



# TN TOBACCO TAXES

December 2022 Tax Webinar

# Thanks for joining us!

## We will begin at 9:00 am (CST)

➤ **Please check your audio settings. See below for resources in case you experience audio or other technical difficulties:**

- Contact WebEx Support <https://help.webex.com/contact/>
- Link to Technical Service Resource Guide <https://www.cisco.com/c/en/us/support/web/tac/technical-services-resource-guide.html>
- Try leaving and then re-entering the event

## View a recording of today's presentation!

**[tn.gov/revenue](https://www.tn.gov/revenue) > Taxpayer Education > Tax Webinars**

**<https://www.tn.gov/revenue/taxpayer-education/tax-webinars.html>**

The webinar recording will be posted in the "Webinar Video Library" the day after the event.

➤ **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**

- [www.tn.gov/Revenue](http://www.tn.gov/Revenue)
- [Revenue.support@tn.gov](mailto:Revenue.support@tn.gov)
- 615.253.0600 (M-F 8-4:30 CST)



# Overview of Presentation

- **WHAT IS TOBACCO TAX?**
- **WHO PAYS IT?**
- **WHAT PRODUCTS ARE TAXED?**
- **THE ROLE OF RETAILERS**
- **ADDITIONAL REPORTING AND LICENSING REQUIREMENTS**
- **REGISTERING AND FILING**
- **Q&A**

# Tobacco Taxes



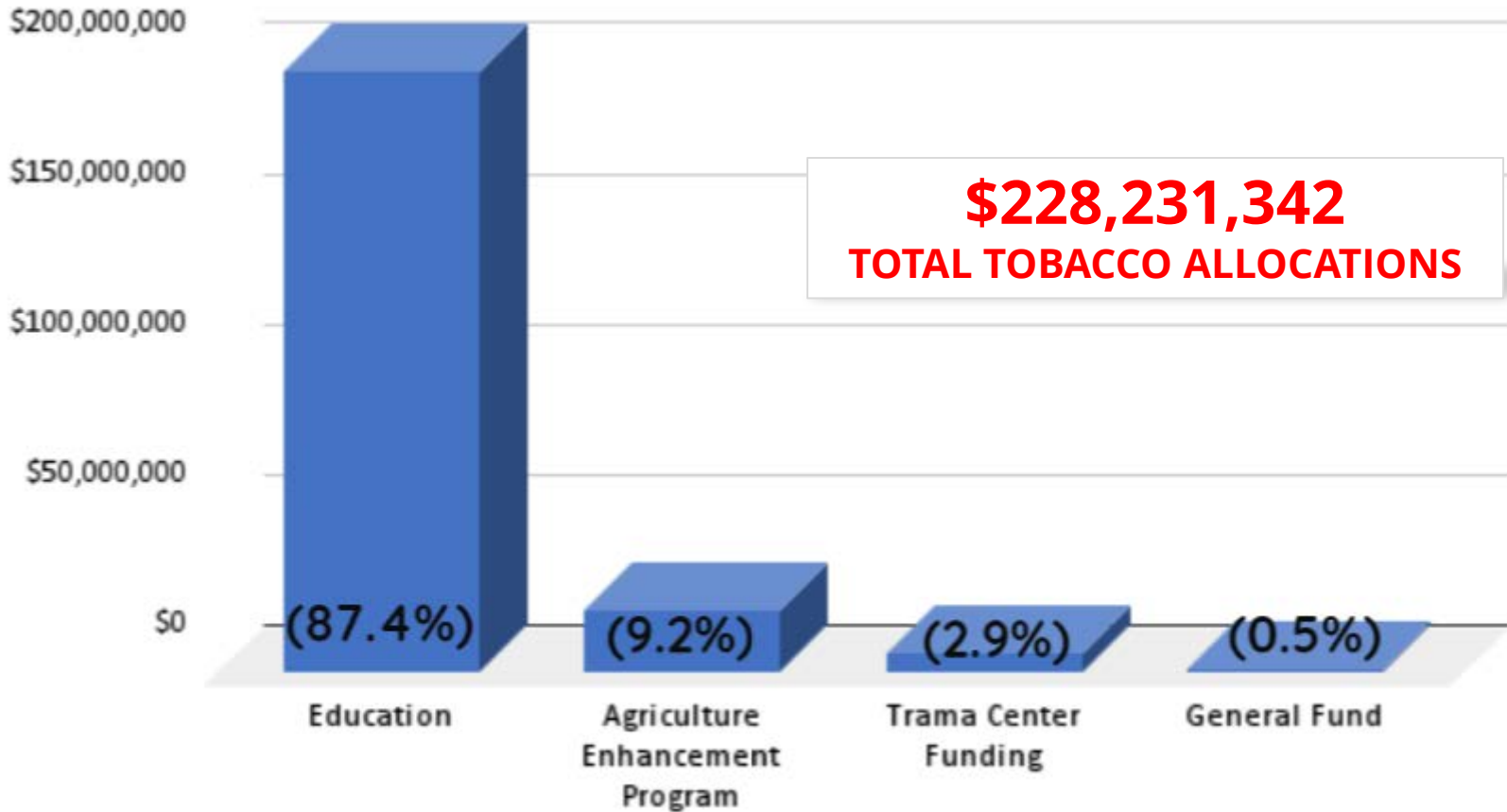
Dealers/distributors making **wholesale sales** of cigarettes/little cigars and other tobacco products (OTP) must be **licensed** and **remit tobacco tax**. There are **additional reporting requirements** as well.

