



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

# 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 general information on cigarette and tobacco products taxes, how to become a licensed cigarette distributor, and how to purchase California cigarette tax stamps.

If you cannot find the information you need about purchasing cigarette tax stamps in this publication, please call the Stamp Desk at 1-916-341-6923 or see page 14 for contact information. Representatives are available to assist you Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. If you have general tax questions, please see [page 14](#) for contact information.

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*Please note:* This publication summarizes the law and applicable regulations in effect when the publication was written as noted on the back cover. Changes in the law or 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.

# INTRODUCTION TO CIGARETTE TAXES AND DISTRIBUTOR LICENSES

## 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.

Effective April 1, 2017, little or small cigars are no longer considered cigarettes and now fall under the definition of "tobacco products." A cigarette tax stamp is no longer required to be affixed to a pack of little or small cigars. Distributions of little or small cigars must be reported as tobacco products on the tobacco products tax return by the distributor.

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 (for example, cigars).

## 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 tax rates, please see [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

*Please 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, affix stamps to each package of cigarettes, then sell those stamped cigarette packages to wholesalers, retailers, and other distributors. Anyone who distributes cigarettes in California must register with the California Department of Tax and Fee Administration (CDTFA) as a cigarette distributor.

### ***Seller's permit, distributor licenses, and stamp account requirements***

You must apply for a seller's permit, two types of distributor licenses, and a cigarette stamp account:

- *Cigarette Distributor's License.* You need a license to distribute cigarettes, and file monthly returns or reports that detail your cigarette distributions. You must apply for and obtain a license for each place of business at which you engage in the business of distributing cigarettes or tobacco products. To obtain this license, you must apply with the CDTFA and post a minimum of \$1,000 security (see additional security information for deferred payments beginning on [page 9](#)). 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 the CDTFA 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 also need a license to purchase and maintain untaxed cigarettes, and to sell cigarettes in California. You need a license for each business location at which you will engage in the business of distributing cigarettes. A Cigarette and Tobacco Products Distributor's License is valid for a calendar year upon payment of an application fee. The license is not transferable, and must be renewed annually. A license fee payment is required for each location at initial registration, every year at the time of renewal, and may not be prorated. For more information regarding the fee rates, please visit our [website](#).
- *Cigarette Stamp Account.* You will also need a separate account to order cigarette tax stamps. When using our [Online Services](#), you will select the *Order Cigarette Stamps Online Now* option to order stamps and/or file a claim for refund on stamps affixed to unsalable packages of cigarettes or unaffixed stamps.

You can apply online for accounts, licenses, or permits using our online registration system, available at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). Online registration is also available in all the CDTFA's offices. Please contact our Customer Service Center for assistance at 1-800-400-7115 (CRS:711).

The screenshot displays the CDTFA website's 'Online Services' page. At the top, there is a dark blue header with the CDTFA logo, social media icons, and 'Login/Register' and 'Contact' buttons. Below the header is a white navigation bar with the CDTFA logo and name, a search bar, and menu items: 'How Do I...', 'Tax Programs', 'Tax Resources', and 'Join Us'. The main content area is titled 'Online Services' and features a horizontal menu with tabs: 'Overview', 'Registrations', 'File a Return', 'Payments', 'Request Relief', 'Payment Plan', 'Resources', and 'Tutorials'. The 'Registrations' tab is selected. Below the menu, there is a news article titled 'New Online Services System Expands November 2020' with a sub-headline 'Tax and Fee Programs Included in the Final Phase in November 2020'. The article text states that the new system expansion is complete and includes all tax and fee programs. Below the text are 'Open All' and 'Close All' buttons. Underneath, there is a section titled 'Register for an Online Services Profile' with a 'Sign Up Now' link and a list of capabilities: 'File or view a return', 'Make or view a payment', 'Update account information', 'File an appeal', and 'Make a request for relief or request an extension'.

## REPORTING REQUIREMENTS AS A LICENSED DISTRIBUTOR

### Filing requirements for licensed distributors

All licensed distributors are required to file returns or reports along with the accompanying schedules, 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 transactions were made during the reporting period. All records must be kept and maintained at the distributor's licensed premises in California unless another location has been approved by the CDTFA. 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 Act of 2009](#) (PACT Act) requires all persons who sell, transfer, or ship for-profit cigarettes or smokeless tobacco products (chew and snuff) 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 10<sup>th</sup> 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 CDTFA and the California Office of the Attorney General 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 on the PACT Act, you may view our [Tax Guide for Cigarettes and Tobacco Products](#) under the [Getting Started](#) tab on our website.

## PURCHASING CIGARETTE TAX STAMPS

### How do I register to become a tax stamp purchaser?

To purchase cigarette tax stamps from the CDTFA, you must be a licensed cigarette distributor with a Cigarette Stamp Account and have a stamping machine.

