your-own tobacco products from the Directory. No later than seven (7) days after issuance of the Attorney General's notice of removal, a distributor or wholesaler must provide each of its existing customers a copy of the notice of removal.

After the 60-day sell-off period for retailers, or 40 days for wholesalers, the tax-paid cigarettes and roll-your-own tobacco products are considered contraband and subject to seizure and destruction under subdivision (e) of section 30436 and subdivision (b) of section 30449 of the Revenue and Taxation Code.

## **Where can I get more information?**

If you have questions or concerns, please

- Contact the Investigations Division at 1-916-324-0105
- Write to: Investigations Division, MIC:42  
California Department of Tax and Fee Administration  
PO Box 942879  
Sacramento, CA 94279-0042
- Go online: [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) or [www.oag.ca.gov](http://www.oag.ca.gov)