

2007 TTB

Tobacco Industry Seminar

**Federal Compliance Training for
the Tobacco Industry**

July 17, 2007



Alcohol and Tobacco Tax and Trade Bureau

TTB Regulatory Requirements for Tobacco Product Marks, Labels, and Notices



TTB Regulations and Rulings Division



Agenda (and Disclaimer)

- # Statutes, Regulations, Revenue Rulings
- # Three categories of products:
 - Domestic products
 - Export products
 - Imported products

The information in this presentation is intended for general information purposes only.



IRC Statutes

Internal Revenue Code of 1986, 26 U.S.C. (IRC), Chapter 52 — Tobacco Products and Cigarette Papers and Tubes

26 U.S.C. 5723.

(a) Packages.

(b) Marks, labels, and notices.

... "as the Secretary by regulation prescribes"



IRC Statutes

26 U.S.C. 5751(a)(3)

No person shall...otherwise than with intent to defraud the United States, purchase, receive, possess, offer for sale, or sell or otherwise dispose of, after removal, any tobacco products...which are not put up in packages as required under section 5723, or which are put up in packages not bearing the marks, labels, and notices, as required under this section.

Domestic Product Packages – Overview



- Taxpayer information – Mark identifying the taxpayer and the place the product was removed subject to tax.*
 - Product information – Notice of product designation, either weight or quantity information (taxable unit), and, in some instances, further classification.
-

Domestic Product Packages – Mark...



Every package must, before **removal subject to tax**, have **printed on it or on a label securely affixed to it**, a mark consisting of:

- The **name of the manufacturer removing the product subject to tax and location (by city and State) of the factory from which the products are removed, or**
- The **permit number of the factory from which the products are removed.**

(27 CFR 40.212) continued...

Domestic Product Packages – Mark



As an alternative, where tobacco products are packaged and removed subject to tax by the same manufacturer, either at the same or different factories, the mark may consist of the name of that manufacturer if the factory where packaged is identified on or in the package by a means approved by the appropriate TTB officer.

(27 CFR 40.212)

Domestic Product Packages – Marks and Notices



- Taxpayer information – Mark identifying the taxpayer and the place the product was removed subject to tax. (27 CFR 40.212)
 - Product information – Notice of product designation, either weight or quantity information (taxable unit), and, if required, further classification.
-

Domestic Product Packages – Notices



Cigars (27 CFR 40.214)

- “Cigars”,
- The quantity of cigars in the package
- For small cigars, either “small” or “little”

Cigarettes (27 CFR 40.215)

- “Cigarettes”
 - The quantity of cigarettes in the package
 - For small cigarettes, either “small” or “Tax Class A” or, for large, either “large” or “Tax Class B”
-

Revenue Ruling 73-22 and Packages of Cigars



- # Must conspicuously declare it to be a cigar, and cannot represent or imply otherwise.
 - # If comparable to 20-cigarette pack:
 - “Cigars”, “small cigars”, or “little cigars” must appear in direct conjunction with, parallel to, and in substantially the same conspicuousness of type and background as the brand name each time the brand name appears.
 - “Cigar” must appear on the front, back, and bottom panels, even if the brand name does not.
-

Domestic Product Packages – Notices



Smokeless Tobacco (27 CFR 40.216)

- Product designation
“Chewing tobacco” or “Tax Class C”
“Snuff” or “Tax Class M”
 - Product weight.
Actual pounds and ounces in the package.
Alternative: Shipping cases may bear the statement, in pounds and ounces, of the total weight of the product, the tax class of the product, and the total number of the packages of product.
-

Domestic Product Packages – Notices



Pipe tobacco (27 CFR 40.216a)

- "Pipe tobacco" or "Tax Class L"
- Product weight in pounds and ounces.

