



SICPA

IMPROVE REVENUES & EFFICIENCIES WITH ENTERPRISE EXCISE TAX ARCHITECTURE

FTA Technology Conference
August 1, 2017

Alex Spelman
SICPA / Meyercord Revenue, Inc.



Enabling trust



Improve Revenues & Efficiencies with Enterprise Excise Tax Architecture

Session Abstract

Lack of transparency across complex supply chains makes it difficult for regulators to collect revenue and enforce compliance. Agencies need a holistic view of their entire tax architecture to allow for product tracking and tracing to fight tax evasion and fraud. Join this session to learn about new, modular resources available to increase your visibility into the complex supply chains within cigarettes/tobacco and motor fuel.

Participants will discover how to increase operational efficiencies in handling excise tax licensing, taxpayer forms, taxpayer payments, refunds and for cigarettes the Master Settlement Agreement (MSA) reconciliation reporting. Enhance your state's ability to detect fraud and illicit product movement using a comprehensive excise tax system with a seamless user experience that is consistent with FTA uniformity standards. We will show you how it is possible to increase revenue from excise tax reporting and compliance as well as desk and field auditing while enabling integration with your legacy assets.

SESSION OVERVIEW

1. State Budget Realities
2. Excise Tax Contribution
3. The Tax Gap
4. Architecting a Holistic Solution

MAKE EVERY DOLLAR COUNT

State loses out on millions in uncollected taxes

SOUTH SIDE, UPTOWN

States in crisis: Embroiled in the worst budget battles since the Great Depression

Shortfall in state budget gap grows

THIRTY-ONE STATES FACE REVENUE SHORTFALLS FOR THE

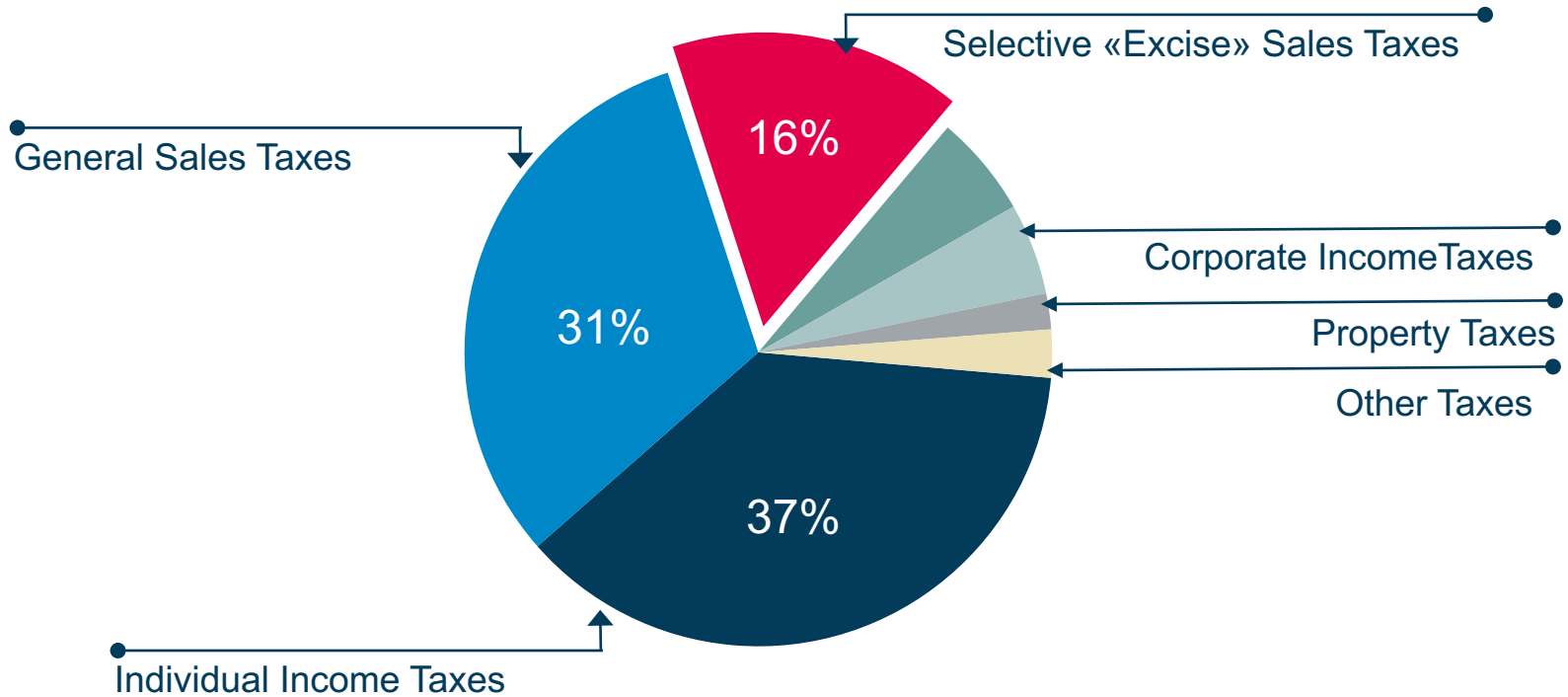
State cash reserves hit zero as budget deficits mount

