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FREQUENTLY ASKED QUESTIONS REGARDING THE TAX RATE METHOD FOR SNUFF, NEW TAX ON ALTERNATIVE NICOTINE AND TOBACCO PRODUCT INVENTORY WHEN A TAX RATE CHANGES

Summary

The North Carolina General Assembly enacted Session Law 2023-134 (House Bill 259) changing the excise tax rate methodology for snuff, imposing a new excise tax on alternative nicotine products, and expanding the scope of the excise tax on tobacco product inventory when a tax rate changes.

Beginning on July 1, 2025, snuff will be taxed at the rate of forty cents (40¢) per ounce and a proportionate rate on all fractional parts of an ounce. The tax shall be computed based on the net weight as listed by the manufacturer on the package in accordance with federal law. Alternative nicotine product will be taxed at the rate of ten cents (10¢) per container containing up to 20 units, and, at the rate of one-half cent (1/2¢) per unit for any amount in a container containing over 20 units.

The following frequently asked questions are addressed in this document :

GENERAL FREQUENTLY ASKED QUESTIONS

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| Question 3: | What records are required to be kept by tobacco products licensees? |
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- Question 3: I have an invoice for alternative nicotine products, but I have not received the product as of July 1, 2025. Do I owe inventory (floor) tax on the product?
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- Question 7: What is additional tax on inventory? Why do I owe additional tax?
- Question 8: If I bought the product excise-tax-paid, do I still have to include it for floor tax? If so, how, because I do not know how much excise tax my supplier paid on the product?
- Question 9: Where can I find the floor tax forms?
- Question 10: How do I submit my floor tax form and payment?
- Question 11: When is the floor tax form and payment due?
- Question 12: If the excise tax already paid on my snuff inventory is more than the new amount due, will I receive a refund?

GENERAL FREQUENTLY ASKED QUESTIONS

Q1:	When does the tax rate change take effect?
A1:	The tax rate change for the weight-based tax on snuff and the new tax on alternative nicotine products (ANP) is effective July 1, 2025.
Q2:	Does the new tax apply to sales or purchases on July 1, 2025?
A2:	Yes. The new tax applies to sales or purchases occurring on or after July 1, 2025.
Q3:	What records are required to be kept by tobacco products licensees?
A3:	Pursuant to N.C.G.S. 105-113.4G, every person required to obtain a tobacco product license and every person required to make reports for the tobacco products excise tax, shall keep complete and accurate records of all purchases, inventories, sales, shipments, and deliveries of tobacco products.
Q4:	What records are required of a remote seller?
A4:	<p>Pursuant to N.C.G.S. 105-113.38B, a remote seller required to be licensed must maintain the following:</p> <ul style="list-style-type: none"> • A list, updated annually, showing the cost price paid by the remote seller for each stock keeping unit of cigars. • Invoices documenting remote or delivery sales to consumers in this State. • Records necessary to document the cost price, weight, or count based on the applicable tax imposed, of purchases of all tobacco products sold to consumers in North Carolina.
Q5:	Can one excise tax form be filed for the combined tax due from multiple business locations?
A5:	No. A separate form must be completed for each licensed location.
Q6:	What locations are required to have an Other Tobacco Products (OTP) License?
A6:	<p>In accordance with N.C.G.S. 105-113.39A (a1), a wholesale dealer or retail dealer must obtain an Other Tobacco Products (OTP) License for each location:</p> <ul style="list-style-type: none"> • Where a wholesale dealer makes tobacco products other than vapor products. • Where a wholesale dealer or a retail dealer receives or stores <u>non-excise-tax-paid</u> tobacco products other than vapor products. • Where a retail dealer that is a delivery seller or remote seller receives or stores <u>non-excise-tax-paid</u> tobacco products for delivery sales or remote sales of tobacco products other than vapor products. <p>NOTE: If you receive or sell non-excise-tax-paid cigarettes or vapor products, additional licensing is required for each location.</p>
Q7:	If I have an Other Tobacco Products (OTP) License, what products am I allowed to sell?
A7:	A person who holds an Other Tobacco Products (OTP) License can sell tobacco products other than cigarettes and vapor products. A separate license must be obtained for each location at which product is received or sold. Cigarettes and vapor products require additional licenses.

