



December 31, 2003

NOTICE TO TOBACCO PRODUCT DISTRIBUTORS

Re: NEW LAWS REGARDING TOBACCO SALES - "COMPLEMENTARY LEGISLATION"

You have been identified as a distributor of cigarettes or roll-your-own ("RYO") tobacco sold in California. California has enacted a new law, Assembly Bill 71, that affects tobacco sales in California. This law becomes effective on January 1, 2004. Among other provisions, A.B. 71 adds section 30165.1 to the Revenue and Taxation Code. A copy of that section is enclosed for your information. We are currently developing emergency regulations to implement section 30165.1 and we will notify you when they have been adopted.

Under section 30165.1, as of June 30, 2004, no cigarette or RYO tobacco may be sold, offered or possessed for sale, or imported for personal consumption in California unless its manufacturer and brand family are listed on the directory established by the Attorney General. No person may affix or cause to be affixed any tax stamp or meter impression to a package of cigarettes or pay the tax on RYO tobacco unless the tobacco product manufacturer and the brand family are listed on the directory. The directory will be published, on or before June 30, 2004, at the Attorney General's website: <http://ag.ca.gov/tobacco>.

The new law requires the Attorney General to provide distributors with written notice of each tobacco product manufacturer and brand family that the Attorney General has added to, or excluded or removed from the list. The written notice will be provided to distributors in electronic form. **The law requires that every distributor provide to the Attorney General and update, as necessary, an electronic mail address for the purpose of receiving any notifications as may be required by this section.** You may provide your electronic mail address to us by sending an e-mail to tobacco@doj.ca.gov. An electronic response to that e-mail will acknowledge that we have received and recorded your electronic address. **We recommend that you send us your electronic address as soon as possible.**

Under the new law, a distributor who violates 30165.1 may be subject to civil and criminal penalties as well as the loss or suspension of its license and seizure and forfeiture of any non-compliant product. (section 30165.1(i).)

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We will post a Frequently Asked Questions (FAQs) page on our website by February 15, 2004. Please consult that page before contacting us with questions. If you do need to contact us regarding section 30165.1, you may leave a recorded message at (916) 565-6486 or send us e-mail at tobacco@doj.ca.gov. For questions regarding licensing of manufacturers and importers or any other provisions of AB 71, please contact the Board of Equalization at 800-400-7115 and/or the BOE website at <http://www.boe.ca.gov>.

TOBACCO LITIGATION AND ENFORCEMENT SECTION
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WEBSITE: <http://ag.ca.gov/tobacco>.

Enclosure: Excerpt of A.B. 71 (Revenue and Taxation Code Section 30165.1)