State budget grim, but leaders hope to avoid tax increases

Collected Taxes Now Total \$458 Billion

CE P

FUNDING STATE PRIORITIES



Source: US Census Bureau, 2016 Public Sector Census

TAX COMPLIANCE: ARE YOU GETTING ALL YOU CAN?



**Income Tax
+
Sales Tax**



**80-90%
Compliance**

- Data-driven processes
- Sophisticated Integrated Tax Systems

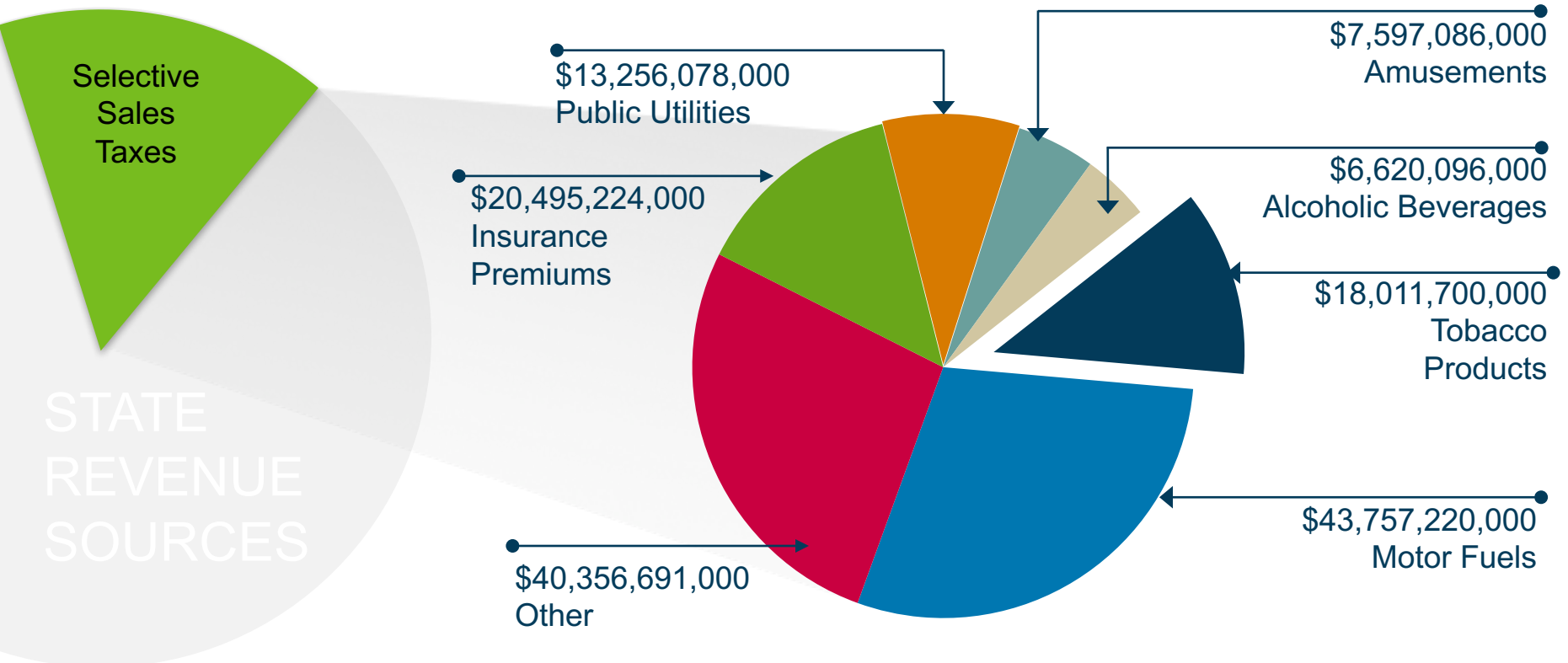
**Selective
Sales Taxes**



**< 70%
Compliance**

- Physical products across complex supply chain
- Smuggling & fly-by-night operators

SELECTIVE SALES TAXES: EXCISE TAXES



EXCISE TAX CONTRIBUTIONS

AVERAGE ANNUAL TOBACCO TAX REVENUES PER STATE

\$469,343,333
Excise Tax



\$140,000,000
MSA Payments

\$8,121,931
Business Tax

\$89,922,347
Sales Tax

TAX EVASION: 30 STATES AT HIGH RISK

Selective Sales Taxes



< 70%
Compliance

- Physical products across complex supply chain
- Smuggling & fly-by-night operators



Tax rate differentials between states



International borders



Sales in tribal communities

EXCISE TAX CONTRIBUTIONS: THE REVENUE GAP



Retailer obtains cigarettes illegally.
No excise tax paid:
\$176,716,317



Retailer sells to consumer without reporting.
No sales tax paid:
\$29,483,507



Retailer doesn't show pack in inventory or in sales.
No business tax paid:
\$2,585,780



MSA payments owed to states from Tobacco settlements.
MSA not collected:
\$41,000,000



EXCISE TAX CONTRIBUTIONS: MILLIONS LOST

\$259 Million
in lost annual revenue per state

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HOW CAN YOU HELP?