Q8:	Can my Other Tobacco Products (OTP) License be revoked?
A8:	<p>Yes. In accordance with N.C.G.S. 105-113.4B (a2), an Other Tobacco Products (OTP) License may be revoked for any of the following:</p> <ul style="list-style-type: none"> • Failure to obtain a license in a timely manner or for all places of business • Failure to file returns • Failure to pay tax when due • Making a false statement in an application or return • Failure to keep records • Refusing to allow examination of records • Failure to disclose the correct amount of tobacco product taxable in this State • Failure to file a replacement bond or an additional bond if required • Failure to maintain business status requirements set out in N.C.G.S. 105-113.4A(b)
Q9:	What exemptions apply to Other Tobacco Product excise taxes?
A9:	<p>Pursuant to N.C.G.S. 105-113.36A (d), other exemptions include:</p> <ul style="list-style-type: none"> • A tobacco product sold outside North Carolina • A tobacco product sold to the federal government or Its Instrumentalities • A sample tobacco product distributed without charge • Manufacturer's option <p>NOTE: Modified Risk tobacco product tax rate reductions are reported on Form B-A-101 and B-A-102 on the "other exemption" line.</p>
Q10:	If I have modified risk tobacco products in inventory, how do I report the tax rate reductions?
A10:	<p>Modified Risk Tobacco Products are tobacco products that are sold or distributed for use to reduce harm or the risk of tobacco-related disease associated with commercially marketed tobacco products. Those products must be reported to the Department by:</p> <ul style="list-style-type: none"> • Completing and attaching Form B-A-MR50, Schedule of Modified Risk Tobacco Products for a 50% excise tax reduction, or • Completing and attaching Form B-A-MR25, Schedule of Modified Risk Tobacco Products for a 25% excise tax reduction. <p>NOTE: The Food and Drug Administration issues orders for modified risk tobacco products under 21 U.S.C. § 387k(g).</p>

FREQUENTLY ASKED QUESTIONS ABOUT SNUFF

Q1:	Do I need an excise tax tobacco product license to sell or store snuff in North Carolina?
A1:	Yes. An Other Tobacco Products (OTP) License is required for each location at which non-excise-tax-paid snuff is sold or stored.
Q2:	What is powdered tobacco? How is it taxed?
A2:	<p>The term "powdered tobacco" refers to smokeless tobacco, specifically snuff, which is a finely cut, ground, or powdered tobacco product intended for oral or nasal use without being burned.</p> <p>Powdered tobacco is taxed based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).</p>

Q3:	What is finely cut tobacco? How is it taxed?
A3:	<p>The term "finely cut tobacco" refers to smokeless tobacco, specifically snuff, which is a finely cut, ground, or powdered tobacco product intended for oral or nasal use without being burned.</p> <p>Finely cut tobacco is taxed based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).</p>
Q4:	What is ground tobacco? How is it taxed?
A4:	<p>The term "ground tobacco" refers to smokeless tobacco, specifically snuff, which is a finely cut, ground, or powdered tobacco intended for oral or nasal consumption without combustion.</p> <p>Ground tobacco is taxed based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).</p>
Q5:	What is chewing tobacco? How is it taxed?
A5:	<p>Chewing tobacco is any leaf tobacco that is not intended to be smoked and is taxed based on cost price in accordance with N.C.G.S. 105-113.36A(a)(3).</p> <p>NOTE: For tax purposes, chewing tobacco is not snuff as defined in N.C.G.S. 105-113.4(10d)</p>
Q6:	Is Snus considered to be snuff? How is it taxed?
A6:	<p>Yes. Snus contains ground tobacco, loose or in pouches, and meets the definition of snuff found in N.C.G.S. 105-113.4(10d). Snus is taxed-based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).</p>
Q7:	What is long cut tobacco? How is it taxed?
A7:	<p>The term "long cut tobacco" is a smokeless tobacco product that consists of shredded tobacco leaves packed into a can and is taxed based on the cost price of the product in accordance with N.C.G.S. 105-113.36A(a)(3).</p>
Q8:	Does the tax basis (weight-based) for snuff include both moist and dry snuff?
A8:	<p>Yes, both moist and dry snuff are subject to a weight-based taxation methodology.</p> <p>Moist snuff is made of cured and fermented tobacco processed into fine particles and is consumed orally. Dry snuff is fire-cured tobacco processed into a powder, which can be inhaled or put in the mouth. Both moist and dry snuff are taxed based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).</p>
Q9:	Are snuff products that do not contain tobacco subject to weight-based excise tax?
A9:	<p>No. Snuff products that do not contain tobacco are not subject to weight-based excise tax at this time. However, these products may be taxed as alternative nicotine products in accordance with N.C.G.S. 105-113.36A(a)(2b).</p>
Q10:	Do long cut smokeless products qualify as snuff?
A10:	<p>No. Long cut, also known as loose leaf, does not meet the definition of snuff in N.C.G.S. 105-113.4(10d) and is therefore taxed based on the cost price of the product in accordance with N.C.G.S. 105-113.36A(a)(3).</p>

