

Addressing Illicit Tobacco Trade

June 14, 2016

Meredith Miles



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Sniffing Out Tobacco Tax Fraud

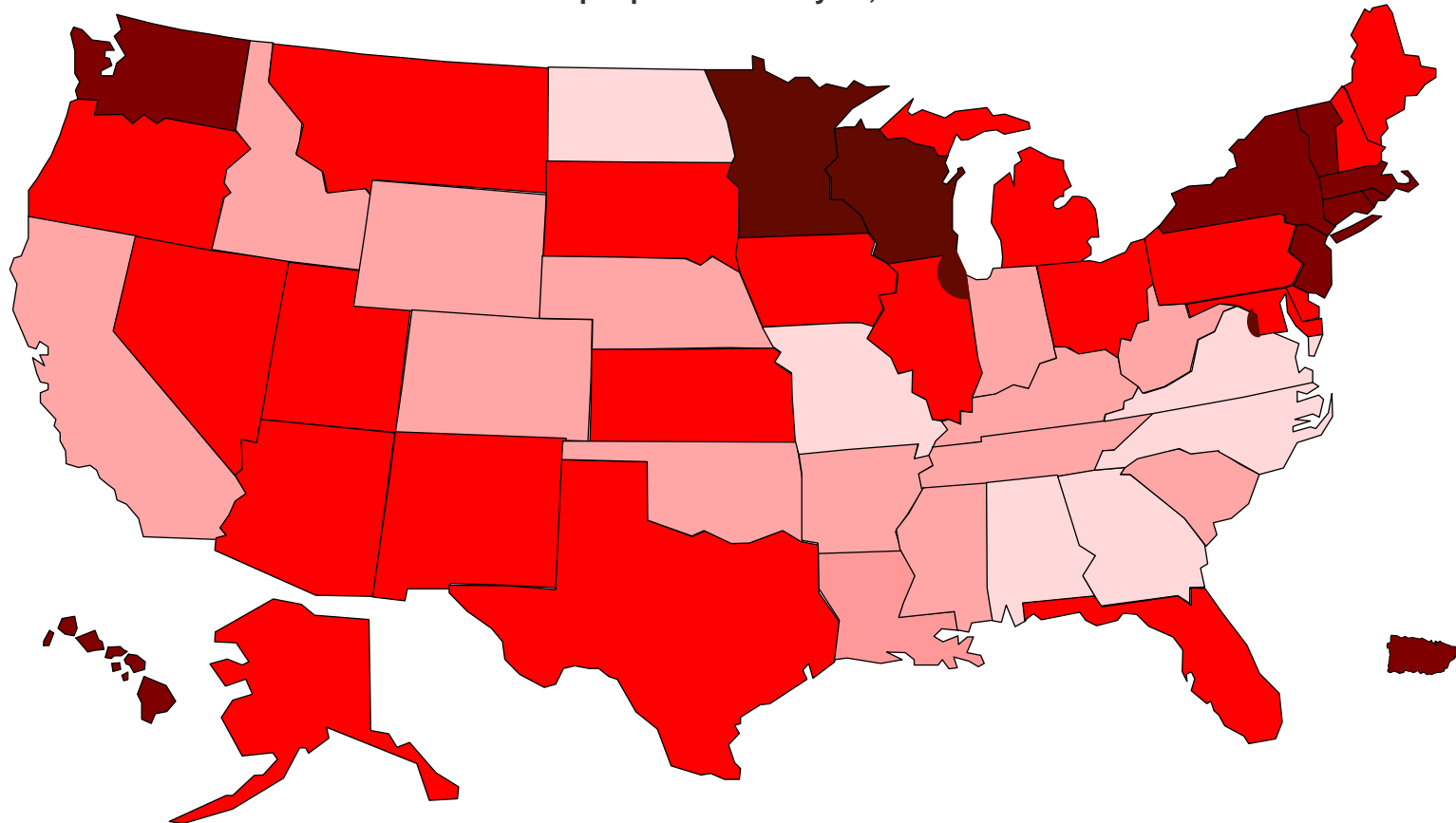


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Drivers of Tax Fraud

State Excise Tax (SET) rates per pack as of July 27, 2015



≤ 50¢

≤ \$1.25

≤ \$2.00

≥ \$2.01

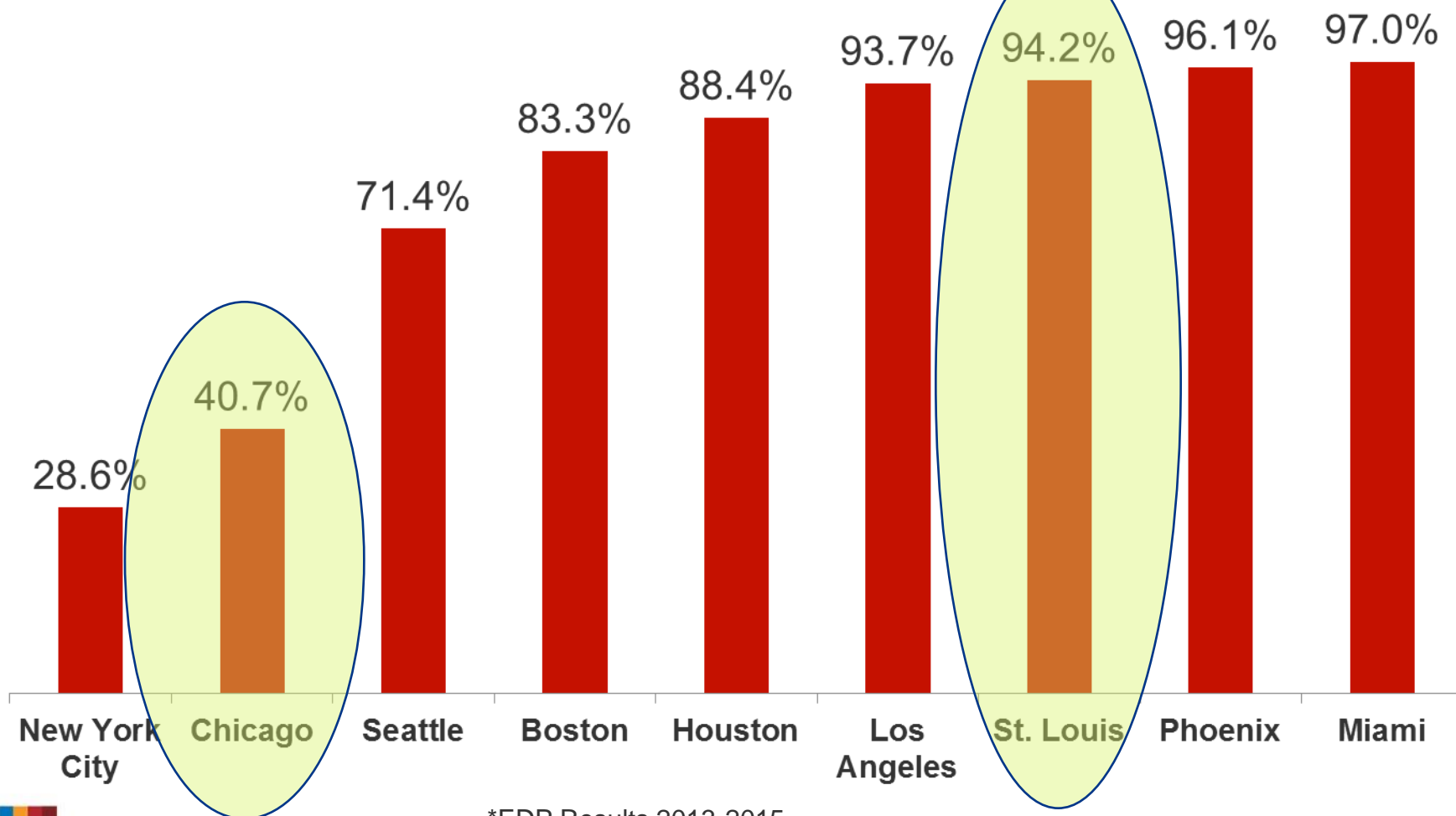


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Drivers of Cigarette Tax Fraud

Applicable State Tax Paid



*EDP Results 2013-2015



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Other Factors Impacting Cigarette Tax Fraud

- Geography
- Surrounding States' SET rates
- Proximity of Ports
- Established Smuggling Routes
- Consumer Behavior
- Legislative and Regulatory Regime
- Enforcement Activity
- Gang and Organized Criminal Activity



Addressing Cigarette Tax Fraud

Step 1: Situation Analysis

- Formal



- Informal



Addressing Cigarette Tax Fraud

Step 2: Evaluate Existing Tools

Resources/Funding

Enforcement

Existing Authority

Legislative and Regulatory

Tax Stamps

Addressing Cigarette Tax Fraud

Step 3: Evaluate Potential Enhancements

ROI

Addressing Cigarette Tax Fraud

Potential Enhancements – Resources

- Budget Appropriations
- Provide Churning and Forfeiture Authority
- Fines and Penalties



Addressing Cigarette Tax Fraud

Potential Enhancements – Enforcement

- Civil Enforcement Powers
- Criminal Enforcement Powers
- Potential Partnerships to Combine Civil and Criminal Powers



Cook County Department of Revenue Cigarette Enforcement Unit

- Investigators are civil investigators and write civil citations that result in fines for violations
- Each investigator is partnered with Cook County Sheriff's Police officer
- Task force is funded from the general fund of Cook County and is allocated to the Cook County DOR
- It is funded for 10 investigators, two supervisors and a manager of investigations