A Holistic Enterprise Tax Architecture

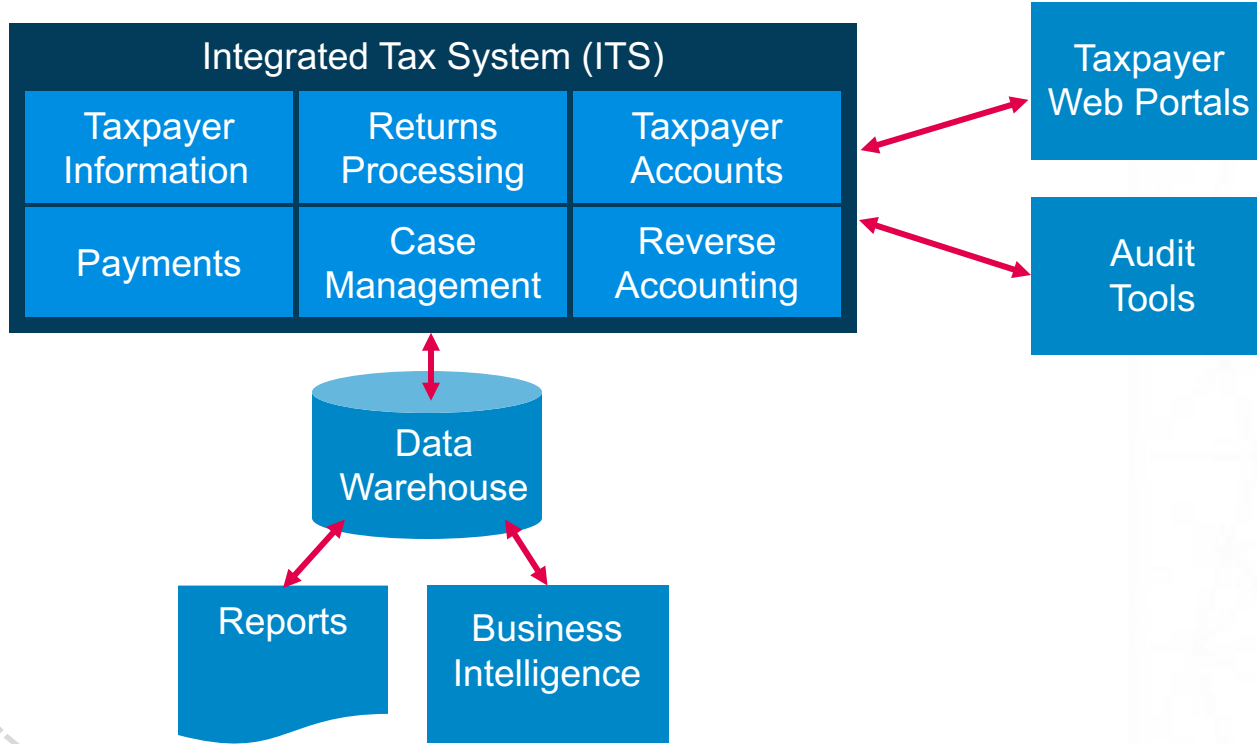
Excise Taxes



Income Tax
+
Sales Tax



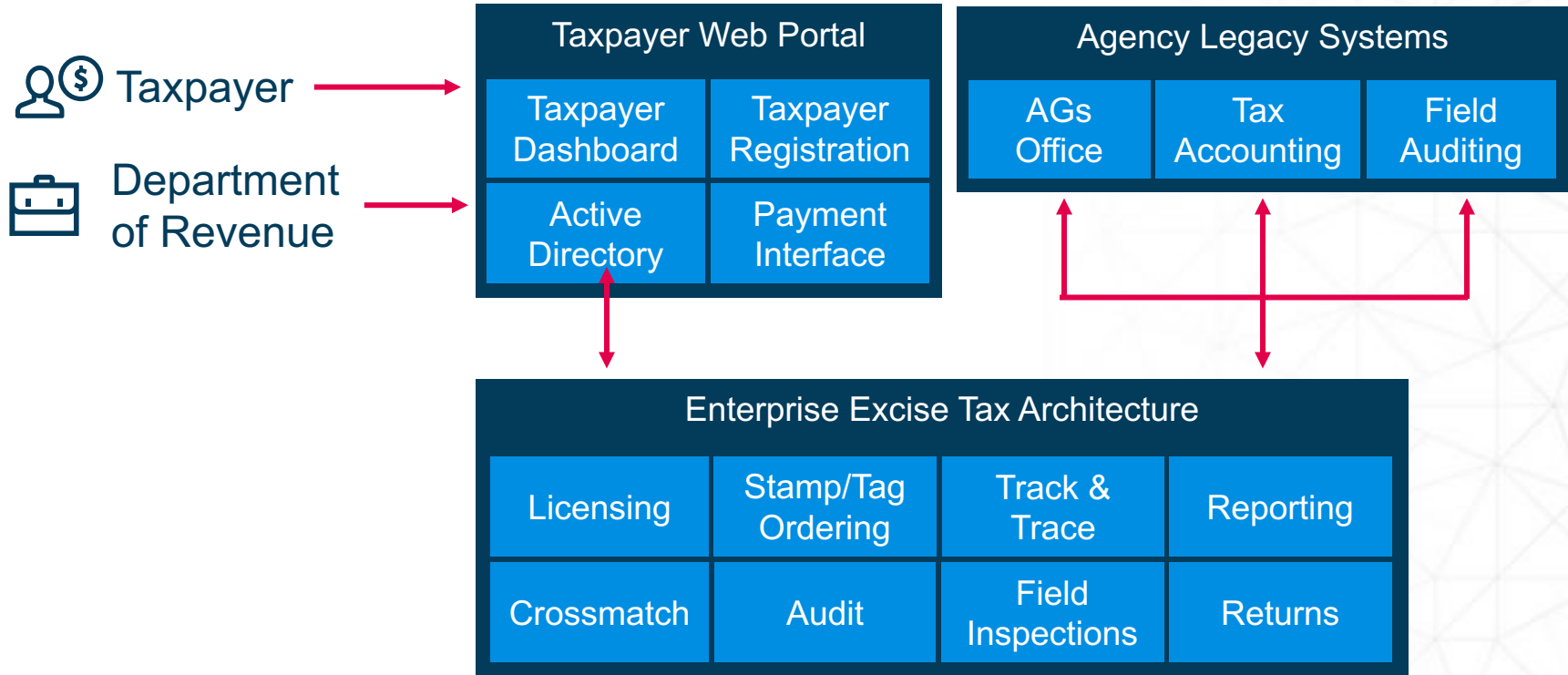
MODERN TAX ADMINISTRATION



Excise Tax **SILOS**

- Stamping/ Marking
- MSA & Informational
- Field Inspections
- Legacy Accounting
- Etc.

CLOSE THE TAX GAP: Enterprise Excise Tax Architecture



TAX MANAGEMENT— INTEGRATING EXCISE FUNCTIONS

SETS: TAXPAYER DASHBOARD

Integrated taxpayer portal
Stamp orders
Online tax returns
Automated reporting
Notifications

SIGPA
Excise Service Center eFusion® eServices® Inspection Platform 2016

Filer Account Dashboard

Request or Manage Access | Business Registration | Link My Business | Account Dashboard | Manage Sureties | Make a Payment | Submit Tobacco Tax Returns and Compliance Reports | Order Cigarette Tax Stamps | Resources

Hello, **Chris Doreen Galler**

Greater Wholesalers, LLC
1050 Logan Blvd.
Smith, AN 98517
Tax Return Contact: Chris Doreen Galler
cdgaller@GKW.com
800-566-2400 x 5398
Stamp Order Contact: Robert L. Mathers
rlmathers@GKW.com
800-566-2400 x 2311

Licenses:
2017 Cigarette Wholesaler #346733: **Active**
2017 OTP Wholesaler # 456678: **Active**
2017 Transporter #5567781: **Active**

Tax Returns and Compliance Reports:
Next Return Period Due: **October 2017**
Due On: **November 20, 2017**
Number of Forms to be Filed: **3**
Forms in Progress (Not submitted): **2**
Forms Needing Attention: **1**
Last Payment: **\$2,334.00 10/20/2017 17:06:00**