## TOBACCO TAX LAWS, RULES & REGULATIONS

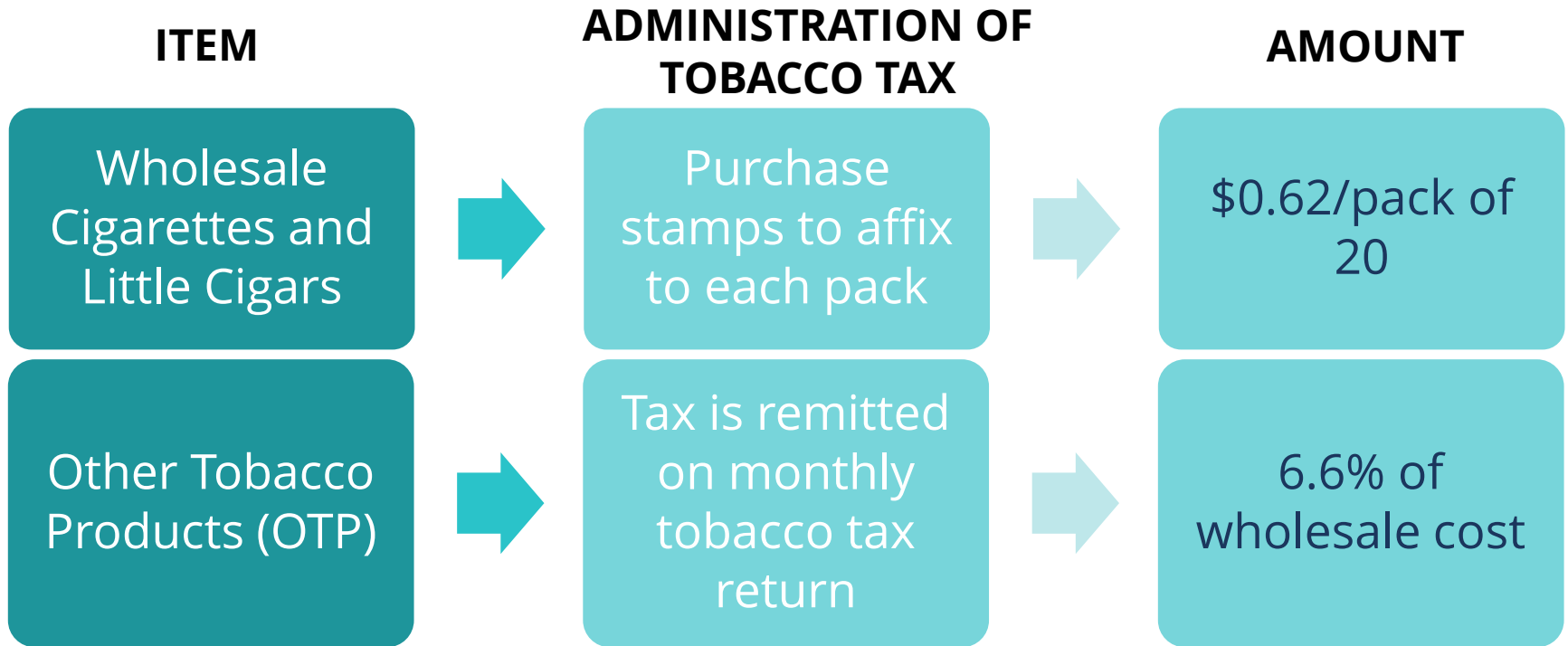
TCA § 67-4-1001 through § 67-4-1033 and TCA § 67-4-2601 through § 67-4-2610.  
TENN. COMP.R. & REGS. 1320-04-03-.01 through 1320-04-03-.13.

