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Cigarette/Tobacco Issues = Electronic Filing

Tuesday September 9, 2008

2008 Annual Meeting of the FTA Tobacco Tax Section

Cigarette and Tobacco Taxation

- cigarette tax is rapidly becoming the largest area of excise tax fraud in the country
- state enforcement agencies have seen a major increase in counterfeit cigarettes, “grey market” purchasing
- states averaging over \$1.00 tax per pack of cigarettes with the highest tax at \$2.57 pack in New Jersey*
 - equates to \$25.70 per carton
 - one roll of cigarette stamps could be as high as \$77,100

Internet Sales (without state tax) are causing major negative impacts to state revenues without recourse or recovery

CIGOUTLET.NET THE ONLINE TOBACCO STORE
Since June 2002

Home Search Info F.A.Q. Shopping Cart

CHOOSE BRAND

555	MildSeven
Bond	Monte Carlo
Camel	More
Chesterfield	Pall Mall
Dallas	Parliament
Davidoff	R1
Dunhill	Rothmans
Kent	Salem
L&M	Virginia Slims
Lucky Strike	Vogue
Magna	West
Marlboro	Winston

Tell a friend

Links

Since our range of cigarettes doesn't include some of the brands available on the market, we suggest

Cheap cigarettes online

This store was created as the Cheapest Online Cigarettes Shop which offers discount and cheap online cigarettes. Cheap smokers! We sell most Premium and Generic cigarettes via Internet. If you want to be sure of Good Service, Fast Online Cigarettes Delivery and the Best Prices of online cigarettes then the best purchase you can make is at CIGoutlet.net. Order online cigarettes! Our price for Marlboro cigarettes is incompatible!

BESTSELLERS

Winston Lights Blue Box **Kent Premium Lights N8 Box**

\$10.45
Price per 200 cigarettes, 1-carton

\$12.80
Price per 200 cigarettes, 1-carton

Camel Lights Box **Camel Filter Box**

* As of January 1, 2008, per the FTA

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Problems – Issues - Concerns

- state revenue officials estimate hundreds of millions of dollars of cigarette/tobacco tax revenues are lost each year. A number of factors contribute to this total:

- lack of automation
- understaffed
- increased taxes

The Bureau of Alcohol, Tobacco and Firearms said that its investigations of cigarette theft and smuggling increased from 6 in 1998 to 204 in 2007, adding that one reason for the increase is hikes in state cigarette taxes.