Account Balance: **\$4,568.00 Due Immediately**

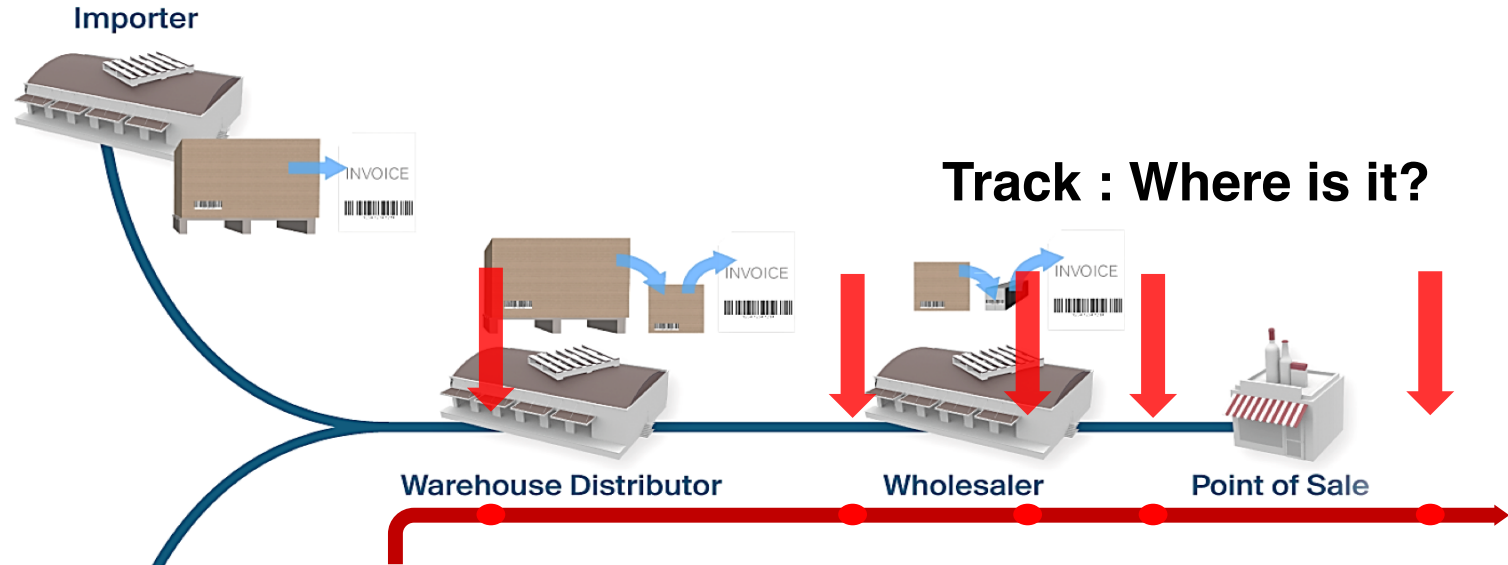
Stamp Orders:
Open Orders (Pending Approval): **115479**
Orders in Progress (Not submitted): **1**
Last Approved Order: **115313**
Last Order Received: **115313**
Last Payment: **\$78,590.00 9/03/2017 13:36:00**

Surety Balance: **\$437,500.00**

Notices:

- 09/20/2017 – Thank you for your payment! [Payment receipt...](#)
- 08/10/2017 – Filing due date for the Monthly Report of Tobacco Products, Snuff, and Chewing Tobacco 22 for the July 2017 period is extended to Monday, August 21, 2017. [more...](#)
- 08/10/2017 - Filing due date for the Monthly Report of Cigarette Wholesaler for the July 2017 period is extended to Monday, August 21, 2017. [more...](#)
- 03/10/2017 - License 346733 renewal for July 1, 2017 through June 30, 2018 is approved. For the

TRACK AND TRACE – ALIGNING PHYSICAL PRODUCTS TO DATA



Trace : Where has it been?



Domestic Manufacturers

COMPLIANCE & AUDIT—CROSS-MATCH & CASE MANAGEMENT

Search Returns and Reports 

Tobacco Tax Returns and Compliance Reports

 FAQs

 User Guide 

CIT\MALBIN 

- 
Request or Manage Access
- 
Business Registration
- 
Link My Business
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Account Dashboard
- 
Manage Sureties
- 
Make a Payment
- 
Submit Excise Tax Returns and Compliance Reports
- 
Order Tax Stamps
- 
Resources