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Addressing Cigarette Tax Fraud

Potential Enhancements – Use Existing Authority

- Expanded Record-Keeping Requirements
- Publish Information on Website
- Establish a Training Program

The screenshot shows the Florida Department of Business Professional Regulation website. The header includes social media links for Facebook, Twitter, LinkedIn, and YouTube, along with a search bar and a 'Google Custom Search' button. The main navigation bar contains links for HOME, VERIFY A LICENSE, APPLY FOR/UPDATE LICENSES, RENEW YOUR LICENSE, and OUR BUSINESSES & PROFESSIONS. The content area features a sidebar with links to Division Home, FAQs, Forms and Publications, Statutes and Rules, Public Records, and Archives. The main content area is titled 'DIVISION OF ALCOHOLIC BEVERAGES AND TOBACCO' and 'Monthly Wholesale Reports'. It includes a table for selecting the month to view for the years 2016 and 2015.

Florida Department of Business Professional Regulation

HOME **VERIFY A LICENSE** **APPLY FOR/UPDATE LICENSES** **RENEW YOUR LICENSE** **OUR BUSINESSES & PROFESSIONS**

DIVISION OF ALCOHOLIC BEVERAGES AND TOBACCO

Monthly Wholesale Reports

Select the month you wish to view.

2016			
January	February	March	April
May	June	July	August
September	October	November	December

2015			
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Thomas Philpot, Director

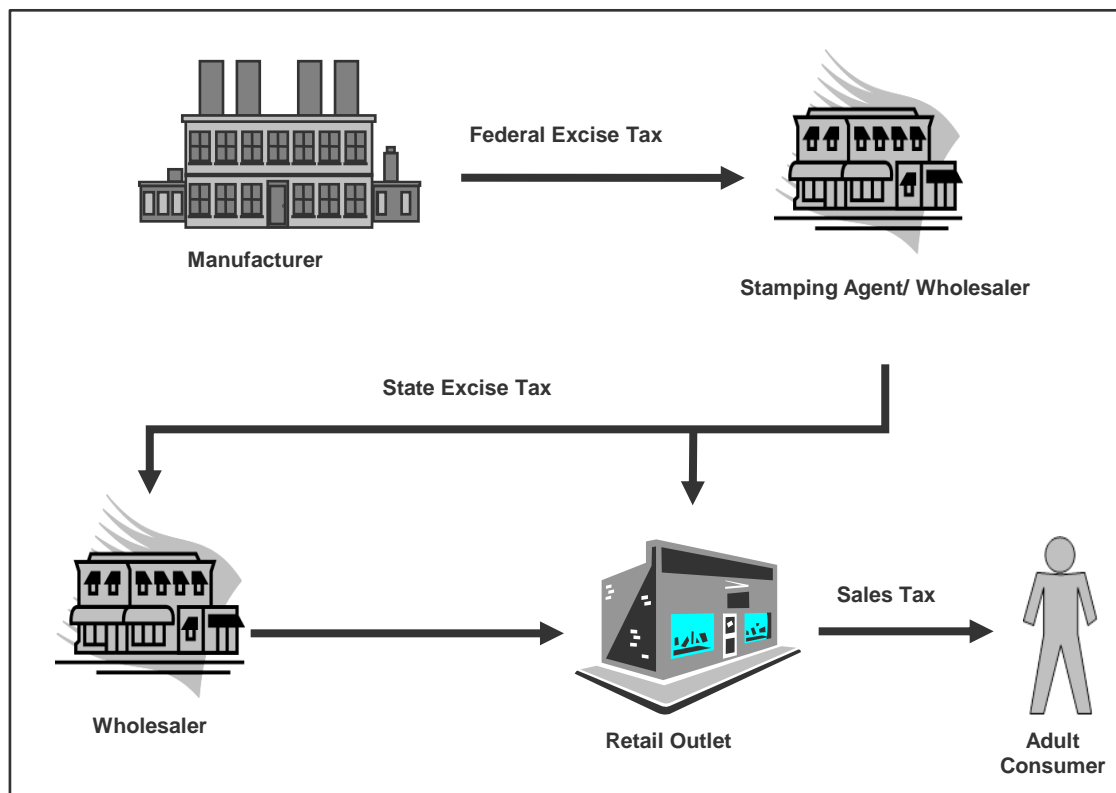
Division of Alcoholic Beverages and Tobacco
1940 North Monroe Street
Tallahassee, FL 32399

Phone: 850.487.1395

Addressing Cigarette Tax Fraud

Other Potential Enhancements – Legislative and Regulatory

- Licensing
- Distribution
- Civil and Criminal Penalties



Addressing Cigarette Tax Fraud

Potential Enhancements – Tax Stamps



Genuine

Counterfeit



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Addressing Cigarette Tax Fraud