- Internet

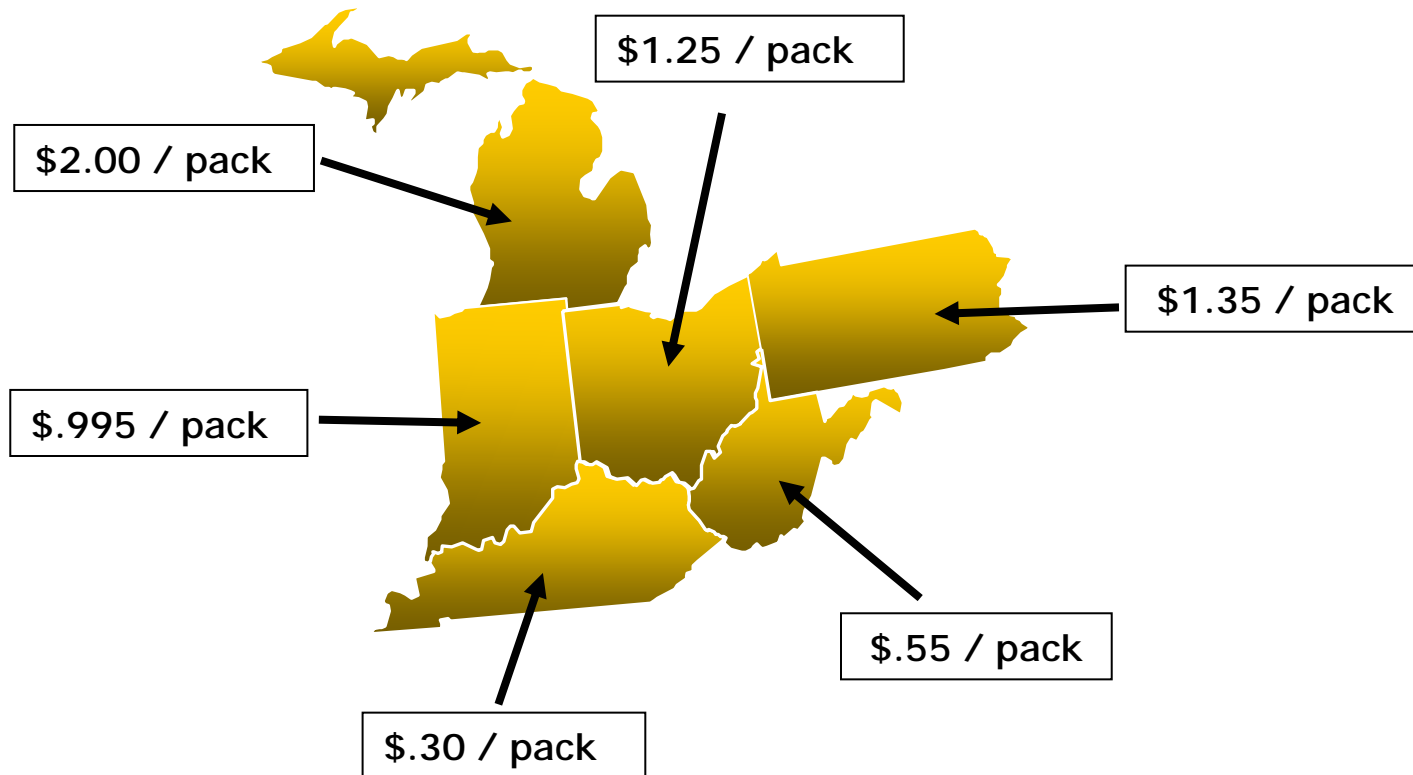
It's just like the Wild West. There's no marshal in town and these Web sites are flaunting the fact that they're ignoring the law," a statement by the Campaign for Tobacco-Free Kids.

- evasion
- filing errors
- bordering states
- communication

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Example of States Cigarette Tax Rates



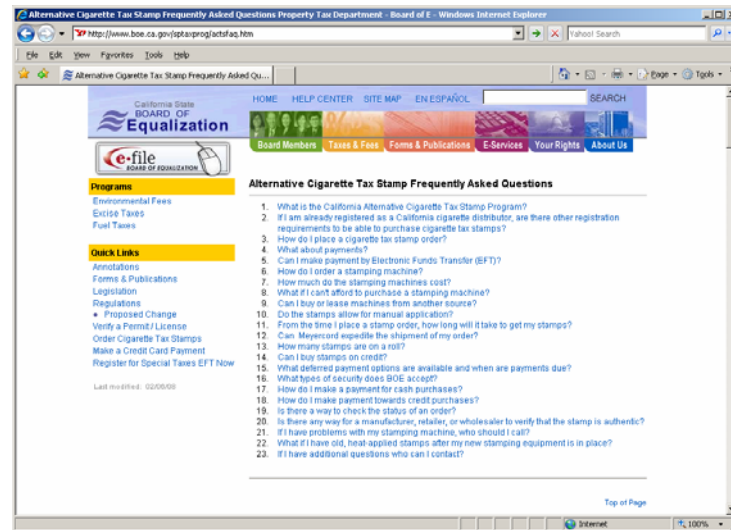
Potential evasion starts with lower taxed jurisdictions

