



Illinois Department of  
Revenue  
Criminal Investigation  
Division

**Cigarette Tax Enforcement**



# Cigarette Trafficking

## What is it?

- In more common terms; it's purchasing cigarettes in bulk (not for personal use) in a state with a low cigarette tax (e.g., MO) and smuggling them into a state with a higher cigarette tax (e.g., IL) to sell at a discounted rate.





# Cigarette Trafficking

## Why is enforcement important?

- The U.S. Department of Justice estimates the illicit trade in cigarettes results in the loss of \$5 billion in federal and state tax revenue annually
- The **profitability** of illicit cigarettes is higher than illicit drug sales, while the **punishment** is next to nothing. Less risk, high reward.



# Cigarette Trafficking

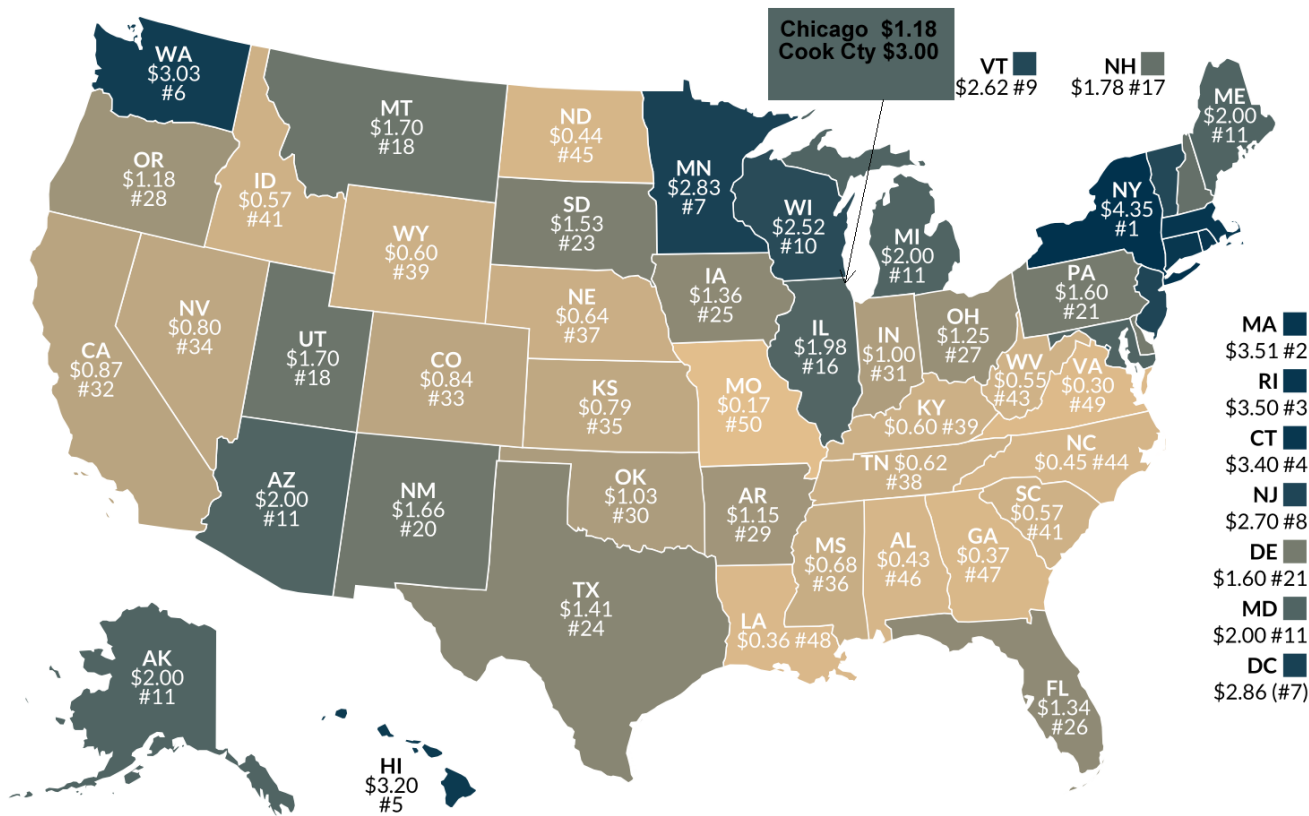
## Indicators

- Contraband cigarettes in Illinois are any cigarettes which do not bear the Illinois tax stamp
  - Unstamped
  - Bearing a tax stamp of another state
  - Counterfeit tax stamps



# State Cigarette Excise Tax Rates in 2014

(Dollars per pack of 20 cigarettes)



**Note:** Local taxes are not included and can be substantial. Data as of Jan 1, 2014.

**Source:** RJ Reynolds, state revenue departments.

State Cigarette Excise Tax Rate (\$/20-pack)



