



TTB Basics for Importers of Large Cigars

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TTB Disclaimer

Notice:

This information is being presented to help the public to understand and comply with the laws and regulations that the Alcohol and Tobacco Tax and Trade Bureau (TTB) administers. It is not intended to establish any new, or change any existing, definitions, interpretations, standards, or procedures regarding those laws and regulations. In addition, this presentation may be made obsolete by changes in laws and regulations. Please consult the regulations for the most current regulatory requirements.

Sample documents (such as records, returns, and labels) are for illustrative purposes only and contain fictitious data.



Agenda

- TTB Overview
- Permit Requirements
- Required Records and Reports
- Claims
- Packages and TTB Required Notices
- TTB Audits

TTB Overview

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TTB's Primary Responsibilities

- Qualification of producers/importers/wholesalers of alcohol and manufacturers/importers of tobacco products/processed tobacco, and export warehouse proprietors through issuance of required permits
- Collection of excise taxes related to alcohol, tobacco products/cigarette papers and tubes, firearms, and ammunition
- Ensure compliance with laws and regulations applicable to those industry members



CBP vs. TTB Jurisdiction

The Secretary of the Treasury delegated authority for federal excise tax collection on imported tobacco products to U.S. Customs and Border Protection (CBP).

- Generally, imported tobacco products are subject to Federal excise tax (FET) upon release from CBP's custody.
- The importer of the tobacco products, not the customs broker processing paperwork through CBP, is responsible for the FET.



Federal Laws and Regulations

Internal Revenue Code:

- 26 U.S.C., Chapter 52

Title 27 Code of Federal Regulations (CFR):

- 27 CFR part 41 – Importation of Tobacco Products

Permit Requirements

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TTB-Issued Tobacco Industry Permits

- Manufacturer of Tobacco Products
- Manufacturer of Processed Tobacco
- Importer of Tobacco Products
- Importer of Processed Tobacco
- Export Warehouse Proprietor



When Importers File Applications with TTB

- To start a new business as an importer of tobacco products
- For a change in name of an existing business (individual, trade, or corporate name change)
- For a change in ownership or control of an existing business (appointment of a fiduciary; transfer of ownership; change in officers, directors, or stockholders; or other change in actual or legal control)
- For a change in location/address of an existing business
- To renew a permit

27 CFR 41.190 – 41.228



Applying for a Tobacco Importer Permit

- You can submit applications electronically via the Permits Online portal on www.ttb.gov.
- TTB offers a Permits Online [tutorial](#) that walks you through everything you need to apply for an importer of tobacco products or importer of processed tobacco permit.
- Review TTB regulations at 27 CFR Part 41 – available on www.ttb.gov.



Applying for a Tobacco Importer Permit (continued)

- As of March 2021, the average processing time for a complete tobacco importer application was 137 days
 - TTB cannot process incomplete applications.
 - TTB will contact you to provide any missing information and this will delay processing.



Permit Renewal

Importers of tobacco products must renew permits every 5 years.

Importers wishing to continue operations must file application for renewal:

- 30 days ***before*** expiration date on current permit
- Importers can file renewal application through Permits Online Portal on www.ttb.gov

27 CFR 41.200 – 41.203

Required Records and Reports

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Required Records

- Maintain all records chronologically by transaction or reporting date at importer's principal place of business.
- Retain all required reports and records (including physical receipt and disposition of tobacco products, claims, schedules, authorizations, notices, etc.) for not less than 3 years following the close of the current calendar year.

27 CFR 41.204 – 41.208



Required Records – Imported Large Cigars

- Basic records that will establish and verify sale price of large cigars.
- Price announcements.
- Customs entry or withdrawal forms reflecting excise tax declared.

27 CFR 41.181



Monthly Reports – Tobacco Importers

Tobacco Products Importers must:

- File a monthly report, [TTB F 5220.6](#), no later than the 15th day of the month following the reporting month
- Even if an importer does not import in a particular month, the importer must file a report marked **NO ACTIVITY** for that month.

Do not include product in Customs custody on monthly report.

