

2007 TTB

Tobacco Industry Seminar

**Federal Compliance Training for
the Tobacco Industry**

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Tax Classification of Cigars and Cigarettes



TTB Regulations and Rulings Division

Tax Classification of Cigars & Cigarettes

Notice No. 65



Tax Classification of Cigars and Cigarettes — Notice No. 65



Purposes:

- TTB can more effectively implement and enforce the statutory definitions.
- Industry members can independently ascertain proper tax classifications of their products through clearly defined, objective standards.



Petitions

- # Cigar Association of America, Inc.
- # Lorillard Tobacco Company and R.J. Reynolds America, Inc.
- # 39 States and one U.S. Territory



The Proposal

- Updates and codifies certain administrative policies included in ATF Ruling 73-22.
- Updates analytical methods used in testing the filler of cigars and cigarettes.
- Requires industry certification that cigar products meet TTB regulatory standards.



Updated Analytical Methods

- # Total Reducing Sugars (TRS) Study:
 - Analyzed 93 tobacco samples (large cigars, little cigars, and cigarettes)
 - Instrumentation used: Flow Analyzer
 - Summary of results:
 - Cigars: Below 2% TRS by weight
 - Cigarettes: 7.47 to 17.94% TRS by weight

Cigar Certification



- # Requires a manufacturer or importer of cigars to have filed with TTB a certification that the product in question meets the rules for classification as a cigar prior to removal of the product.



Comments Received

Three Broad Categories:

- Supports the NPRM as written;
- Supports the NPRM in general but proposes more restrictive standards for distinguishing cigars from cigarettes; and
- Opposes the NPRM.



Next Steps

- # TTB may either:
 - Finalize the proposal (as written);
 - Modify and re-notice the proposal; or
 - Withdraw proposal.