	NOTE: Snuff is specifically defined as finely cut, ground, or powdered tobacco intended for oral or nasal consumption without combustion.
Q11:	Do rough cut smokeless products qualify as snuff?
A11:	No. Rough cut, also known as ribbon cut, does not meet the definition of snuff in N.C.G.S. 105-113.4(10d) and is therefore taxed based on the cost price of the product in accordance with N.C.G.S. 105-113.36A(a)(3). NOTE: Snuff is specifically defined as finely cut, ground, or powdered tobacco intended for oral or nasal consumption without combustion.
Q12:	Does the product have to be sold in a can to be considered snuff?
A12:	No. Snuff may be sold in pouches or cans. The packaging of a product does not determine the taxable status.
Q13:	Are single-serving pouched products considered as snuff?
A13:	Yes. Single serving pouched products consisting of finely cut or ground tobacco would be considered snuff and taxed based on weight in accordance with N.C.G.S. 105-113.36A(a)(2a).

FREQUENTLY ASKED QUESTIONS ABOUT ALTERNATIVE NICOTINE PRODUCTS (ANP)

Q1:	What is an alternative nicotine product (ANP)?																
A1:	An alternative nicotine product (ANP) is defined in N.C.G.S. 105-113.4(1b) as a noncombustible product that contains natural or synthetic nicotine but does not contain tobacco and is intended for human consumption whether chewed, absorbed, dissolved, ingested, or by other means. ANP is taxed based on <u>units</u> in accordance with N.C.G.S. 105-113.36A(a)(2b). NOTE: ANP is considered a tobacco product but does not include cigarettes or vapor products.																
Q2:	What is the tax rate for alternative nicotine products (ANP)? How is ANP taxed?																
A2:	ANP is taxed at a rate of ten cents (10¢) per container containing up to 20 units, and at the rate of one-half cent (1/2¢) per unit for any amount in a container containing over 20 units. ANP is taxed based on <u>units</u> in accordance with N.C.G.S. 105-113.36A(a)(2b). See example in the table below. <div data-bbox="609 1484 976 1822" data-label="Table"> <table> <tr> <th>Number of Units in a Container</th><th>Excise Tax Due per Container</th></tr> <tr> <td>18</td><td>\$ 0.100</td></tr> <tr> <td>19</td><td>\$ 0.100</td></tr> <tr> <td>20</td><td>\$ 0.100</td></tr> <tr> <td>21</td><td>\$ 0.105</td></tr> <tr> <td>22</td><td>\$ 0.110</td></tr> <tr> <td>23</td><td>\$ 0.115</td></tr> <tr> <td>24</td><td>\$ 0.120</td></tr> </table> </div>	Number of Units in a Container	Excise Tax Due per Container	18	\$ 0.100	19	\$ 0.100	20	\$ 0.100	21	\$ 0.105	22	\$ 0.110	23	\$ 0.115	24	\$ 0.120
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22	\$ 0.110																
23	\$ 0.115																
24	\$ 0.120																

Q3:	Do I need a tobacco products license to sell alternative nicotine products (ANP)?
A3:	Yes. An Other Tobacco Products (OTP) License is required for each location at which non-excise-tax-paid ANP is received or stored
Q4:	Should I have a North Carolina tobacco excise tax license for the physical location of alternative nicotine products (ANP)?
A4:	<p>In accordance with N.C.G.S. 105-113.39A (a1), a wholesale dealer or retail dealer must obtain an Other Tobacco Products License for each location:</p> <ul style="list-style-type: none"> • Where a wholesale dealer makes tobacco products other than vapor products. • Where a wholesale dealer or a retail dealer receives or stores <u>non-excise-tax-paid</u> tobacco products other than vapor products. • Where a retail dealer that is a delivery seller or remote seller receives or stores <u>non-excise-tax-paid</u> tobacco products for delivery sales or remote sales of tobacco products other than vapor products. <p>NOTE: If you receive or sell non-excise-tax-paid cigarettes or vapor products, additional licensing is required for each location.</p>
Q5:	What is a “unit” in a container of alternative nicotine product (ANP)?
A5:	A “unit” refers to each individual item inside in a container of ANP.
Q6:	What is a “container” of alternative nicotine product (ANP)?
A6:	A “container” is the smallest individual package of ANP that has the FDA labeling required for sale.