Claims

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Product Withdrawn from the Market for Destruction

Before importer destroys the products:

- Submit [TTB F 5200.7](#) – Schedule of Tobacco Products or Cigarette Papers and Tubes Withdrawn from the Market
- TTB will review submission and notify importer whether TTB will supervise the destruction or authorize the destruction without supervision



Product Withdrawn from the Market for Destruction (continued)

- After*** importer receives authorization from TTB:
- Importer may destroy the products in accordance with 27 CFR 41.170 – 41.174



Refund of Tax on Product Withdrawn from the Market and Destroyed

After destruction and within six months of withdrawal from the market:

- Importer may file a claim for refund of the tax associated with those products on [TTB F 5620.8](#).
- Refund of taxes paid on large cigars is limited to the lowest tax applicable to that brand and size of cigar during the required retention period unless the importer can establish that it actually paid a greater amount.
- For faster processing, submit refund claims [online](#).

27 CFR 41.163 and 41.170

Packages and TTB Required Notices

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TTB Requirements for Packages

- Package must securely contain the tobacco product(s) and have the required notice.
- Packages may not have:
 - (a) any certificate, coupon, or other device purporting to be or to represent a ticket, chance, share, or an interest in, or dependent on, the event of a lottery;
 - (b) any indecent or immoral picture, print, or representation; or
 - (c) any statement or indication that United States tax has been paid.

27 CFR 41.71



TTB-Required Notices – Cigars

Before removal subject to internal revenue tax, every package of cigars shall have adequately printed on it, or on a label securely affixed to it—

- The designation **cigars**
- The quantity of cigars contained in the package
- For small cigars, the classification of the product for tax purposes (i.e. either **small** or **little**)

27 CFR 41.73

TTB Audits

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TTB Audits

TTB's Tax Audit Division (TAD) has responsibility for examining (i.e., auditing) books and records specific to tobacco products removed from CBP's custody and entered into domestic commerce, with the objective of determining the propriety of FET paid to CBP.



Tax Audit Division Mission

TAD's mission is to ensure the proper payment of FET and compliance with laws and regulations in a manner that protects the tax revenue and prevents unlawful activity in the commodities TTB regulates.



TAD Professional Audit Standards

- TAD conducts audits that incorporate Generally Accepted Government Auditing Standards (“Yellow Book”) published by the U.S. Government Accountability Office (GAO).
- TAD audits focus on promoting voluntary compliance by partnering with industry members using a “no surprises” approach to provide a value-added service for both the industries and TTB.



TTB Audits Generally

- TTB has the right to enter a tobacco importer's premises during normal business hours.
- The primary focus on tobacco importer audits is on reviewing supporting documentation (i.e., ***commercial records*** such as invoices and bills of lading).
- The **importer** of record, not the broker, is responsible for documentation filed with CBP.



Required Records

- Required records, reports, and other documents must be available for inspection by the appropriate TTB officer upon request.
- The appropriate TTB officer may require these records, reports, and other documents to be kept for an additional period of not more than three years in any case where it is necessary to protect the revenue.
- TTB may also examine commercial records generated in the normal course of business that would tie back to official records (e.g., CBP Form 7501) filed with CBP.



FET on Large Cigars

- FET on large cigars (cigars that weigh more than 3 pounds per 1,000) is 52.75 percent of the **sale price**, but not to exceed 40.26 cents per cigar.
- The price the importer paid the foreign manufacturer to purchase the products is not the sale price for purposes of calculating the tax. Rather, the pertinent sale for purposes of calculating the tax is the sale **by the importer** (not the sale to the importer) in an arm's length transaction to an unrelated party, typically a wholesaler or distributor.
- For more information, see [TTB Industry Circular 2011-3](#) Importation of Tobacco Products and Calculating the Tax on Imported Large Cigars.



Informational Resources

Title 27 Code of Federal Regulations (CFR), Part 41

- Available online at www.ecfr.gov

TTB.GOV

- Tobacco Homepage: <https://www.ttb.gov/tobacco>
- Forms: <https://www.ttb.gov/tobacco/forms>
- Pay.gov: <https://www.ttb.gov/what-we-do/taxes-and-filing/pay-gov>
- Subscribe to receive the weekly TTB Newsletter: www.ttb.gov/resources/publications/ttb-newsletter

National Revenue Center

- Full contact information (phone number, mailing address and online inquiry form): <https://www.ttb.gov/who-we-are/contact-us/nrc-call-center>

Questions?

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