# Tobacco Tax Revenue

FY 2022 Allocations



# Administration/Requirements



**+ ADDITIONAL LICENSING AND REPORTING REQUIREMENTS...**

# Retailers of Tobacco Products ...

- are the only entities permitted to sell tobacco products directly to the consumer.
- may only sell tobacco products that are listed on TN's Directory of Approved Tobacco Product Manufacturers and have been certified as fire-safe compliant. Sign up for [EMAIL ALERTS!](#)
- can only sell cigarettes and little cigars that are already stamped.
- are allowed to purchase OTP and remit the tax themselves.
- are required to pay the tax on untaxed tobacco products purchased out-of-state.



# Additional Requirements –Licensing

Licenses are required for....

- tobacco distributors
- wholesale dealers & jobbers
- manufacturing distributors
- tobacco manufacturer warehouses

**ALL  
LICENSES  
EXPIRE ON  
MAY 31**

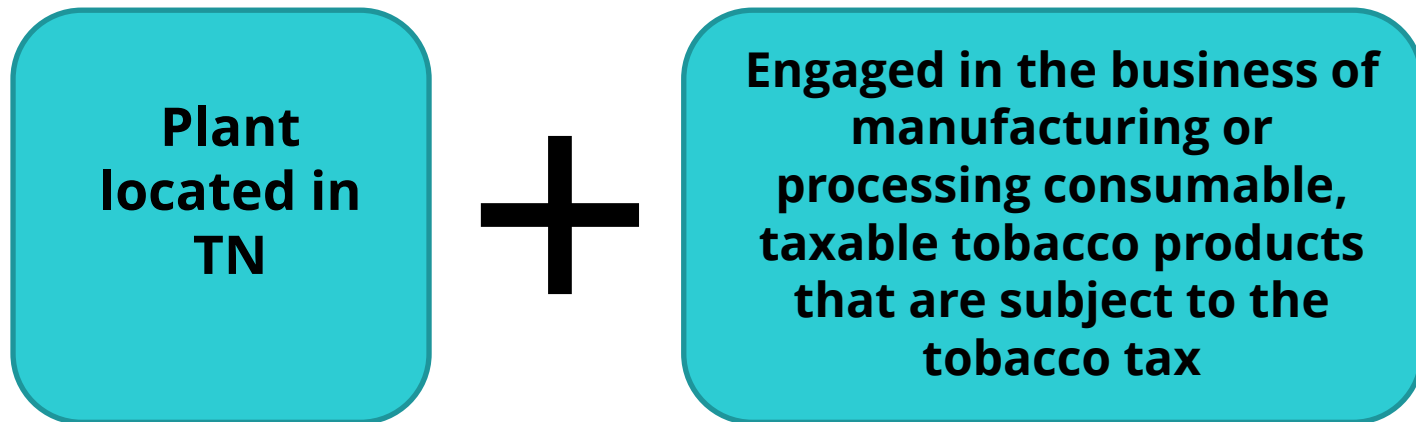
**If a taxpayer obtains a distributor or wholesaler license, it cannot also sell to consumers as a retailer.**