FREQUENTLY ASKED QUESTIONS ABOUT INVENTORY (FLOOR) TAX

Q1:	What is an inventory (floor) tax?
A1:	Inventory tax, also referred to as floor tax, is based on the amount of product on hand at the time a new tax or a tax rate increase becomes effective.
Q2:	Who must complete the B-A-120 Alternative Nicotine Products Floor Tax Form?
A2:	<p>The B-A-120 Alternative Nicotine Products Floor Tax Form is required to be filed by wholesale dealers and retail dealers who do not exclusively purchase alternative nicotine product inventory with the North Carolina excise tax already paid AND do not have an excise tax Other Tobacco Products (OTP) license for the location where the inventory is received, stored, and offered for sale.</p> <p>A Form B-A-102 Monthly Vapor and Alternative Nicotine Products Excise Tax Return must be filed even if there is no activity.</p> <p>NOTE: If you are a licensed wholesale dealer or retail dealer you are required to file form B-A-120 Alternative Nicotine Products Floor Tax Form.</p>

Q3:	I have an invoice for alternative nicotine products, but I have not received the product as of July 1, 2025. Do I owe inventory (floor) tax on the product?
A3:	<p>If the invoice is <u>for non-excise-tax paid ANP not yet received</u>, the product will be reported on the next monthly return using form B-A-102 Monthly Vapor and Alternative Nicotine Products Excise Tax Return.</p> <p>If the invoice is <u>for excise tax paid ANP not yet received</u>, the product will be reported on the B-A-120 Alternative Nicotine Products Floor Tax Form.</p>
Q4:	Who must complete the B-A-105 Snuff Floor Tax Form?
A4:	<p>The B-A-105 Snuff Floor Tax Form is required to be filed by all wholesale dealers and retail dealers who do not exclusively purchase snuff inventory with the North Carolina tobacco excise tax already paid AND do not have an excise tax Other Tobacco Products (OTP) license for the location where the inventory is received, stored, and offered for sale.</p> <p>A Form B-A-101 Monthly Other Tobacco Products (OTP) Excise Tax Return (Excluding Vapor and Alternative Nicotine Products) Return must be filed even if there is no activity.</p> <p>NOTE: If you are a licensed wholesale dealer or retail dealer of other tobacco products you are required to file form B-A-105 Snuff Floor Tax Return Form.</p>
Q5:	I have an invoice for snuff, but I have not received the product as of July 1, 2025. Do I owe inventory (floor) tax on the product?
A5:	<p>If the invoice is <u>for non-excise-tax paid snuff not yet received</u>, the product will be reported on the next monthly return using form B-A-101 Monthly Other Tobacco Products (OTP) Excise Tax Return (Excluding Vapor and Alternative Nicotine Products).</p> <p>If the invoice is <u>for excise tax paid snuff not yet received</u>, the product will be reported on the B-A-105 Snuff Floor Tax Form.</p>
Q6:	Does the inventory (floor) tax apply to damaged and/or stale product?
A6:	Yes. The inventory (floor) tax applies to all products on hand July 1, 2025.
Q7:	What is additional tax on inventory? Why do I owe additional tax?
A7:	<p>Additional tax on inventory refers to the difference between the old tax rate and the new tax rate enacted into law. Additional tax is due on product in inventory on which the old tax rate was paid in order to eliminate any differential in total tax that would otherwise exist on subsequently purchased products.</p> <p>Additional tax for excise tax-paid inventory on hand is charged to the licensed wholesaler dealers and retail dealers, so that all inventories are taxed at the new rate after the change.</p>
Q8:	If I bought the product excise-tax-paid, do I still have to include it for floor tax? If so, how, because I do not know how much excise tax my supplier paid on the product?
A8:	<p>Yes. You must pay the excise tax rate difference based on the cost price at the time of purchase as reflected on the supplier invoice and the new tax rate basis.</p> <p>See instructions for the applicable forms B-A-105 or B-A-120.</p>

Q9:	Where can I find the floor tax forms?
A9:	<p>Form B-A-105, Snuff Floor Tax Form will be available on the Department's website at the following address:</p> <p>https://www.ncdor.gov/b-105-july-1-2025-inventory-tax</p> <p>Form B-A-120, Alternative Nicotine Products Floor Tax Form will be available on the Department's website at the following address:</p> <p>https://www.ncdor.gov/b-120-july-1-2025-inventory-tax</p>
Q10:	How do I submit my floor tax form and payment?
A10:	<p>Please mail the completed floor tax form and a check or money order for the amount due to the following address:</p> <p>North Carolina Department of Revenue PO Box 25000 Raleigh, North Carolina 27640-0950</p> <p>NOTE: Electronic payments and ACH payments are not available for this form.</p>
Q11:	When is the floor tax form and payment due?
A11:	The floor tax form and payment are due no later than July 20, 2025.
Q12:	If the excise tax already paid on my snuff inventory is more than the new amount due, will I receive a refund?
A12:	No. There is no statutory provision for floor tax refunds.