SALES OF CIGARETTES AND TOBACCO PRODUCTS IN CALIFORNIA

A GUIDE FOR WHOLESALERS AND DISTRIBUTORS
THE LAW

The information in this presentation provides general information regarding the law and CDTFA processes. For detailed information, visit the CDTFA website or contact the offices listed at the end of this presentation.
The California Cigarette and Tobacco Products Licensing Act (CTPLA) requires all sellers of cigarettes and tobacco products to be licensed with the California Department of Tax and Fee Administration (CDTFA):

- Retailers
- Wholesalers
- Distributors
- Importers
- Manufacturers
California state law defines “tobacco products” as:

- A product containing, made, or derived from tobacco or nicotine that is intended for human consumption, whether smoked, heated, chewed, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, including, but not limited to, cigars, little cigars, chewing tobacco, pipe tobacco, shisha, or snuff and, as of June 2016, “electronic cigarettes.” (Note: Therapeutic nicotine products approved by the U.S. Food and Drug Administration for smoking cessation are not considered a tobacco product, for example, a nicotine patch.)

- “Electronic cigarettes” means any device or delivery system sold in combination with nicotine which can be used to deliver to a person nicotine in aerosolized or vaporized form, including, but not limited to eCigarettes, eCigars, ePipes, eHookahs, or vape pens. Electronic cigarettes include any component, part, or accessory of such a device that is sold in combination with any liquid or substance containing nicotine for a single price.
Electronic cigarettes also include any liquid or substance containing nicotine, whether sold separately or sold in combination with any device that could be used to deliver to a person nicotine in aerosolized or vaporized form.
STATE LICENSE
CDTFA Cigarette/Tobacco Products License

- **Apply online.**
- **Pay all license fees.**
- **Applications may take 7-10 days to process.**
- **Upon approval, you will be able to go online to print your license, along with related information.**
- **Must have license before making purchases or sales.**
- **Local tobacco license may also be required.**
Which CTPLA License Do You Need?

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

- **Distributor license (LDQ)**:  
  - Allows you to sell tax-paid cigarettes and tobacco products to retailers, wholesalers, and other distributors.  
  - Annual fee of $1,200 per location; separate license for each location.  
  - Valid for a calendar year (Jan – Dec); renewal reminder sent in October.

*Beginning May 2018, the Retailer CTPLA license designation will change from LRQ to CRL.*
• Cigarette/Tobacco Retailer – anyone who sells cigarettes or other tobacco products (OTP) directly to the public from a retail location.

• Can purchase only tax-paid inventory from a CDTFA-licensed Wholesaler or Distributor.

  For example, a mini-mart retailer cannot purchase cigarettes for resale from the retail grocery store down the street.

• “Tax-paid” means CA excise taxes have been paid on cigarettes and OTP.

• Cannot sell to other retailers, wholesalers, or distributors.

• License is not transferable.

• For current and historical cigarette and tobacco products tax rates, see the CDTFA website.
• Cigarette/Tobacco Wholesaler - 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 excise taxes paid.

• A Wholesaler cannot be in possession of untaxed cigarettes or OTP and cannot purchase inventory from an importer or manufacturer.

• A wholesaler must obtain a seller’s permit (SR) and cigarette/OTP license (LWQ) from the CDTFA before making sales.

  **Note:** CTPLA license not required for a storage location where no sales or shipments are made; it is registered as a sub-location with the CDTFA.

• If retail sales of cigarettes and OTP will also be made, a Wholesaler must obtain a Retailer’s license (LRQ) in addition to the Wholesaler’s license (LWQ).
When you register for your wholesaler license, the CDTFA will also assign you one or both of the following accounts, depending on the type of tobacco products you sell.

**CW License - Cigarette**
- Wholesaler license 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 License - Tobacco**
- Wholesaler license required if making sales of OTP.
- No reporting requirements.
Cigarette/Tobacco Distributor – anyone who sells or possesses for distribution cigarettes or OTP.

A Distributor may possess untaxed cigarettes/OTP and inventory may be purchased directly from an importer or manufacturer.

A Distributor applies California cigarette tax stamps on cigarette packs and resells them to California distributors, wholesalers, and retailers.

A Distributor pays the excise tax on OTP and resells the tax-paid product.

A Distributor must obtain a seller’s permit (SR), LDQ, CR (cigarette) and/or CP (tobacco) licenses from the CDTFA before making sales.

Note: CTPLA license not required for a storage location where no sales or shipments are made; it is registered as sub-location with the CDTFA.

If retail sales of cigarettes and OTP will also be made, a Distributor must obtain a Retailer’s license (LRQ) in addition to the Distributor’s license (LDQ).
When you register for your distributor license, the CDTFA will also assign you one or both of the following accounts (security deposit required), depending on the type of products you sell.

**CR License - Cigarette**
- Distributor CR license required if selling cigarettes.
- License allows you 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
  - end-of-month inventory.
- Amounts are reported in “sticks.”
- These are informational reports only, due on or before the 25th day of the following month and can be efiled.

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