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Cigarette Tax Solutions

- fully automate cigarette tax filing system
- EDI and Web filing (internet) of all tax returns
 - provides on-line imaging of tax returns and details
- uniform all reporting documents and design supporting schedules
- web cigarette stamp ordering
- web inventory adjustment requests
- stamp warehouse controls
- enforcement support
- involve industry/vendors
- interactive meetings (like this annual meeting)
- monitor cigarette movement throughout the distribution chain
- track all cigarette brands and number of sticks at manifest level
- identify filing omissions, errors, fraud and evasion
- reconcile data to target potential audits
- generate statistics on cigarette sales by geographic area
- integrate with other state/federal reporting systems for additional discrepancy and statistical reporting
- informational website, like a "FAQ"



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Tobacco Tax System Background

- in December, 2003 Michigan amended their existing Motor Fuel Tax Automation Project contract with ACS to incorporate a cigarette and tobacco tax filing system
- project work began March, 2004
- Michigan mandated all existing cigarette and tobacco tax filers including manufacturers to report electronically
- implemented - May, 2005
- included full electronic filing and cross-match for number of cigarettes purchased to cigarettes sold
- total accountability of cigarette stamps
 - Ordered
 - Purchased
 - Delivered
- electronic information supplied for MSA requirement

Tobacco Tax System Background – Cont.

- tax return processing has been reduced by approximately 85%
 - reduced from 30 days to 5 days
- tax filers can store and file all tax returns electronically
- identified missing revenue through data mining efforts with U.S. customs information



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System Contains Many Firsts

- with our partner, Michigan, the electronic tax reporting system represented the first fully automated and electronic tax filing system in the country which included:
 - EDI and Web filing (internet) of all tax returns
 - tax return creation by using set detailed reporting schedules
 - web cigarette stamp ordering
 - web inventory adjustment requests
 - state stamp warehouse controls
 - enforcement support
 - produced information to Michigan for the completion of the MSA letter
 - brand accountability
 - detected filing anomalies



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System Efficiencies

- reduction in paperwork
- established uniform reporting for Michigan filers
- accurate and timely information to AG and other agencies and departments
- statistical reports – both canned and state created
- identified revenue in uncollected taxes via joint data mining activities with Michigan Department of Treasury
- increased enforcement capabilities



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Strange laws

- In New York it is illegal for children under 18 to pick up and collect cigarette and cigar butts
- In Texas, it's against the law for anyone to have a pair of pliers in his or her possession.
- In Philadelphia, you can't put pretzels in bags based on an Act of 1760.
- Alaska law says that you can't look at a moose from an airplane.
- In Corpus Christi, Texas, it is illegal to raise alligators in your home.
- In Miami, it is forbidden to imitate an animal.
- It is against the law to mispronounce the name of the State of Arkansas in that State.
- In Illinois, the law is that a car must be driven with the steering wheel.
- California law prohibits a woman from driving a car while dressed in a housecoat.
- In Florida, it is against the law to put livestock on a school bus.
- In New Jersey, cabbage can't be sold on Sunday.
- In Massachusetts, it is against the law to put tomato's in clam chowder.
- In Kentucky, it's the law that a person must take a bath once a year.
- In Utah, birds have the right of way on any public highway.
- In Tennessee, it is against the law to drive a car while sleeping.
- In New York, it is against the law for a blind person to drive an automobile.
- In West Virginia, only babies can ride in a baby carriage.
- In Georgia, it is against the law to slap a man on the back or front.
- In Louisiana, a bill was introduced years ago in the State House of Representatives that fixed a ceiling on haircuts for bald men of 25 cents
- In Oklahoma, no player on any baseball team can hit the ball over the fence or out of a ballpark, if the batter does he is out.

And the winner is

In the state of Colorado, if a pet cat is let outside to walk the neighborhood it must have a tail-light

Strange laws - cont.

- Why did I discuss strange laws?

Because most state agencies have them and
make sure your agency does not

THANK YOU

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