Field Audit Work List

Case Number	Date Selected for Audit	Licenses Nbr.	Account	Contact	Audit Period	Status	Balance Due	Actions
5013	08/18/2017	277664	TableTop Distributors, LLC. 2088 E. Aberdeen Rd. Frankfort, VA 22201	John M. Harden (606) 337-2100 x 43	01/01/2016 – 06/30/2016	Not Started	\$4,259.00	    Select Audit Notes Reassign Cancel
5112	08/18/2017	356684	Hudson Trading Co. Rt 89 Box 30 Cambellsville, VA 22009	Sarah Carter-Holmes (502) 442-0900	10/01/2015 – 12/31/2015	Not Started	\$ 0.00	    Select Audit Notes Reassign Cancel
5232	08/20/2017	114556	Gabors Wholesale Goods, Inc. 6509 West Bridge Rd. Somerset, VA 22019	William Parson (502) 859-2900	01/01/2016 – 12/31/2016	Not Started	\$ 0.00	    Select Audit Notes Reassign Cancel
5399	09/15/2017	356684	Gabors Wholesale Goods, Inc. 907 N. 1 st Ave. Suite 3 Frankfort, VA 22202	John M. Harden (606)337-2100 x43	05/01/2017 – 07/31/2017	Not Started	\$(1,244.00)	    Select Audit Notes Reassign Cancel

RECONCILIATION—INVOICE CAPTURE & SCHEDULE DETAILS

Search Returns and Reports



Tobacco Tax Returns and Compliance Reports

FAQs

User Guide

CIT/MALBIN



Request or Manage Access



Business Registration



Link My Business



Account Dashboard



Manage Sureties



Make a Payment



Submit Excise Tax Returns and Compliance Reports



Order Tax Stamps



Resources



PA-1: State CIGARETTE PACT Act Report for State



Print



Save

Part 2 - Identify Your Sales

Customer Name*	Address*	Sales Price (\$)	Brand Family*	Invoice Date	Invoice Number	Total Cigarettes* (no. of sticks)
PL Manufacturing	7156 Brawner Pl. Alexandria, VA 22304	\$5,440.00	Demons Lite	08/15/2017	1255886	20,000
Horn's Cigs	10450 Malone Ct. Fairfax, VA 22030	\$2,130.00	Bandit Menthol 100	09/14/2017	56887	10,000
PL Manufacturing	7156 Brawner Pl. Alexandria, VA 22304	\$10,880.00	Demons Reg 25	08/15/2017	1255886	40,000
XYZ Convenience	7706 Iroquois Ct. Falls Church, VA 22043	\$589.00	Nature Reg 100	09/25/2017	8711	2,000
PL Manufacturing	7156 Brawner Pl. Alexandria, VA 22304	\$1,130.00	Nature Lite 100	09/25/2017	8711	4,000
PL Manufacturing	7156 Brawner Pl. Alexandria, VA 22304	\$589.00	Nature Menthol 100	09/25/2017	8711	2,000
PL Manufacturing	7156 Brawner Pl. Alexandria, VA 22304	\$1,130.00	Nature Menthol Lite 100	09/25/2017	8711	4,000
Total						82,000

CALIFORNIA CLOSES THE TAX GAP

- Implemented track & trace with integrated cigarette tax administration in early 2005
- By June 2007, annual cigarette tax **evasion had reduced by 37%**
- Revenue **increase of \$125 million** in the first 20 months of operation
- **\$152 million per year** in additional ongoing revenue collection
- In 2009, this program covered the application of tax stamps on 1 billion cigarette packs and was responsible for securing **\$870 million in excise tax revenues**



BEYOND TOBACCO...

61M gallons of diesel fuel sold in the US

Alcohol sales in the US exceed \$200B annually

Cannabis retail sales expected to reach \$21B by 2020



Why should we do this?

- Return on Investment
 - Capture lost excise taxes have a compounding effect
 - Efficiency gains in administration
- Infrastructure
 - Alignment with ITS
 - Integration with existing reporting and DW tools
- Environment
 - Deploy elements in conjunction with secure tax stamps, fuel markers and other taggants
 - Electronic assets enhance relationship with wholesalers/distributors

Lost revenue is within your reach.

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www.sicpa.com