To register, you must apply for a Cigarette Stamp Account through the Online Services available on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). Once registered, you can order stamps by selecting the *Order Cigarette Stamps* link under the *I Want To* section of your Cigarette Stamp Account profile.

You may authorize more than one person to make stamp purchases on your behalf. To gain access to the Cigarette Stamp Account, representatives may request third-party access to the account, or authorized individuals may add representatives by creating secondary logons.

If you have any questions regarding the online process for designating representatives to make purchases on your behalf, please contact the Stamp Desk at 1-916-341-6923.

### 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, and air compressors). Please contact United Silicone at 1-800-639-3799 for a high-volume stamping machine. For a low-volume 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 through our online services system as a cigarette distributor, you must choose to purchase stamps on a *cash basis*. You may request to be on a *deferred payment basis* (on credit) after establishing six months of stamp ordering history. When requesting to be on a deferred payment basis, you will be required to answer a series of questions that you will submit through our online services system.

You will be notified in writing whether your request for deferred payment basis is approved or denied. If your request is approved, you will be notified of the credit limit and effective start date for your deferred payments.

In the event you have any questions about the stamp purchasing process, you may contact the Stamp Desk at 1-916-341-6923.

You can only choose one option for your payment. Once approved, you will be required to purchase stamps under the authorized option for at least one year from the date the election is made.

*Please note:* Payment due dates for stamp orders placed on a deferred payment basis are determined based on the date the order is submitted, and not the date the order is shipped by the stamp manufacturer.

The following deferred payment options are available:

- **Monthly Payments**—If you elect this option, the CDTFA requires security equal to no less than 70 percent of the amount that may be deferred. Your payments are due on the 25<sup>th</sup> day of the month following the month when you purchased stamps.
- **Twice-Monthly Payments**—If you elect this option, the CDTFA requires security equal to no less than 50 percent of the amount that may be deferred. Your payments are due on the 5<sup>th</sup> and 25<sup>th</sup> days of the month following the month when you purchased stamps.

- **Weekly Payments**—If you elect this option, the CDTFA 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 when you purchased stamps.

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

- Your average monthly purchase of stamps for the previous 12 months did not exceed seventy-two thousand (72,000) stamps.
- You have been licensed with the CDTFA for a minimum of five years.
- You are in good standing (no late payments or filing of returns/reports) for the last three consecutive years.
- You provide the CDTFA and update, as necessary, an email address for the purpose of receiving payment information, including, but not limited to, amounts owing for stamps and meter register settings purchased.

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

### ***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 through the CDTFA's website by selecting the *Order Cigarette Tax Stamps Online Now* link on the [Online Services](#) tab.

You will need your username and password to place an order. If you forget your username or password, please contact the Stamp Desk at 1-916-341-6923. The Stamp Desk will provide you with your User ID and reset your password if necessary.

### ***Ordering online***

To order online, you must have a valid User ID, and password.

You may change your password at any time by logging into your Cigarette Stamp Account, selecting *Settings* from the menu bar and then choosing the *Change Password* link under the *I Want To* section.

If you forget your password, please select the *Forgot Password* link from the [Online Services](#) homepage and follow the instructions.

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 your order is approved

*Please note:* The stamp manufacturer will not process stamp purchase orders on certain holidays. To make sure you have an uninterrupted supply of cigarette tax 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](#).

## 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 denomination 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 25 denomination: 1,200 stamps per roll (For low volume stamp machines)

### **Stamp discount**

Cigarette tax stamps are sold to licensed distributors less a discount of 0.85 percent, which is capped at the first \$1.00 of the cost of each stamp. This discount is to help offset the cost of affixing cigarette tax stamps.

### **Shipping options**

The stamp manufacturer will ship your cigarette tax stamps within one business day from the date we approve your stamp purchase order. You must select one of two shipping options when ordering online. 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 your stamp purchase order is approved, you will receive your stamps within three business days of the shipping date. There is no shipping charge for this option.
- **Expedited option.** After your stamp purchase order is approved, you will receive your stamps within one business day of the shipping date. There is an additional charge for this shipping option. As a cigarette distributor, you will need to provide the stamp manufacturer with either your Federal Express (FedEx) or United Parcel Service (UPS) carrier account number. The stamp manufacturer will bill your company's FedEx or UPS carrier account. Your carrier will charge you 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 the CDTFA's [Online Services](#). If you have any questions, please contact the Stamp Desk at 1-916-341-6923.

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

For online orders, you will receive a confirmation number verifying the cigarette tax stamp order was accepted. You may also call the Stamp Desk at 1-916-341-6923 if you have any questions regarding your stamp orders.