Lower Rate

Higher Rate

[taxfoundation.org/maps](http://taxfoundation.org/maps)



# STATE CIGARETTE EXCISE TAX RATES & RANKINGS

<u>State</u>	<u>Tax</u>	<u>Rank</u>
<b>Alabama</b>	<b>\$0.425</b>	<b>47th</b>
Alaska	\$2.00	12th
Arizona	\$2.00	12th
Arkansas	\$1.15	30th
<b>California</b>	<b>\$0.87</b>	<b>33rd</b>
<b>Colorado</b>	<b>\$0.84</b>	<b>34th</b>
Connecticut	\$3.40	4th
Delaware	\$1.60	22nd
DC	\$2.50	11th
Florida	\$1.339	27th
<b>Georgia</b>	<b>\$0.37</b>	<b>48th</b>
Hawaii	\$3.20	5th
<b>Idaho</b>	<b>\$0.57</b>	<b>42nd</b>
Illinois	\$1.98	17th
Indiana	\$0.995	32nd
Iowa	\$1.36	26th
<b>Kansas</b>	<b>\$0.79</b>	<b>36th</b>
Kentucky	\$0.60	40th

<u>State</u>	<u>Tax</u>	<u>Rank</u>
<b>Louisiana</b>	<b>\$0.36</b>	<b>49th</b>
<b>Maine</b>	<b>\$2.00</b>	<b>12th</b>
Maryland	\$2.00	12th
Massachusetts	\$3.51	2nd
<b>Michigan</b>	<b>\$2.00</b>	<b>12th</b>
Minnesota	\$2.90	7th
Mississippi	\$0.68	37th
<b>Missouri</b>	<b>\$0.17</b>	<b>51st</b>
<b>Montana</b>	<b>\$1.70</b>	<b>19th</b>
<b>Nebraska</b>	<b>\$0.64</b>	<b>38th</b>
<b>Nevada</b>	<b>\$0.80</b>	<b>35th</b>
New Hampshire	\$1.78	18th
New Jersey	\$2.70	9th
New Mexico	\$1.66	21st
New York	\$4.35	1st
North Carolina	\$0.45	45th
<b>North Dakota</b>	<b>\$0.44</b>	<b>46th</b>
<b>Ohio</b>	<b>\$1.25</b>	<b>29th</b>

<u>State</u>	<u>Tax</u>	<u>Rank</u>
<b>Oklahoma</b>	<b>\$1.03</b>	<b>31st</b>
Oregon	\$1.31	28th
Pennsylvania	\$1.60	22nd
Rhode Island	\$3.50	3rd
South Carolina	\$0.57	42nd
South Dakota	\$1.53	24th
Tennessee	\$0.62	39th
Texas	\$1.41	25th
Utah	\$1.70	19th
Vermont	\$2.75	8th
<b>Virginia</b>	<b>\$0.30</b>	<b>50th</b>
Washington	\$3.025	6th
<b>West Virginia</b>	<b>\$0.55</b>	<b>44th</b>
Wisconsin	\$2.52	10th
<b>Wyoming</b>	<b>\$0.60</b>	<b>40th</b>
Puerto Rico	\$2.23	NA
Guam	\$3.00	NA
Northern Marianas	\$1.75	NA

# 2012 Illinois Tax Increase

State	Population	FY 2013 Tax Paid Sales
Illinois	12,868,843	408,100,000
Indiana	6,537,125	437,000,000
Missouri	6,024,000	526,600,000

Fiscal Year	1990	2011	2013
Chicago Tax	\$0.16	\$0.68	\$1.18
Cook Cty Tax	\$0.10	\$2.00	\$3.00
Illinois	\$0.30	\$0.98	\$1.98
State and Local	\$0.56	\$3.66	\$6.16

Cook County/Chicago/Illinois  
Ranks 1<sup>st</sup> in Nation



Year	20 pack	25 pack	Total Stamps Sold
FY12	401,910,000	24,000	401,934,000
FY13	413,160,000	19,200	413,179,200
Fy14	430,980,000	9,600	430,989,600