**RETAIL STORES DO NOT NEED TO BE LICENSED**



# Manufacturing Distributor License

## REQUIRED IF...

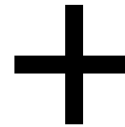


- FEE: \$200 per plant or processing location
- BOND REQUIREMENT: minimum \$2,000

# Tobacco Manufacturer's Warehouse License

## REQUIRED IF TAXPAYER...

**Taxpayer maintains a warehouse/building/structure/etc where any tobacco products are stored to be distributed, but are maintained separate from the manufacturer's operation**



**Title to and control of distribution of the tobacco products stored remain with the manufacturer/processor**

- FEE: \$200 per storage warehouse
- BOND REQUIREMENT: minimum \$20,000

# Wholesale Dealer and Jobber License

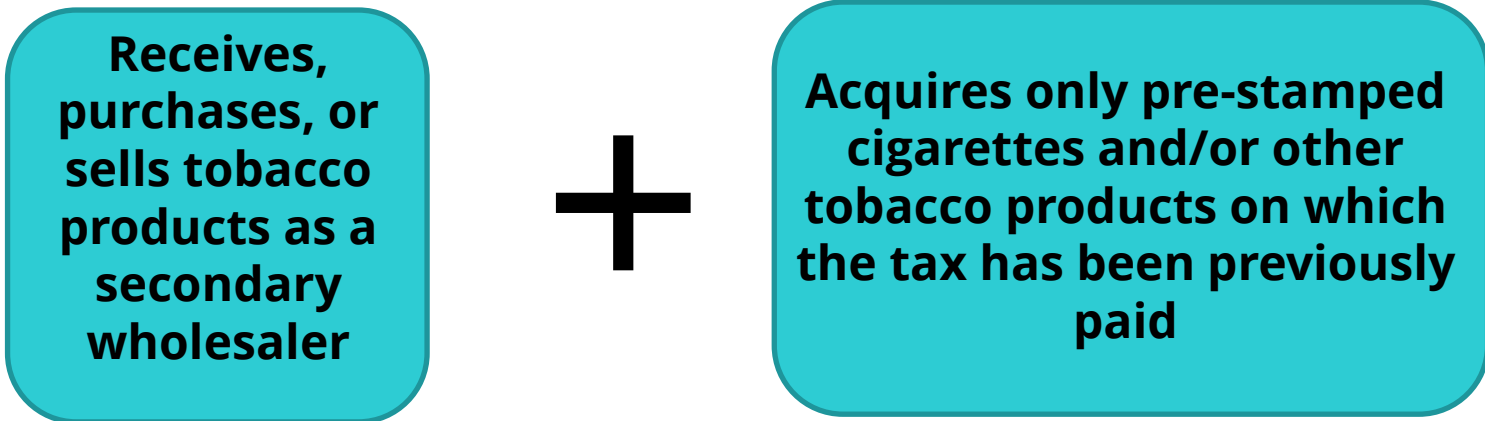
## REQUIRED IF TAXPAYER...



- FEE: \$200 per separate sale warehouse
- BOND REQUIREMENT: minimum \$2,000

# Tobacco Distributor License

## REQUIRED IF TAXPAYER...



- FEE: \$100 per secondary wholesale location, no bond required

# Sample License



STATE OF TENNESSEE  
DEPARTMENT OF REVENUE

### Tobacco License/Permit

May 2, 2022



XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX

Letter ID: XXXXXXXX4  
Account ID: XXXXXXXX0  
Account Type: Tobacco Wholesaler

Dear XXXXXXXXXXXXXXX

We have received and processed your application for a license/permit. Your valid license/permit is attached below. The account number on this license/permit is used by the department to identify your account and should be shown on all reports and correspondence.