# MAINTAINING YOUR CIGARETTE DISTRIBUTOR ACCOUNT

## Authorized purchasers

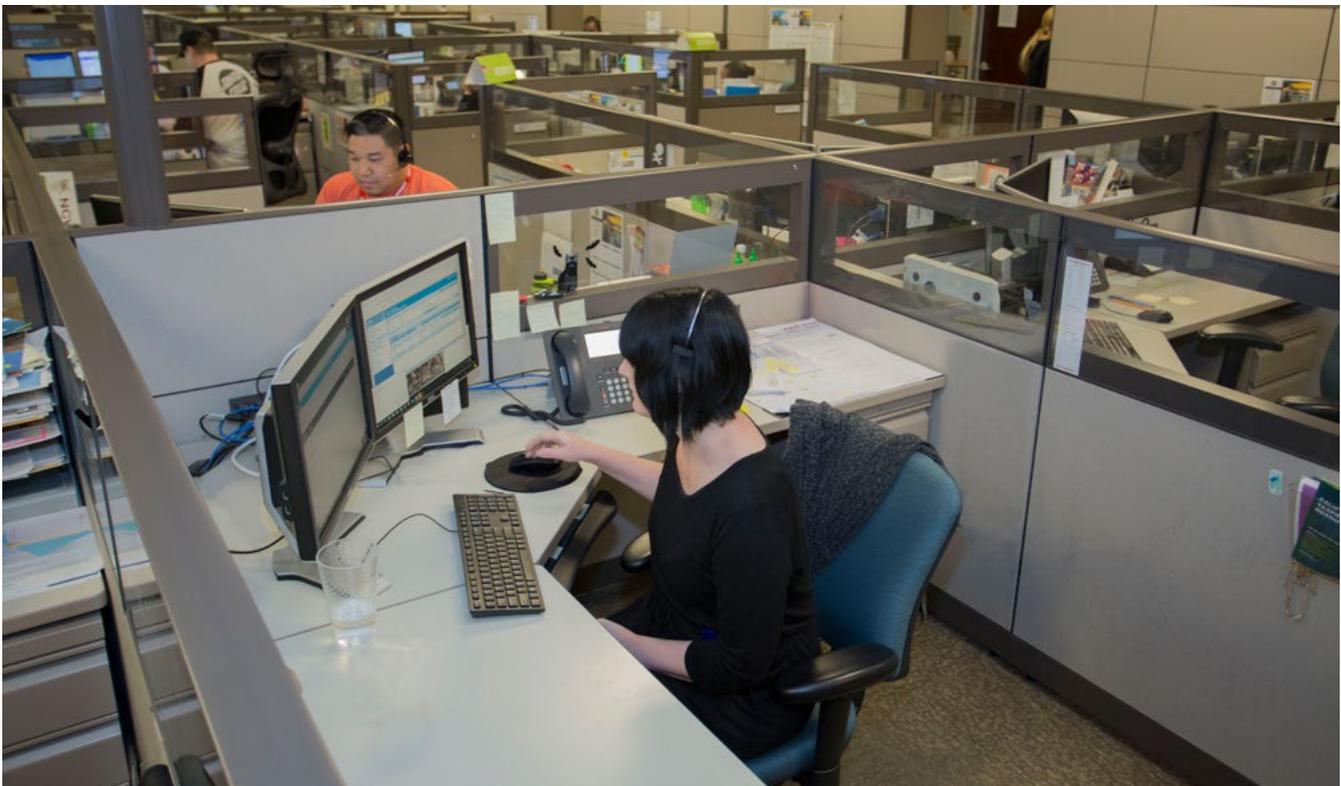
You must maintain authorizations that allow one or more designated individuals to purchase stamps for your cigarette distributor account. To add or remove authorized purchasers, please login to our [Online Services](#) with your username at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

## Changes of mailing or email addresses

You must update the CDTFA, with any changes to your business or email address. Please use our online services system available on CDTFA's website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

## Changes to your data communications network

The stamp machines are synchronized daily with the CDTFA'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.



## IMPORTANT INFORMATION REGARDING TAX STAMPS

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

You must file a claim for refund for the California tax stamps affixed to cigarette packs which have become unfit for use or unsalable and need to be returned to the manufacturer. You may submit your claim for refund using our online services system on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), where you will be prompted for your Cigarette Stamp Account number. If you are making claims for refunds for cigarettes from different manufacturers, you must file a separate claim for refund for each manufacturer. You will be prompted to provide information regarding your refund including the number and denomination of California tax stamps affixed to the packages of cigarettes, and the reason for the refund.

Upon review of your online claim for refund request, you will be contacted by a CDTFA team member to arrange for an onsite verification of the cigarette tax stamps affixed to unfit or unsalable packages of cigarettes. Prior to the onsite verification, you must physically sort the packages of cigarettes in open cartons by brand family. In addition, you must also have your staff available during the onsite verification to void the tax stamps using an indelible marker. After the CDTFA team member performs the verification, you will return the verified stamped packages of cigarettes to the manufacturer. You must then provide a copy of the manufacturer's credit memorandum or affidavit to the CDTFA before your claim for refund can be processed.

