



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Klein: New Study Confirms Widespread Cigarette Tax Evasion

JEFFREY D. KLEIN November 8, 2005



In 2000, Klein wrote the first law in the nation banning the direct shipment of cigarettes to New York consumers, enforcement efforts were stymied by the Governor's unwillingness to take on reservation-based sellers who illegally divert untaxed cigarettes intended for sale to tribal members to consumers all over New York and the nation. Organized crime has also been quick to capitalize on this growing black market and proceeds from "bootleg" cigarette sales have even found their way to terrorist organizations in the Middle East.

New York's direct shipment ban was a leader in what has become a national movement, as 2005 saw credit card companies agreeing not to process charges for online cigarette sales and major shippers like DHL, Fed Ex and UPS pledging to stop consumer cigarette shipments nationwide.

This study comes as New York prepares to start collecting its cigarette taxes at the wholesale level in March 2006. Because this plan will require cigarette tax stamps to be purchased and affixed before cigarettes even reach Native American retailers, the tax will already be included in the price charged to non-tribal customers. **"With online and mail order and telephone sales on the ropes, it is hoped that this plan, enacted by lawmakers in the 2005 state budget, will finally deliver a knock out punch to the illicit cigarette trade ,"** Klein concluded.

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