

2007 TTB

Tobacco Industry Seminar

**Federal Compliance Training for
the Tobacco Industry**

July 17, 2007



Tobacco Tax Laws and Regulations



Regulations and Rulings Division



Statute

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



Chapter 52 Subparts

- Chapter 52 is comprised of seven subparts:
 - Definitions; rate and payment of tax; exemption from tax; and refund and drawback of tax.
 - Qualification requirements for manufacturers and importers of tobacco products and cigarette papers and tubes, and export warehouse proprietors.
 - Operations by manufacturers and importers of tobacco products and cigarette papers and tubes and export warehouse proprietors.
 - Occupational tax.
 - Records of manufacturers and importers of tobacco products and cigarette papers and tubes, and export warehouse proprietors.
 - General provisions.
 - Penalties and forfeiture.



Regulations

- # Code of Federal Regulations (27 CFR):
 - 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.
 - Part 46 — Miscellaneous regulations relating to tobacco products and cigarette papers and tubes.



Other TTB Guidance

- # Rulings
- # Procedures
- # Delegation Orders
- # Industry Circulars



Product Classifications

- # Small and Large Cigars
- # Small and Large Cigarettes
- # Cigarette Papers and Tubes
- # Snuff
- # Chewing Tobacco
- # Pipe Tobacco
- # Roll-Your-Own Tobacco



Tax Rates

Small Cigars \$1.828 per 1,000

Large Cigars 20.719% of sale price
but not to exceed \$48.75
per 1,000

Small Cigarettes \$19.50 per 1,000

Large Cigarettes \$40.95 per 1,000



Tax Rates (Continued)

Cigarette Papers \$0.0122 per 50 papers

Cigarette Tubes \$0.0244 per 50 tubes

Snuff \$0.585 per pound

Chewing Tobacco \$0.195 per pound

Pipe Tobacco \$1.0969 per pound

Roll-Your-Own \$1.0969 per pound



TTB's Mission

Collect the Revenue:

- Provide the most effective and efficient system for the collection of all revenue that is rightfully due;
- Eliminate or prevent tax evasion and other criminal conduct; and
- Provide high quality service while imposing the least regulatory burden.

TTB Divisions Working with Tobacco Industry



- # Regulations and Rulings Division
- # Scientific Services Division
- # National Revenue Center
- # Tax Audit Division
- # Trade Investigations Division
- # Tobacco Enforcement Division

Some Other Federal Agencies' Responsibilities



- # **U.S. Customs and Border Protection** collects the Federal excise tax, as well as Customs duties, on imported tobacco products.
- # **Bureau of Alcohol, Tobacco, Firearms and Explosives** investigates and prosecutes illegal activity such as smuggling and diversion.
- # **Federal Trade Commission** regulates marketing and advertising of tobacco products, including the warning labels on cigarettes, smokeless tobacco, and some cigars.
- # **Food and Drug Administration** regulates, among other things, products for which smoking cessation and health-related claims are made.

State and Local Government Responsibilities



- # Underage sales, use, and prevention
- # Smoking bans in public buildings
- # Retail sales and business licensing
- # Tax stamps for licensed distributors
- # Master Settlement Agreement issues