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Mass. Should Get Tougher On Illegal Tobacco

By Bob Salsberg, March 1, 2014

BOSTON — Massachusetts stands to lose up to \$300 million in annual tax revenue from black market tobacco and should increase fines and penalties to discourage the illegal smuggling of cigarettes into the state, according to a report released Friday.

The nine-member Illegal Tobacco Commission, formed by the Legislature last year, also said in its final report that the state should create a multi-agency task force to attack the problem.

Lawmakers raised the excise tax on cigarettes to \$3.51 per pack last year, among the highest in the nation, further encouraging the illegal tobacco trade, officials said.

“The difference between Massachusetts tax rates and other states’ tax rates provides an economic opportunity to avoid Massachusetts taxes by smuggling,” the commission stated in its report.

New Hampshire, by contrast, has a cigarette excise tax of \$1.78 per pack.

Acknowledging that it was difficult to pinpoint the exact cost to the state of illegal tobacco, the commission pegged the annual revenue loss \$62 million to \$246 million in excise taxes, and an additional loss of \$12 million to \$49 million in sales taxes.

Cigarette taxes can be avoided in a number of ways, the report said, including through individual bootlegging, domestic or international smuggling, and counterfeiting.

Massachusetts law makes it illegal to transport or sell packs of cigarettes without a state stamp. One recent survey in Boston found about 20 percent of discarded cigarette packs didn’t have the stamp.

“What we learned from the testimony is that smuggling is big business, much of it fueled by organized crime and that no one agency or entity can combat tobacco smuggling on its own,” said Amy Pitter, the state’s revenue commissioner.

The report calls on the Legislature to increase the criminal and civil punishments for illegal tobacco activities, though it does not specifically say what the new fines or penalties should be.

The commission also called for strengthening the state’s forfeiture laws and allowing for confiscated tobacco to be sold at auction, with the proceeds going to pay for enforcement efforts.

The multi-agency task force envisioned by the panel would include representatives from the revenue department, attorney general’s office, state police, the state treasurer’s office and Department of Public Health. The task force would need about \$2 million a year to operate, the report said, a cost more than offset by the potential recovery of lost taxes.

Cracking down on black market tobacco would also benefit law-abiding cigarette vendors, the commission noted.

Paul Caron, executive director of the Northeast Association of Wholesale Distributors and a commission member, said in a statement that contraband tobacco “diverts millions

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