

Acronyms

ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives
BOL	Bill of Lading
CCTA	Contraband Cigarettes Trafficking Act
FDA	Food and Drug Administration
FET	Federal Excise Tax
LET	Local Excise Tax
MSA	Master Settlement Agreement
NPM	Non-Participating Manufacturer (MSA related)
OPM	Original Participating Manufacturer (MSA related)
OTP	Other Tobacco Products (other than cigarettes)
PACT	Prevent All Cigarette Trafficking Act
RYO	Roll-Your-Own Tobacco
SET	State Excise Tax
SPM	Subsequent Participating Manufacturer
TTB	Alcohol and Tobacco Tax and Trade Bureau

Definitions

These definitions are terms generally used by tobacco tax administrators and industry, and are meant to inform users, promote understanding, and to facilitate discussion between the participants. The definitions are not intended to be legal or to include all-encompassing meanings of the defined terms.

At the end of a definition if you see the term “Refer also to...” there is another word or term that may be directly related or has basically the same definition.

At the end of a definition if you see the term “See also...” there is another word or term that may be confused with the current definition but the definitions and meaning do differ.

Acquisition Date – The date a taxable product was received at a physical facility after a change in physical possession of taxable product.

Additive- Any substance the intended use of which results or may reasonably be expected to result, directly or indirectly, in its becoming a component or otherwise affecting the characteristic of any tobacco product (including any substances intended for use as a flavoring or coloring or in producing, manufacturing, packing, processing, preparing, treating, packaging, transporting, or holding), except that such term does not include tobacco or a pesticide chemical residue in or on raw tobacco or a pesticide chemical.

Adjustments and/or Tax Credits – Adjustments that can only be shown and deducted as a monetary adjustment because of their nature other than physical inventory adjustments (i.e. bad debt allowances,). (See also “Book Adjustment/Physical Variance”)

Agent – A person normally licensed or registered and designated through legislation as the agent to collect and remit tax on behalf of a taxing jurisdiction. Agents may be referred to as a licensed wholesaler, licensed manufacturer, licensed distributor, supplier, dealer, exporter, importer, and/or sub-Jobber. Agents typically file tax or information returns.

ATF – The Bureau of Alcohol, Tobacco, Firearms and Explosives which is a United States Department of Justice agency. The ATF among other things conducts criminal investigations involving illegal cigarette trafficking which can violate the CCTA, PACT Act, and other money laundering violations involving untaxed cigarettes and tobacco products.

Basic Cost – The invoice cost of a taxable product to a wholesaler or a retailer exclusive of any discounts, rebates, or off-invoice allowances. (May also be referred to as “invoice cost”.)

Beginning Inventory – Physical Inventory of taxable product at the beginning of a reporting period. (Also referred to as “Opening Untaxed Inventory”)

Bill of Lading (BOL) - A document issued by a common carrier representing the delivery and physical transfer of a taxable product from a consignor to a consignee. A bill of lading defines the contract for transportation between the shipper and carrier and also serves as a document of title and a receipt for the goods. (See also “Freight Bill”)

Book Adjustment/Physical Variance – An adjustment to books, records, or computerized inventories itemizing changes in physical inventory volume, of a taxable product, with no physical movement of the product. (See also “Adjustments and/or Tax Credits”)

Brand Family - A type of cigarette or tobacco product distinguished by unique attributes. These unique attributes can be the tobacco used, tar and nicotine content, flavoring used, size, filtration, packaging, logo, registered trademark, brand name, identifiable pattern of colors, or any combination of such attributes. Examples of brands may include Marlboro, Camel, Kool, Salem, Winston, etc.

Brand Style – A type of cigarette distinguished by unique attributes within a brand family. These unique attributes can be the tobacco used, tar and nicotine content, flavoring used, size of the cigarette, filtration on the cigarette or packaging. Examples, of descriptors of styles, include but are not limited to “menthol”, “lights”, “kings”, and “100s”.

