



FIONA MA, CPA
STATE BOARD OF EQUALIZATION
MEMBER, SECOND DISTRICT

To: Honorable Assembly Member Adam Gray (Chair)
CC: Members of the Assembly Governmental Organization
State Capitol, Room 4177
Sacramento, Ca. 95814

Existing law imposes an 87-cent excise tax on each pack of cigarettes (generally 20 cigarettes per pack) and requires cigarette distributors to pay the tax by purchasing cigarette tax stamps. Prior to distribution, distributors are required to attach the stamp to each pack of cigarettes. Any person who possesses, sells, or offers to sell, or buys or offers to buy, any false or fraudulent cigarette tax stamps is guilty of a misdemeanor, punishable by a fine and/or imprisonment up to one year in a county jail. BOE may seize and destroy cigarettes when the stamp is affixed or the tax is paid in a manner that violates the law

The BOE's inspection teams have recently identified cigarette tax evasion schemes involving *reused* cigarette tax stamps. For example, an inspector's scan revealed that a stamp affixed to a Marlboro-branded pack had originally been applied to a Camel-branded pack. In these situations, while the distributor appropriately paid the cigarette tax through his or her stamp purchase and appropriately affixed the stamp to the product, the stamp itself was subsequently reused and affixed to another cigarette pack. By applying used stamps to an untaxed cigarette pack, taxpayers may evade the tax and disguise duty free, counterfeit, smuggled, and otherwise untaxed cigarettes as legitimate. Current law does not allow BOE agents to confiscate cigarette tax stamps used for reuse.

Assembly Bill 1901 (Quirk) will grant BOE inspection teams authority to confiscate cigarette tax stamps used for reuse. There is no legitimate reason why a person should collect cigarette tax stamps, except for defrauding the State of California of cigarette tax revenue. AB 1901 is an important measure to maximize cigarette tax stamp revenue and to continue to curb the underground economy in the State of California. For these reasons I ask for your support of AB 1901.

In Peace and Friendship,

A handwritten signature in blue ink, appearing to be "Fiona Ma", is written over a blue rectangular stamp area.

Chairwoman Fiona Ma, CPA

