



State Board of Equalization

# News Release

**Vice Chairperson Jerome E. Horton**

**4<sup>th</sup> District – Los Angeles**

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## **Jerome E. Horton Congratulates BOE Investigators and Federal Officials On Arrests in Multi-Million Dollar Tobacco Tax Evasion Scheme**

On the occasion of the announcement of the federal indictment of 15 persons and three businesses at the U.S. Department of Justice in Sacramento, Board Member Jerome E. Horton made the following statement:

“As the legislative author of the California Cigarette and Tobacco Products Licensing Act, which enhanced regulatory control over the marketing and distribution of cigarettes and tobacco products, I am particularly proud of the work accomplished by California and U.S. tobacco law enforcement officers today.

“It is important that all of our agencies work together to bring down those who try to circumvent the tax laws. All Californians suffer when taxes go unpaid. These tax dollars support vital state programs.

“I want to emphasize that these arrests being announced today are the result of a joint federal-state law enforcement task force. As I recently testified in Congress, federal cooperation is essential for California to effectively enforce its own tough tobacco law.

“Illegal tobacco products come from interstate traffic. So long as we have a patchwork of state regulatory systems, many of which reflect less stringent regulations, California will be a target destination for smugglers. Enforcement of federal law on interstate trafficking protects California tobacco licensees and California revenues.

“Second, these arrests are particularly important because they relate to ‘Other Tobacco Products’. The intricacy of this criminal scheme and the three-year length of the investigation should be noted by policy makers at the state and federal level working on the next generation of tobacco control laws.

“While we have had a very high rate of success with the cigarette licensing system in California, our problem has shifted to other, non-cigarette tobacco products – ‘OTP’, as we say. As cigarette smuggling has decreased, we have seen a corresponding increase in enforcement problems related to OTP. Since OTP are not yet subject to an effective track and trace system, they present greater enforcement problems for both federal and state agencies.

“The announced arrests show the length and breadth to which criminals will go to violate state and federal laws, and the difficulty we all have in bringing them to justice. I congratulate the investigators of our Board of Equalization for another job well done, and look forward to working with Congress and our State Legislature in making their job less difficult in the future.”

Vice Chairperson Jerome E. Horton is the 4th District Member of the BOE, representing more than 8.5 million residents in Los Angeles County. He is also the BOE Legislative Committee chairperson. Horton is the first African American to serve on the BOE since its inception in 1879, and the third African American constitutional officer in California’s history. Horton was appointed by the Governor and confirmed by both the Assembly and the Senate in 2009. Horton previously served as an Assembly member from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit [www.taxes.ca.gov](http://www.taxes.ca.gov).

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