



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Klein Calls on Congress to Ban Cigarette Trafficking in U.s. Mail

JEFFREY D. KLEIN March 16, 2010

| ISSUE: **TOBACCO, BUDGET, TAXES**

ALBANY – State Senator and Deputy Majority Leader Jeff Klein (D-Bronx/Westchester) introduced a resolution Tuesday calling on Congress to pass legislation banning the shipment of cigarettes via the U.S. Postal Services (USPS), thereby closing a massive loophole in the fight to collect taxes on cigarettes sold online by Native Americans.

Last week, the U.S. Senate unanimously passed the Prevent All Cigarette Trafficking (PACT) Act; Klein's resolution urges the House of Representatives to immediately do the same.

“At a time when New York State is struggling to fund vital programs and services, we cannot afford to lose any additional revenue from cigarette smugglers and online retailers who ship untaxed cigarettes via U.S. mail. I urge the U.S. House of Representatives to immediately pass the PACT Act to close this massive loophole, and give New York State the added muscle it needs in enforcing existing tax collection laws on Native American cigarette retailers,” said State Senator Jeffrey D. Klein.

New York State loses hundreds of millions of dollars each year in uncollected tax revenue from the sale of cigarettes by Native Americans to non-tribal customers. In April 2009, Senator Klein joined Congressman Anthony Weiner in releasing a report that found the lack of tax collection on internet cigarette sales costs New York City alone approximately \$150

million each year in uncollected revenue.

Senator Klein has led the fight to ban the direct sale of cigarettes over the internet and by mail-order to New York consumers. In 2000, legislation he sponsored was signed into law making it illegal in New York State to do so in an effort to help stop retailers' evasion of cigarette taxes and curb the sale of cigarettes to minors. The law applied to Federal Express, UPS, and other similar shippers, but not the U.S. Postal Service. Klein's law, the first of its kind in the nation, imposed tougher civil and criminal penalties for cigarette tax evasion and closed a much abused loop-hole through which tax evading retailers could reapply for their license through a proxy.

Senator Klein currently has four bills pending in the Senate regarding the collection of cigarette taxes. These pieces of legislation (S.1834, S.1891, S.1906, S.6985) would require all cigarette wholesalers to only sell tax-stamped cigarettes; authorize the state to negotiate a cigarette tax revenue sharing plan with Native American tribes; amend the formula for calculating cigarette wholesalers' costs; and create criminal sanctions for non-compliance with cigarette tax collection laws.