Carton – A container used to contain and convey multiple “original packages” available for sale to consumers.

Cigar – These definitions are taken from the Combined Federal Regulation (27 CFR parts 40.11. It mirrors the definitions in the law (26 USC 5701)

Cigar. Any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (other than any roll of tobacco which is a cigarette within the meaning of paragraph (2) of the definition for cigarette).

Large cigars. Cigars weighing more than three pounds per thousand.

Small cigars. Cigars weighing not more than three pounds per thousand.

Cigarette – Generally recognized as any roll for smoking made wholly or in part of tobacco irrespective of size or shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, and the wrapper or cover of which is made of paper or any other substance or material except tobacco.

Some states may also include in their definitions:

- (A) product that (includes tobacco, in any form, that is functional in the product, which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette or as roll-your-own tobacco.
- (C) little cigars
- (D) rolling tubes/papers
- (E) product that meets the definition of the term “cigarette” in section 3(1) of the Federal Cigarette Labeling and Advertising Act

Cigarette Tobacco - any product that consists of loose tobacco that is intended for use by consumers in a cigarette. (Refer also to “Roll-Your-Own Tobacco”)

Closing (or Ending) Inventory – The physical Inventory of taxable product at the end of a reporting period. Inventory can either be considered “unverified” and “verified” depending on whether or not a state agency verified the physical inventory.

Commerce – The buying and selling of taxable product, as between cities, states, tribes, or nations. Taxable product delivered out of a state by or for a seller constitutes interstate commerce. Taxable product delivered within a state by or for a seller constitutes intrastate commerce. (Refer also to “Export”.)

Compensation Allowances – Authorized commissions, discounts, or compensation provided to a distributor for acting on behalf of the state authorities in the collection of the taxes due on taxable tobacco products e.g. allowances for affixing tax stamps or filing and or paying a tax return timely. Also see “Merchandising Allowances/Discounts”.

Common Carrier – A person that engages in the commercial transportation of taxable products that are not owned by a person. Types of commercial common carriers may include rail, marine vessel, aircraft and truck. (Refer also to “Transport Vehicle”).

Common Carrier BOL Number – The identification number on the Bill of Lading issued by the common carrier for transportation of taxable products. It is a receipt from the carrier for the physical transfer of taxable products. A freight bill is an invoice for the transportation provided and is based on the bill of lading and other information used to determine the rate for the transportation charges. They are sometimes combined into a "Combination bill of lading and freight bill".

Common Carrier ID – A unique identifying number assigned to a common carrier by a regulatory agency such as the U.S. Department of Transportation.

Consignee – The person to whom the taxable product is delivered by a carrier.

Consignor– The person that hires the carrier to transport the taxable product

Consumer – A person that consumes or uses a taxable cigarette or other tobacco product

Contraband Cigarettes – May be defined as any of the following: **(1)** cigarettes that do not bear the required tax stamp for the appropriate jurisdiction; or **(2)** cigarettes for which the required federal taxes have not been paid; or **(3)** cigarettes that bear a counterfeit tax stamp; or **(4)** any cigarettes which may not be legally possessed for resale; or **(5)** counterfeit cigarettes.

Counterfeit Cigarettes - **(1)** cigarettes that are manufactured, fabricated, assembled, processed, packaged, or labeled by any person other than the owner of the trademark rights in the cigarette brand or a person that is directly or indirectly authorized by such owner; or cigarettes imported into the United States, or otherwise distributed, in violation of any federal law; or **(2)** cigarettes that have false manufacturing labels.

Counterfeit Other Tobacco Products - **(1)** Other tobacco products that are manufactured, fabricated, assembled, processed, packaged, or labeled by any person other than the owner of the trademark rights in the tobacco product brand or a person that is directly or indirectly authorized by such owner; or tobacco products imported into the United States, or otherwise distributed, in violation of any federal law; or **(2)** other tobacco products that have false manufacturing labels.