Roll-your-own tobacco (27 CFR 40.216b)

- "Roll-Your-Own Tobacco" or "Cigarette Tobacco" or "Tax Class J"
 - Product weight in pounds and ounces.
-

Export Products – Overview



- # **Package** – does not include the cellophane overwrap
- # **Mark** – identifies the taxpayer and location of factory from which product is removed
- # **Tax classification** – is required for cigars
- # **Export label**

*** Does not include information regarding cigars removed from customs warehouses for export

Export Products – Package, Mark, Classification



Package (27 CFR 44.181)

For purposes of this subpart, the package does not include the cellophane wrapping material.

Mark (27 CFR 44.184)

Identifying the taxpayer and the place the product is removed.

Tax Classification for cigars

(27 CFR 44.186)

Export Products – Label...



Export Label (27 CFR 44.185)

“Tax-exempt. For use outside U.S.” or
“U.S. Tax-exempt. For use outside U.S.”

Except where a stamp, sticker, or notice, required by a foreign country or a possession of the United States, which identifies such country or possession, is so imprinted or affixed.

Export Products – Label...ATF Ruling 76-11



Export notice

- Size equal to or larger than 6-point News Gothic Bold condensed capitals
 - Significant contrast with the background
 - Visually distinctive from other matter on the package (in size, physical separation, color contrast, or type style)
 - Placement other than on the bottom*
-

Export Products – Label...ATF Ruling 76-11



- Alternative stamp, sticker, or notice required by foreign country or U.S. possession, must be in sufficient size and contrast, and:
 - In English by full name or accepted abbreviation;
 - In other language if it is essentially complete name and in form recognized in U.S.; or
 - Identifies the complete name in language other than English and is “distinctive” (likely recognized as out-of-place or inappropriate in domestic commerce).
-

IRC Statutes – Export-labeled products



26 U.S.C. 5754

- # Tobacco products manufactured in the U.S. and labeled for export can only be imported by the original manufacturer or by an export warehouse proprietor authorized to do so by the original manufacturer.
- # Articles labeled for export may not be sold or held for sale for domestic consumption in the U.S. unless removed from export packaging and repackaged by the original manufacturer.

...see also 5704(d) and 5761

Import Product Packages – Notices and Other Provisions



- **Notice**

Same as required for domestic products.

- **Exemptions**

Imported Product Packages – Notices



- “Cigars”, the quantity, and, for small cigars, either “small” or “little”
 - “Cigarettes”, the quantity package, and either “small” or “Tax Class A” or, for large cigars, either “large” or “Tax Class B”
 - “Snuff” (or “Tax Class M”) and weight
 - “Chewing Tobacco” (or “Tax Class C”) and weight
 - “Pipe Tobacco” (or “Tax Class L”) and weight
 - “Roll-Your-Own Tobacco” or “Cigarette Tobacco” (or “Tax Class J”) and weight
-

Import Product Packages – Exemptions



Exemptions

- Personal Use/Gift - Products authorized to be released from customs custody, without payment of tax, such as products imported in passengers' baggage, or by mail where the value does not exceed \$250, where such products are solely for personal consumption or a gift. (27 CFR 41.75)
 - Bulk – Products not put up in packages may be released from customs custody without payment of tax for delivery to an EW or manufacturer. (27 CFR 41.40)
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Tobacco Laws and Regulations

For easy access, you can read [Chapter I, of Title 27, Code of Federal Regulations](#) and public laws relating to the tobacco industry. Select an item to view the relevant section of the Code of Federal Regulations.

- [Part 40](#) - Manufacture of tobacco products and cigarette papers and tubes
- [Part 41](#) - Importation of tobacco products and cigarette papers and tubes
- [Part 44](#) - Exportation of tobacco products and cigarette papers and tubes, without payment of tax, or with drawback of tax
- [Part 45](#) - Removal of tobacco products and cigarette papers and tubes, without payment of tax, for use of the United States
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Tobacco Authority Under Title 26, Internal Revenue Code

- [Chapter 52 -- Tobacco Products and Cigarette Papers and Tubes](#)

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