This license/permit is not transferable and separate license/permit is required for each separate place of business.

For additional information regarding this account you may call Taxpayer Services at 615-253-0600 between 8:00 a.m. and 4:30 p.m., Monday through Friday, holidays excepted.

Tennessee Department of Revenue  
**License/Permit**  
Tobacco Wholesaler Dealer

XXXXXXXXXXXXXXXXXXXX

Serial No.  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX

Issue Date: May 2, 2022  
Account Type: Tobacco Wholesaler  
Account No.: XXXXXXXX0  
Effective Date: June 1, 2022  
Expiration Date: May 31, 2023

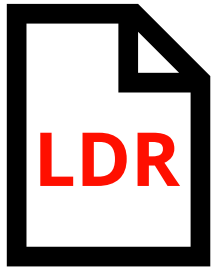


# Licensing Penalties

**Penalty for failing to obtain/renew license =**  
**Amount of the license fee for each month or**  
**part of a month during which the activity or**  
**failure continues.**

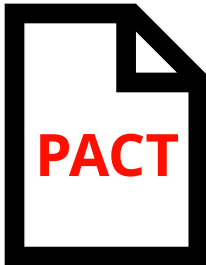
**DISCRETIONARY PENALTY:** there may be a penalty of no more than \$250/day for each day during which the activity or failure occurs or continues. It may also be imposed upon a person to whom a license has been issued, if the person continues to engage in the business or activity after receiving notice the license is revoked or suspended.

# Additional Requirements – Reports



**Licensed Distributor  
Report**

**All on  
TNTAP!**



**Prevent All Cigarette  
Trafficking**



**Retail Accountability  
Program**



Toll-free: (855) 286-7423  
Nashville-area: (615) 741-9300  
E-mail: [Resale.Data@tn.gov](mailto:Resale.Data@tn.gov)

# Additional Requirement: LDR

**The LDR reflects the total number of cigarettes, roll-your-own (“RYO”) tobacco, and little cigars in each brand family sold in Tennessee to which state tobacco tax stamps have been affixed and/or tobacco tax has been remitted during the month.**

- Each wholesaler is required to file the report by the 15th day of each month.
- All invoices and documentation of sales of cigarettes and/or any other information used to complete the LDR are required to be maintained by the wholesaler for a period of seven years.
- There are differences in the requirements for in-state and out-of-state wholesalers



# LDR: In-State Wholesalers Must Report:


- # of cigarettes and little cigars that were stamped during the month, including TN stamps and any other tax stamps.
- ounces of RYO on which tax was paid during the month, including Tennessee tax and tax for other jurisdictions.
- inventory adjustments that may have occurred during the month.
- beginning and ending inventory, purchases, and sales of:
  - TN tax stamped Participating Manufacturer (“PM”) cigarettes and tax paid on PM roll-your-own tobacco.
  - Tax stamped or tax paid on little cigars for all tax jurisdictions.
  - Tax stamped Non-participating Manufacturer (“NPM”) cigarettes and tax paid on NPM roll-your-own tobacco for all tax jurisdictions.
  - Unstamped cigarettes, little cigars, and RYO on which tax has not been paid.


# LDR: Out-of-State Wholesalers Must Report:

- # number of cigarettes/little cigars that were stamped during the month, including PM cigarettes/little cigars with TN stamps and NPM cigarettes with any tax stamps.
- ounces of RYO on which tax was paid during the month, including PM RYO in TN and NPM RYO in all tax jurisdictions.
- inventory adjustments that may have occurred during the month.
- beginning and ending inventory, purchases, and sales of:
  - TN tax stamped cigarettes and little cigars and Tennessee tax paid on roll-your-own tobacco.
  - Unstamped NPM cigarettes and RYO on which tax has not been paid in all tax jurisdictions.