### **Cigarette and Cigarette Use Taxes Collected**

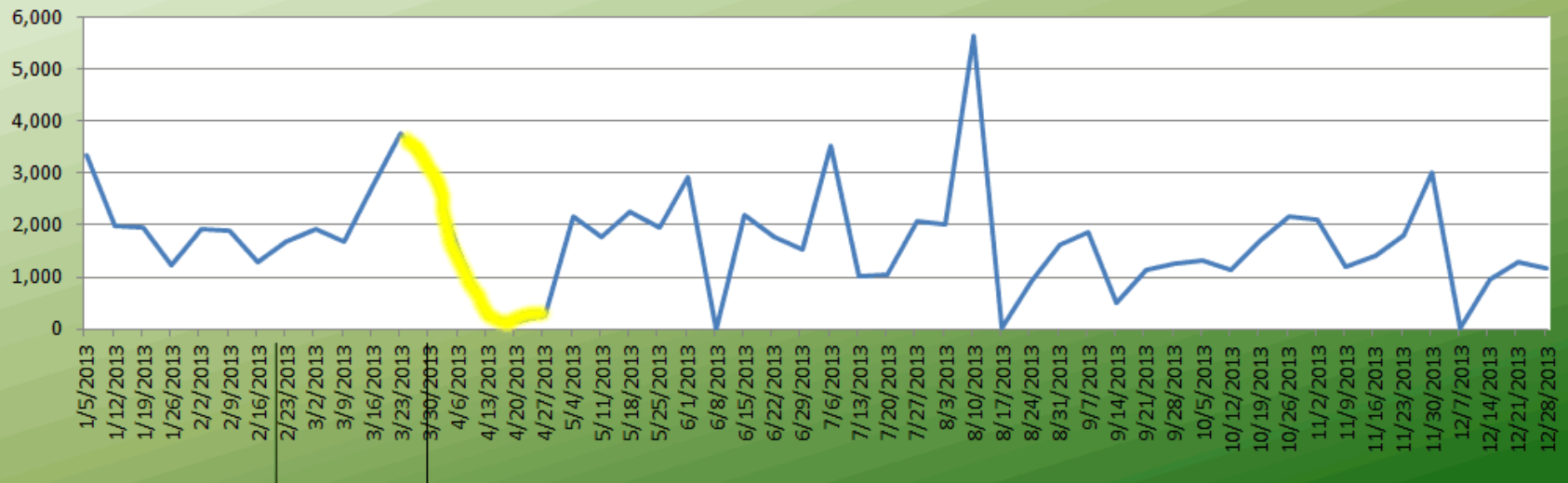
<b>FY 12</b>	<b>FY 13</b>	<b>FY 14</b>
\$580,014,924	\$807,400,073	\$842,771,399





## Missouri Retailer X

Purchase of Newport Cigarettes in cartons



### Surveillance and interdiction details:

- 1) February 20, 2013-476 cartons seized; mostly Newport
- 2) March 6, 2013-439 cartons seized; all Newport
- 3) March 23, 2013-250 cartons seized; all Newport
- 4) March 27, 2013-442 cartons seized; mostly Newport



# Cigarette Trafficking

## Indicators



Illinois Tax Stamp



Missouri Tax Stamp



# Cigarette Trafficking

## State Tax Statutes

### Unlawful Transportation

35 ILCS 130/9c

Anyone who transports without a permit or distributor license:

- 10 cartons to less than 200 cartons
  - Class 4 felony
- 200 cartons or more
  - Class 3 felony

(Vehicle subject to seizure and forfeiture)

### Counterfeit Tax Stamps

35 ILCS 130/22-23

Manufacture, sale or possession of counterfeit Illinois Cigarette Tax Stamps is a Class 2 felony



# Cigarette Trafficking

## State Tax Statutes

### Possession or Sale

#### 35 ILCS 135/30 (individuals)

- 1 to 10 cartons
  - Class A misdemeanor
- More than 10, up to 25 cartons
  - Class A misdemeanor/1<sup>st</sup> offense
  - Class 4 felony/subsequent offense
- More than 25, up to 100 cartons
  - Class 4 felony
- More than 100 cartons
  - Class 3 felony

#### 35 ILCS 130/24 (business)

- 10 or fewer cartons
  - Class A misdemeanor
- More than 10, up to 25 cartons
  - Class A misdemeanor/1<sup>st</sup> offense
  - Class 4 felony/subsequent offense
- More than 25, up to 100 cartons
  - Class 4 felony
- More than 100 cartons
  - Class 3 felony



# Cigarette Trafficking

## Cases

- **Subjects seen carrying plaid bags out of their store**
- **Stop made by IL Department of Revenue and ISP**





# Cigarette Trafficking

## Cases

- Stop made by Revenue & ISP
- Driving a van with 474 cartons of cigarettes
- Hidden inside taped cardboard boxes
- Cigarettes from Mississippi; no IL tax stamp on them





# Cigarette Trafficking

## Cases





# Cigarette Trafficking

## Cases

- **Subject observed by IDOR buying and loading MO stamped cigarettes into vehicle in MO, then traveled into IL**
- **Stop made, 253 cartons seized**