Contraband Cigarettes Trafficking Act (CCTA) – A federal law dealing with trafficking of contraband cigarette and tobacco products (18 USC Chapter 114).

Credits/Refunds – Allowable reduction in tax liability based on certain criteria having been met. Credits or refunds may be issued for damaged tax stamps; tax stamps (or tax paid) on unusable or unsalable product; or stamped (or tax paid) product that was returned to a manufacturer.

Delivery – A physical transfer and/or change of legal ownership of a taxable product.

Delivery Date – Refer also to “Acquisition Date”.

Destination Jurisdiction - Any state, territory, foreign country, jurisdiction, territory, or sovereign nation to which any taxable cigarettes or other tobacco products are directed for delivery into any storage facility, receptacle, container, or any type of transportation equipment for purpose of resale or use.

Distributor - A person who acquires and distributes cigarettes or other tobacco products, whether domestic or imported, from the original manufacturer or any other person for the purpose of reselling that product. (Refer also to "Wholesaler".)

Drop Shipment – Any delivery of a taxable product received by a consignee when payment for the taxable product is made to the shipper or seller by or through a person other than the consignee.

Exempt Sales – The sale, gift, or exchange of taxable product that is not subject to cigarette and/or tobacco tax in accordance with jurisdictional legislation, regulations, or other authority.

Exempt Sales Type – Possible various types of tax-exempt sales may include:

1. Export sales
2. Federal government sales
3. Indian sales
4. Military sales
5. Research sales other than for marketing purposes
6. Sales between wholesalers and distributors as regulated by that jurisdiction legislation or regulatory body.

Export – The shipment or delivery of a taxable product to a location outside the country from which the product originated. Taxable product delivered out of a country by or for a seller constitutes exportation by the seller. (Refer also to "Commerce".)

Exporter - Any person engaged in the practice of transferring taxable product from one country to another country.

Federal Excise Tax (FET) – An excise tax that is levied by the United States federal government.

Filtered Cigar – See "Cigar".

Free Trade Zone – A U.S. Customs regulated area within which goods may be received and stored without payment of duty, tariffs, taxes etc.

Freight Bill – A freight bill is an invoice for the transportation provided and is based on the bill of lading and other information used to determine the rate for the transportation charges. They are sometimes combined into a "Combination bill of lading and freight bill". (See also "Bill of Lading (BOL)".)

Illicit Trade - Any practice or conduct prohibited by law which relates to the production, shipment, receipt, possession, distribution, sale, or purchase of cigarettes or other tobacco products including any practice or conduct intended to facilitate such activity.

Import – The shipment or delivery of taxable product to a location inside the country when the product originated from a location outside the country. Taxable product delivered into a country by or for the purchaser constitutes importation by the purchaser. (Refer also to "Commerce".)

Importer - A person that causes the import of taxable products into a country from another country. (Counterpart of "Exporter".)

Importer Number – Specific number assigned to an Importer by the Tobacco Tax Trade Bureau (TTB) for payment of federal excise tax.

Indian Tribe - an Indian or Alaskan Native tribe, band, nation, pueblo, village, or community that the Secretary of the Interior acknowledges to exist as an Indian tribe pursuant to the Federally Recognized Indian Tribe List Act of 1994, 25 USC 479a. (See section 4(e) of the Indian Self-Determination and Education Assistance Act.)

Interstate Commerce – The shipment or delivery of taxable product to a location outside the state from which the shipment originated. Taxable product delivered out of a state by or for a seller constitutes interstate commerce. (Refer also to “Export”.)

Intrastate Commerce – The shipment or delivery of taxable product to a location within the state from which the shipment originated. Taxable product delivered within a state by or for a seller constitutes intrastate commerce. (Refer also to “Export”.)

Inventory – The taxable product that is physically stored at a location.

Inventory Adjustment – Refer also to “Book Adjustment/Physical Variance”.