**For out-of-state wholesalers, NPM cigarettes/roll-your-own products stamped, purchased, sold, or inventoried for use outside TN and not on the TN Directory are not required to be reported on the LDR.**


# Sample LDR Report on TNTAP


Stamping Activity				<a href="#">View/Edit</a>
<b>Activity</b>				
				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	29,400	0.00	0	
Other Tax Jurisdictions	0	0.00	0	

Beginning Inventory				<a href="#">View/Edit</a>
<b>No Inventory</b>				
				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	0	0.00	0	
Other Tax Jurisdictions	0	0.00	0	
Unstamped/Non-Tax Paid	0	0.00	0	

Sales				<a href="#">View/Edit</a>
<b>Activity</b>				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	29,400	0.00	0	
Other Tax Jurisdictions	0	0.00	0	
Unstamped/Non-Tax Paid	0	0.00	0	

Inventory Adjustments				<a href="#">View/Edit</a>
<b>No Inventory</b>				
				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	0	0.00	0	
Other Tax Jurisdictions	0	0.00	0	
Unstamped/Non-Tax Paid	0	0.00	0	

Purchases				<a href="#">View/Edit</a>
<b>No Activity</b>				
				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	0	0.00	0	
Other Tax Jurisdictions	0	0.00	0	
Unstamped/Non-Tax Paid	0	0.00	0	

Ending Inventory				<a href="#">View/Edit</a>
<b>No Inventory</b>				
				
Tennessee Stamped	Cigarettes	RYO (Dunces)	Little Cigars	
	0	0.00	0	
Other Tax Jurisdictions	0	0.00	0	
Unstamped/Non-Tax Paid	0	0.00	0	



# Additional Requirement: PACT

**Federal law requires that anyone who ships or transfers the following from another state in TN complete the PACT report...**

- cigarettes/little cigars
- roll-your-own tobacco
- smokeless tobacco
- electronic nicotine delivery systems

**NOTE:** if the taxpayer is a TN dealer that ships these products into another state, they are required to register the products with that state.

# Additional Requirement: RAP

**Anyone who sells tobacco (including cigarettes and other tobacco products) to TN retailers for resale must report such sales electronically through the Retail Accountability Program (RAP).**

- The purpose of RAP is to ensure that sales tax is collected from consumers and remitted to the state.
- RAP requires wholesalers of beer and tobacco products to file information reports electronically with the Department detailing their sales of such products to Tennessee retailers.
- Reports may be filed monthly or quarterly and will be due on the 25th of the month following the reporting period.

MORE INFO:

<https://www.tn.gov/revenue/tax-resources/compliance-information/retail-accountability-program.html>

# More RAP info on RevenueHelp!

- HOW ASSESSMENTS ARE CALCULATED, CONTESTING A RAP ASSESSMENT
- INFORMATION INCLUDED IN WHOLESALER DATA, HOW TO ACCESS WHOLESALER DATA, CORRECTING WHOLESALER DATA
- AMENDING SALES TAX RETURNS AFTER RECEIVING ASSESSMENT
- CIGARETTE BUYDOWN PROGRAM PARTICIPATION, DOCUMENTATION AND CREDIT
- TRANSFERRING ITEMS OTHER THAN TOBACCO AND ALCOHOL PRODUCTS BETWEEN LOCATIONS
- HOW TO CLOSE/SELL A BUSINESS
- ACTING THROUGH ACCOUNTANT OR BOOKKEEPER
- AND MORE!!!

<https://revenue.support.tn.gov/hc/en-us/sections/200829445-Retail-Accountability-Program>

# Filing the Tobacco Tax Return

**The Tennessee Tobacco Products Return (Form TOB 552) is used to report the purchases, stamping activity, and inventories of cigarettes, little cigars, and other tobacco products for the month indicated on the return.**

- DUE DATE: the 15th day of the month following the reporting period (regardless of whether any transactions have occurred.)
- Return must be filed electronically through TNTAP.



