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June 30, 2017

VIA EMAIL ONLY

Dear Tobacco Participating & Non Participating Manufacturers and Wholesalers:

The State of Nevada's legislative session recently concluded. There were various changes made for tobacco manufacturers, some of which are highlighted below. Please note that the changes take effect on July 1, 2017. The full text of Assembly Bill 62 (AB 62) is located at: https://www.leg.state.nv.us/Session/79th2017/Bills/AB/AB62_EN.pdf. You are strongly encouraged to review the bill in full, in addition to NRS 370, 370A, and NAC 370, as you are responsible for knowing and complying with the laws governing tobacco manufacturers.

AB 62 amended NRS 370.327 to require reports from anyone who sells, transfers, ships or otherwise delivers cigarettes, roll-your-own tobacco, or smokeless tobacco into the State. These reports must contain the amount of tobacco sent into the State, by manufacturer and brand family, the invoice date and number, who the shipment was delivered to, and the name and address of the person who delivered the tobacco products. Additionally, any person who sold, transferred, shipped or otherwise delivered cigarettes, roll-your-own tobacco, or smokeless tobacco into the State in the previous 24 months must submit a report, even if no product was delivered in that specific month.

The forms will be available online at the Attorney General's website in mid-July, http://ag.nv.gov/Hot_Topics/Issue/Tobacco/. As this is a new requirement, the Attorney General's Office will begin enforcement of this reporting obligation on October 10, 2017, so please ensure the updated reports are received by that date.

Please note that a person will be permitted to certify to the State that the information submitted on the reports required by 15 U.S.C. § 375 et seq. (commonly referred to as PACT Act reporting) is accurate, complete, and meets the statutory requirements of NRS 370.327. By allowing alternative means of certifying, this new obligation should not be overly burdensome or duplicative for tobacco manufacturers.

AB 62 also amended NRS 370.327 to require each Non Participating Manufacturer (NPM) to submit a copy of their federal tax return and a copy of all monthly operational reports from the Alcohol and Tobacco Tax and Trade Bureau, no later than 60 days after the close of the quarter in which the return or report is filed. Alternatively, the NPM may submit

authorization for the appropriate federal agency to disclose their federal tax information directly to the Attorney General's Office.

NRS 370.682 was also amended and now requires all NPMs listed on the Nevada Tobacco Directory to post a bond that is the greater of \$50,000 or the greatest required escrow due from the NPM for any of the immediately preceding 12 calendar quarters. Accordingly, the required bond must be posted not less than 10 days before the start of the Fourth Quarter of 2017. NRS 370.681(2). The required form is available on the Attorney General's website.

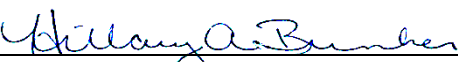
NRS 370.698(g) has also been amended to allow Directory removal by the State if an NPM's total nationwide sales of cigarettes on which federal excise tax is paid exceeds by more than 5 percent, any nationwide report made by the NPM pursuant to 15 U.S.C. § 375 et seq., any interstate report required by law, or any intrastate report required by law, unless the NPM can cure or otherwise explain the deficiency. The Attorney General's Office anticipates that these records will be required as part of the annual certification beginning April 30, 2018.

AB 62 also clarified that when a tobacco manufacturer's license is issued, it authorizes the manufacturer to sell cigarettes from that specific location only. Manufacturers are also now required to retain records for not less than five years after the date of the transactions described in NRS 370.255(c). Additionally, AB 62 made various changes to the confidentiality of documents received and released, as well as the authority of the Attorney General's Office. AB 62 also directs the use of monies assigned to the State under NRS 370.153.

If you have questions on anything in this letter, or on any tobacco related matter, please do not hesitate to contact me.

Sincerely,

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Attorney General

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