Invoice - An invoice or bill is a commercial document issued by a seller to the buyer, indicating the accountable product(s), quantity(s), and agreed price(s) for products or services the seller has provided the buyer. An invoice indicates the buyer must pay the seller, according to the payment terms.

For a seller, an invoice is a sales invoice. For a buyer, an invoice is a purchase invoice. The document indicates not only the buyer and seller, but the invoice terms and the money owed or owing.

Large Cigar – See “Cigar”.

Local Excise Tax (LET) – An excise tax that is levied by a city, county, municipality, jurisdiction, borough, etc.

License (or Permit) – A legal document issued by a regulatory agency on which person is granted authority to manufacture, import, sell, distribute or export taxable product.

Little Cigar – See “Cigar”.

Manifest - A document that lists several shipments contained within a trailer for delivery by a common carrier.

Manufacturer – Any person who manufactures, fabricates, assembles, processes, or labels a finished taxable product.

Master Settlement Agreement (MSA) – Signed in November of 1998, this civil settlement between participating tobacco manufacturers and participating states exempts the tobacco manufacturers from tort liability from state governments in exchange for a combination of yearly payments to the states and voluntary restrictions on advertising and marketing tobacco products.

Merchandising Allowances/Discounts – Generally any number of incentives that are offered by a manufacturer for timely payment of invoices, volume purchases, promotional purchases, etc. (Also see “Compensation Allowances”.)

Non-Participating Manufacturer (NPM) – Any tobacco product manufacturer who is not a participating manufacturer to the Master Settlement Agreement. NPMs place a MSA-specified amount of funds into a qualified escrow account for each year they sell cigarettes or cigarette equivalents into a settling state.

Original Package – Any individual packet, box, or other container used to contain and convey cigarettes or other tobacco products to the consumer. This definition of original package does not include multiple packages within a carton. (See also “Carton”.)

Original Participating Manufacturer (OPM) – A tobacco product manufacturer who is a participant or signatory in the Master Settlement Agreement. Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company, Philip Morris Incorporated, and R.J. Reynolds Tobacco Company and the respective successors of each of these companies are the original signatories to the Master Settlement Agreement.

Person – Any natural individual, firm, trust, estate, partnership, association, joint stock company, joint venture, corporation, limited liability company; or a receiver, trustee, or guardian or other representative appointed by order of any court; or any city, town, county, or other political subdivision or Indian tribe. Additionally, whenever used, the term “person” as applied to partnerships and associations, shall mean the partners or members thereof. As applied to limited liability company, and as applied to corporations the term “person” shall mean the officers, member agents, or employees of the limited liability company, and as applied to corporations the term “person” shall mean the officers, agents, or employees.

Point of Delivery – The specific address of delivery, including but not limited to customer name, street, city, state, and zip code, to which transfer of ownership, and possession of taxable cigarette and other tobacco products takes place.

Point of Taxation – The instance in the distribution of a taxable product when a tax is levied and applied as regulated by a taxing authority.

Reporting Period – For the purpose of cigarette and other tobacco products tax inventory and/or tax reporting, the reporting period is on a monthly, quarterly, or other basis as may be deemed necessary by statute or regulation.

Retail Location - Any location which may require licensing or other authorization by state or local statutes from which taxable product is sold to an end user for personal use or consumption. A retail location may include, but is not limited to, a place, store, booth, concession, truck, vehicle, or vending machine.

Retailer – Any person who operates a retail location and engages in the sale or making transfers of ownership of, or title to, taxable products to a purchaser for use or personal consumption and not for resale in any form.

Roll-Your-Own Tobacco (RYO) - Any tobacco product which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes. (May also be referred to as “Cigarette Tobacco”).

Sale – In addition to its ordinary meaning, any transfer, gift exchange, barter, or other disposition of a taxable product. In every case where such a taxable product is exchanged, given or otherwise disposed of, it shall be deemed to have been sold.