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

Distributors who wish to return unaffixed tax stamps for a refund should file a claim for refund using our [Online Services](#) by selecting *Submit a Cigarette Stamp Refund Claim* using their Cigarette Stamp Account. When a claim is submitted online, there are instructions on how to return the stamps to the CDTFA. Distributors will be prompted to provide the number of cigarette stamps included in the claim.

### Destruction of unstamped cigarettes

If you destroy unstamped cigarettes without a CDTFA 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 CDTFA employee to be present for the destruction, please call 1-916-323-6361 or email [adab@cdtfa.ca.gov](mailto:adab@cdtfa.ca.gov).

### Defective/noncompliant stamps

If you have defective or noncompliant stamps, you should promptly notify the stamp manufacturer at 1-630-682-6271 and arrange to have a technician from the manufacturer validate the problem with the defective stamps. 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 [CDTFA-413-ACTS](#), *Cigarette Distributor's Report of Returned Stamps*, for each roll of defective or noncompliant stamps and have the stamp manufacturer's technician sign and date each form.

Fax the completed CDTFA-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 stamp manufacturer. The stamp manufacturer will coordinate with you on how the defective stamps will be replaced.

## Cigarette tax stamp questions

If you have specific questions regarding cigarette tax stamps, please contact:

Cigarette Tax Stamp Program, MIC:41  
California Department of Tax and Fee Administration  
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, please take advantage of the resources listed below.

### CUSTOMER SERVICE CENTER

1-800-400-7115

CRS:711

Customer service representatives are available Monday through Friday 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.

### OFFICES

City	Telephone Number
Bakersfield	1-661-395-2880
Cerritos	1-562-356-1102
Culver City	1-310-342-1000
El Centro	1-760-352-3431
Fairfield	1-707-862-3501
Fresno	1-559-440-5330
Glendale	1-818-543-4900
Irvine	1-949-440-3473
Oakland	1-510-622-4100
Rancho Mirage	1-760-770-4828
Redding	1-530-224-4729
Riverside	1-951-680-6400
Sacramento	1-916-227-6700
Salinas	1-831-754-4500
San Diego	1-858-385-4700
San Francisco	1-415-356-6600
San Jose	1-408-277-1231
Santa Clarita	1-661-222-6000
Santa Rosa	1-707-890-6267
Ventura	1-805-856-3901
West Covina	1-626-671-3702
<b>Out-of-State Offices</b>	
Chicago, IL	1-312-201-5300
Houston, TX	1-713-739-3900
New York, NY	1-212-697-4680
Sacramento, CA	1-916-227-6600
<b>Motor Carrier Office</b>	
West Sacramento, CA	1-800-400-7115

### INTERNET

[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)

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

You can also verify seller's permit numbers and certain CDTFA licenses or accounts on our website (see [Verify a Permit, License, or Account](#)) or call our automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

Another good resource—especially for starting businesses—is the California Tax Service Center at [www.taxes.ca.gov](http://www.taxes.ca.gov).

### BULLETINS AND NEWSLETTERS

The CDTFA publishes a quarterly *Tax Information Bulletin* (TIB) and an annual *Special Taxes and Fees Newsletter*. These include articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest. You can find current TIBs and newsletters on our website. You may also sign up to receive email notifications when new TIBs and newsletters are posted to our website.

### FOR QUESTIONS REGARDING YOUR ACCOUNT

Please contact our Customer Service Center at 1-800-400-7115 (CRS:711); select the option *Special Taxes and Fees* from the main menu, followed by the appropriate option.

### WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax or fee, 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 or fee. 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.cdtfa.ca.gov/email](http://www.cdtfa.ca.gov/email) to email your request. You may also send your request in a letter to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

### 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 [publication 70, Understanding Your Rights as a California Taxpayer](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 or 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

## Regulations, forms, publications, and industry guides

### ***Lists vary by publication***

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Spanish versions of certain publications are also available online.

### ***Regulations***

Cigarette and Tobacco Products Licensing Act Regulations

Cigarette and Tobacco Products Tax Regulations

### ***Publications***

78, *Sales of Cigarettes and Tobacco Products in California—License Requirement for Retailers*

152, *Cigarette and Tobacco Products Inspections*

201, *Special Taxes and Fees Newsletter*

403, *California's Counterfeit-Resistant Cigarette Tax Stamp*

### ***Form***

CDTFA-413-ACTS, *Cigarette Distributor's Report of Returned Stamps*

### ***Industry Guide***

*Tax Guide for Cigarettes and Tobacco Products*

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