# Filing the Tobacco Tax Return

## Schedules A & B

- Used to report the disposition of cigarette packs during the month.
- In-state wholesalers complete sched. A, out-of-state wholesalers complete sched. B.

## Schedule C – completed by in-state and out-of state wholesalers

- The disposition of Tennessee cigarette stamps is entered on Sched. C.

## Schedule D

- Used to report tax due on OTP.
- In-state wholesalers will report and pay tobacco tax on the cost price of other tobacco products less the cost of out-of-state sales of other tobacco products.
- Out-of-state wholesalers will report and pay tobacco tax on the cost of other tobacco products sold into the state.

## Schedule E

- Used to report and pay the cigarette tax on RYO.
- Based on the number of cigarettes rolled/sold during the month.
- Credit is allowed for the tobacco tax paid on the tobacco used to produce the RYO cigarettes.



# Registering for Tobacco Tax

**Register  
on  
TNTAP!**

## Tobacco License Survey

Please answer the following questions as they apply to this location to determine the type of tobacco license you are required to obtain.

Are you a retailer who will sell tobacco products to a consumer?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
------------------------------	--

Will you only receive, purchase, or sell tobacco products as a secondary wholesaler and acquire only pre-stamped cigarettes and/or other tobacco products on which the tax has been previously paid?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
------------------------------	--

Will you receive, store, or import unstamped cigarettes or otherwise handle tobacco products on which the tax has not been paid?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
---	-----------------------------

Will you be affixing tax stamps to cigarettes and/or paying tobacco tax on roll-your-own tobacco?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
---	-----------------------------

If you are located outside the state of Tennessee, will you sell, transfer, advertise, or ship cigarettes, roll-your-own tobacco, smokeless tobacco, or electronic nicotine delivery systems into Tennessee?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
------------------------------	--

Will you have unstamped or untaxed tobacco inventory for sale to military installations and/or Veterans Administration hospitals?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
------------------------------	--

Are you an out-of-state manufacturer or wholesaler that will send free samples of smokeless tobacco products into Tennessee?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
------------------------------	--

Based on your business activity, your business is required to obtain a **Tobacco Wholesaler** license. A fee of \$200 is required to obtain this license. A payment screen to remit this payment will be available at the end of this application. You will also be registered for a sales and use tax account at this location.

# Resources – www.TN.gov/Revenue

The screenshot shows the TN Department of Revenue website. At the top left is the TN logo and the text "Department of Revenue". To the right is a search bar labeled "Search Revenue". Below the header is a navigation menu with items: "How Do I...?", "E-filing Information", "Taxes", "Tax Resources", "Title and Registration", "Motor Carrier", and "Revenue News".

Three red boxes with arrows point to specific resources in the navigation menu:

- Tax Manuals and Important Notices** (points to "Tax Resources")
- Register/File/Pay/etc** (points to "Taxes")
- Help Articles** (points to "Revenue News")

The main content area features several promotional tiles:

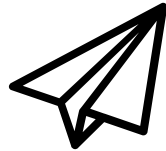
- A large tile on the left for a "Next Quarterly Webinar for New Businesses is October 5" with a "Click here for more information." link.
- A tile for "TNTAP E-File & Pay" showing a document with the TNTAP logo.
- A tile for "Questions? Revenue Help" with a hand writing on a chalkboard.
- A tile for "Taxes" showing three Tennessee state flags.
- A tile for "HOT TOPICS News and Publications" with the words "HOT TOPICS" in large, stylized letters.

# CONTACT US!

Please submit  
specific  
account-  
related  
questions, or  
any questions  
that do not get  
addressed in  
this webinar to  
directly us!



[www.tn.gov/Revenue](http://www.tn.gov/Revenue)



[Revenue.support@tn.gov](mailto:Revenue.support@tn.gov)



General Call Center **615.253.0600**



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***@TNDeptofRevenue***



Please take a moment to complete a quick survey about today's event!

Survey populates upon leaving event.