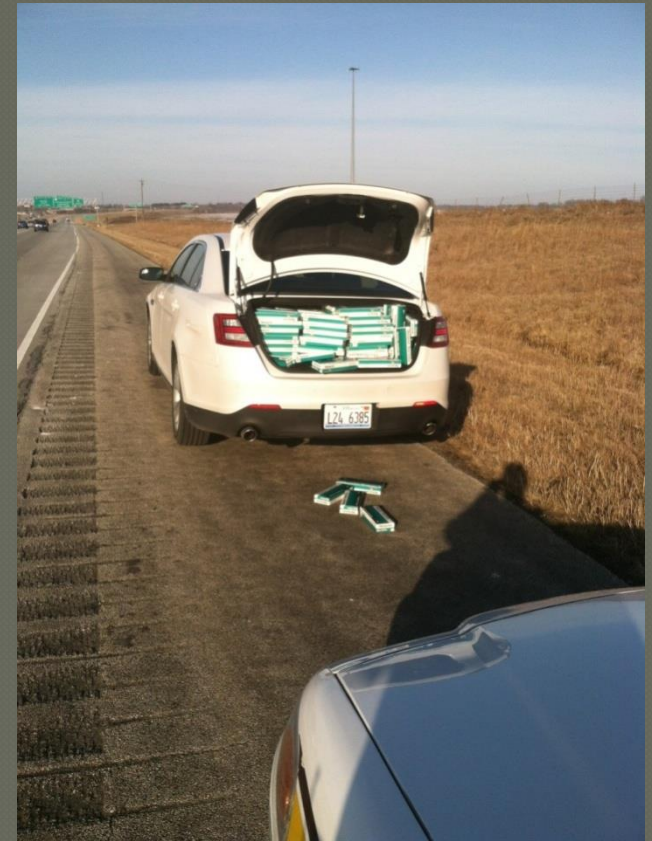




# Cigarette Trafficking

## Cases

- **Stop made by ISP for speeding**
- **Rental car; cigs in trunk**
- **Purchased in St. Louis for resale in Chicago**





# Cigarette Trafficking

## Cases

- **Surveillance by Revenue and stop made by ISP**
- **Rental car; 517 cartons in backseat floorboard and trunk**
- **Cartons seized along with both subjects' cell phones**





# Cigarette Trafficking

## Cases





# Cigarette Trafficking

## Cases





# Cigarette Trafficking





# Cigarette Trafficking

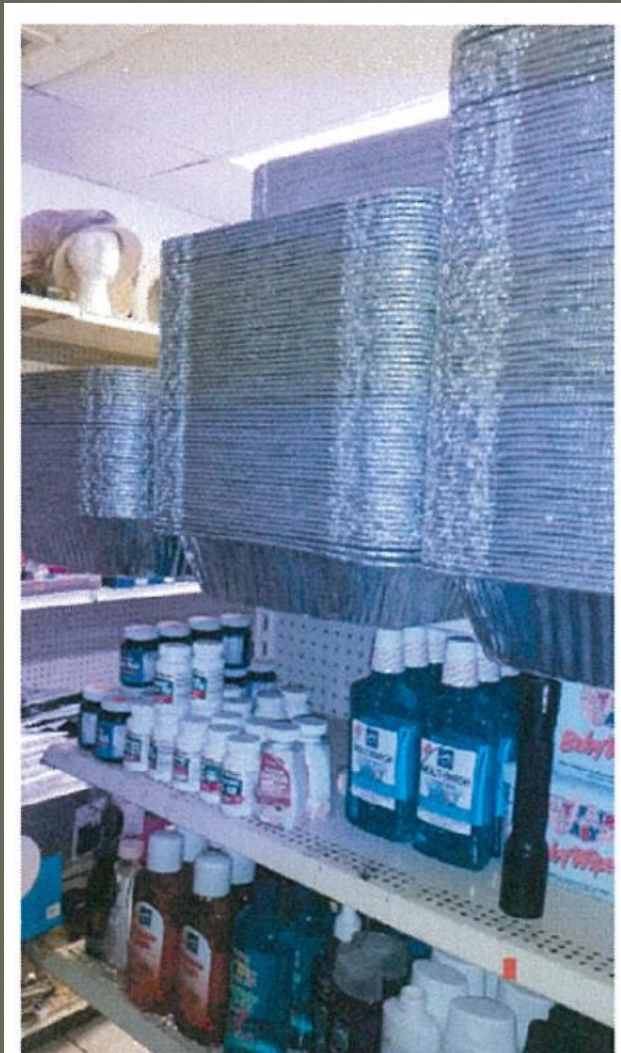
## Cases





# Cigarette Trafficking

## Cases





# Cigarette Trafficking





**IDOR Criminal Investigations**  
**101 W. Jefferson St.**  
**Springfield, IL 62702**  
**(217) 785-8200**

