
Important Notice: Weight-Based Snuff Tax, Alternative Nicotine Products Tax, and Inventory Tax

The following information is addressed in this notice:

- New tobacco product definitions;
- Change in snuff excise taxation methodology from cost price to weight based;
- Imposition of a new excise tax on alternative nicotine products and associated licensing requirements; and
- Requirement for wholesale dealers and retail dealers of tobacco products other than cigarettes (OTP), to file and pay excise tax on inventory for snuff and alternative nicotine products.

OVERVIEW

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.

These changes are effective July 1, 2025, and primarily impact any wholesale dealer or OTP retail dealer who receives or stores snuff or alternative nicotine products.

NEW TOBACCO PRODUCT DEFINITIONS

Session Law 2023-134 added or amended definitions in Article 2A of Chapter 105 of the General Statutes, also referred to as the Tobacco Products Tax Act. Those definitions include the following:

105-113.4(10d) newly defines “snuff” as, “[a] tobacco product consisting of finely cut, ground, or powdered tobacco that is not intended to be smoked.”

105-113.4(1b) newly defines “alternative nicotine product” as, “[a] noncombustible product that contains nicotine, whether natural or synthetic, but does not contain tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, ingested, or by other means. This term does not include a vapor product or any product regulated by the United States Food and Drug Administration under Chapter V of the federal Food, Drug, and Cosmetic Act.”

105-113.4(11a) defines “tobacco product” and is amended to read, “[a] cigarette, a cigar, a vapor product, an alternative nicotine product, or any other product that contains tobacco and is intended for inhalation or oral use.”

CHANGE IN SNUFF EXCISE TAXATION METHODOLOGY

Snuff, “[a] tobacco product consisting of finely cut, ground, or powdered tobacco that is not intended to be smoked[,]”¹ is currently taxed on the cost price of the product. Effective 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.”² All other smokeless tobacco products, including chewing tobacco, remains taxed based on cost price of the product.

Licensed wholesale dealers, licensed OTP retail dealers, and any person subject to the use tax must report and pay the weight-based excise taxes on snuff using Form B-A-101, *Monthly Other Tobacco Products Excise Tax Return (Excluding Vapor and Alternative Nicotine Products)*. Form B-A-101 will be updated to account for weight-based taxation and will be available on the Department’s website, www.ncdor.gov, for July excise taxes due on August 20, 2025. This form will be accessible at the following address: <https://www.ncdor.gov/b-101-july-2025-and-after>.

NEW TAX ON ALTERNATIVE NICOTINE PRODUCTS AND LICENSE REQUIREMENTS

An alternative nicotine product is “[a] noncombustible product that contains nicotine, whether natural or synthetic, but does not contain tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, ingested, or by other means. This term does not include a vapor product or any product regulated by the United States Food and Drug Administration under Chapter V of the federal Food, Drug, and Cosmetic Act.”³

Effective July 1, 2025, an excise tax will be imposed on alternative nicotine products 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.”⁴

Because an alternative nicotine product is a tobacco product, a person must obtain an Other Tobacco Products License⁵ for all the following locations:⁶

- Each location where a wholesale dealer makes alternative nicotine products;
- Each location where a wholesale dealer or an OTP retail dealer receives or stores non-excise-tax-paid alternative nicotine products; and
- Each location from where an OTP retail dealer that is a delivery seller receives or stores non-excise-tax-paid alternative nicotine products for delivery sales.

¹ N.C. Gen. Stat. § 105-113.4(10d).

² N.C. Gen. Stat. § 105-113.36A(a)(2a).

³ N.C. Gen. Stat. § 105-113.4(1b).

⁴ N.C. Gen. Stat. § 105-113.36A(a)(2b).

⁵ A person may apply for an Other Tobacco License by submitting Form B-A-2, *Application or Update to an Existing Application for Cigarette Distributor’s License, Other Tobacco Products License, and Vapor Products License*. This form will be accessible at the following address: <https://www.ncdor.gov/taxes-forms/tobacco-products-tax/tobacco-products-tax-forms-and-instructions/b-2-application-cigarette-distributors-license-and-tobacco-products-other-cigarettes-or-update>.

⁶ See N.C. Gen. Stat. § 105-113.39A(a1).

Licensed wholesale dealers, licensed OTP retail dealers, and any person subject to the use tax must report and pay excise taxes on alternative nicotine products using Form B-A-102, *Monthly Vapor and Alternative Nicotine Products Excise Tax Return*. Form B-A-102 will be updated to include alternative nicotine product taxation and will be available on the Department's website, www.ncdor.gov, for July excise taxes due on August 20, 2025. This form will be accessible at the following address: <https://www.ncdor.gov/b-102-july-2025-and-after>.

TAX ON DEALERS INVENTORY OF SNUFF OR ALTERNATIVE NICOTINE PRODUCTS

The session law amended N.C. Gen. Stat. § 105-113.4D, which imposes a tax on tobacco product inventories when the excise tax rate increases. Effective July 1, 2025, N.C. Gen. Stat. § 105-113.4D was modified to read as follows:

Every person subject to the taxes levied in this Article who, on the effective date of a tax increase under this Article, has on hand any tobacco products must file a complete inventory of the tobacco products within 20 days after the effective date of the increase, and must pay an additional tax to the Secretary when filing the inventory. The amount of tax due is the amount due based on the difference between the former tax rate and the increased tax rate. *For purposes of this section, a "tax increase" includes a new tax or a change to the methodology for calculating a tax that results in additional tax being due.*⁷

N.C. Gen. Stat. § 105-113.4D was amended to incorporate the law's change to the methodology for taxing snuff based on weight and the new tax on alternative nicotine products.

Therefore, wholesale dealers and OTP retail dealers with inventories of snuff or alternative nicotine products on July 1, 2025, "must file a complete inventory of the tobacco products [on or before July 20, 2025] and must pay an additional tax to the Secretary when filing the inventory."⁸

Wholesale dealers and OTP retail dealers with inventories of snuff on July 1, 2025, must file Form B-A-105, *Snuff Floor Tax Return*. The form will be available on the Department's website at the following address: <https://www.ncdor.gov/b-105-july-1-2025-inventory-tax>. Wholesale dealers and retail dealers possessing alternative nicotine products on July 1, 2025, must file Form B-A-120, *Alternative Nicotine Products Floor Tax Return*. The form will be available on the Department's website at the following address: <https://www.ncdor.gov/b-120-july-1-2025-inventory-tax>.

ASSISTANCE

General questions regarding this notice should be directed to the Excise Tax Division at telephone number (919) 707-7500 or toll free at (877) 308-9092. Select menu option "1" and then menu option "1." For questions regarding licensing, select menu option "7."

To the extent that there is any change in statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be

⁷ N.C. Gen. Stat. § 105-113.4D (emphasis added).

⁸ N.C. Gen. Stat. § 105-113.4D.

superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding sales and use tax issued prior to the date of this notice conflicts with this important notice, the provisions contained in this important notice supersede.