Sample – a tobacco product distributed at no cost for the purpose of promoting the product.

Settling State – Any state or territory that has signed the MSA. The settling states do not include Mississippi, Florida, Texas and Minnesota.

Shipping Container – The case, box, parcel, or other container in which cartons or packages of cigarettes or other tobacco products are placed for shipment or transportation from one place to another. “Shipping container” does not include a package in which retail sales of cigarettes or other tobacco products are normally made or intended to be made.

Small Cigar – See “Cigar”.

Smokeless Tobacco - Any non-combustible tobacco product that consists of cut, ground, powdered, or leaf tobacco and that is intended to be placed in the oral or nasal cavity.

State Excise Tax (SET) – An excise tax that is levied by a state.

Subsequent Participating Manufacturer (SPM) – A tobacco product manufacturer who is not one of the original participants of the Master Settlement Agreement but has since signed the agreement.

Stamp - A stamp or other indicia that is printed, manufactured, or made under the authorization of a taxing authority that is sold, issued, or circulated and used to pay cigarette or other tobacco products taxes.

Stamping Device – Machinery or hand held device by which tax stamps are applied to a taxable product.

Sub-jobber – A person, other than a manufacturer or distributor, who is engaged in the distribution of tax-paid cigarettes and other tobacco products to retailers for resale. Sub-jobbers sell taxable products to retailers, ultimate consumers, or they operate vending machines. Sub-jobbers are a category of wholesaler or distributor, but are unique in that they acquire their inventory from someone else who has paid all taxes due. Some states also include sub-jobbers in their definition of a distributor.

Taxable Product – Cigarettes and other tobacco products (OTP) that are subject to federal, state, or local excise taxes.

Tobacco Product Manufacturer - Any person, including any repacker or relabeler, who manufactures, fabricates, assembles, processes, or labels a tobacco product; or imports a finished tobacco product for sale or distribution in the United States.

Tobacco Trade Bureau (TTB) – A federal agency charged with regulating and overseeing the alcohol, tobacco, and firearm trade in the United States. The Alcohol and Tobacco Tax and Trade Bureau, shortened to Tax and Trade Bureau, or TTB, is a bureau of the United States Department of the Treasury. Some of the functions of the TTB include auditing alcohol, tobacco, firearms, and ammunition excise tax cases; ensuring fair and proper revenue collection due the federal government; conducting investigations of suspected alcohol and/or tobacco tax evasion cases; promoting voluntary compliance by monitoring the domestic tobacco trade and ensuring compliance with the tax laws relating to alcohol, tobacco and firearms. Within TTB is the Advertising, Labeling, and Formulation Division (ALFD) which implements and enforces a broad range of statutory and compliance provisions of the Internal Revenue Code (IRC) and the Federal Alcohol Administration Act.

Transporter – A person who transports taxable product from a manufacturer, importer, or storage and/or distribution facility by means of a transport truck, aircraft, railroad car, or marine vessel. (Refer also to “Common Carrier”)

Transport Truck/Vehicle - A vehicle used to transport taxable product.

TTB Importer Permit Number – The unique number assigned by TTB to each importer.

Units Sold – The precise definition of “Units Sold” varies from state to state. It generally refers to the number of cigarettes (in many cases this includes RYO) on which a nonparticipating manufacturer must pay escrow.

U.S. Customs Entry Number - The tracking/registration number assigned by U.S. Customs which identifies the specific importer, name of the district port of entry, product description, product manufacturer information, and other pertinent information specific to entry into the United States.

Vending Machine – Any mechanical device by which taxable product is sold or dispensed in its original package. Some states consider a vending machine as a separate “retailer”.

Validated Losses – Taxable product losses which can be significantly documented including documented loss due to fire, flood, or third party theft.

Wholesaler – Any person engaged in the business of selling cigarettes or other tobacco products to authorized, registered, and/or licensed wholesalers, distributors, or retailers for the purpose of resale.

