Memorandum

To: Honorable Jerome E. Horton, Chairman
   Honorable Michelle Steel, Vice Chair
   Honorable Betty T. Yee, First District
   Senator George Runner, Second District
   Honorable John Chiang, State Controller

From: David J. Gau, Deputy Director
      Property and Special Taxes Department

Date: March 1, 2013

Subject: Request for Board Support – Federation of Tax Administrators Tobacco Section Resolution
         Other Administrative Matters – Item P4.2

During the Federation of Tax Administrators (FTA) annual Tobacco Section’s meeting in August 2012, a resolution was unanimously adopted taking the position to support all legislative efforts to amend or expand the federal Prevent All Cigarette Trafficking Act (PACT Act). The PACT Act of 2009 (Senate Bill 1147 was signed into law on March 31, 2010 and became public law 111-154), enhanced the requirements of the Jenkins Act by revising provisions governing the collection of taxes and trafficking by requiring Internet and other remote sellers of cigarettes and smokeless tobacco to comply with the same laws that apply to local cigarette and tobacco retailers.

The PACT Act has been an effective tool to assist State’s efforts to minimize tax evasion, among other things, but its provisions do not extend to all tobacco products, such as cigars and pipe tobacco. The resolution (copy attached) will be presented to the FTA’s executive board for consideration for formal adoption when they meet in June 2013. Accordingly, I am presenting the FTA’s resolution for consideration by the Board for its support.

Please place this item on the Board’s March 2013 Other Administrative Matters Calendar for approval.

Attachment
DJG:da

Approved:
Cynthia Bridges, Executive Director

BOARD APPROVED
at the ______ Board Meeting

Joann Richmond, Chief
Board Proceedings Division

cc: Mr. Mike Gipson            Ms. Marcy Jo Mandel
    Mr. Joel Angeles           Ms. Joann Richmond
    Mr. Alan LoFaso            Ms. Lynn Bartolo
    Mr. Sean Wallentine        Ms. Debbie Kalfsbeek
WHEREAS, the Federation of Tax Administrators strives to promote uniformity of cigarette and tobacco tax administration, and

WHEREAS, the states strive to minimize tax evasion and act as an information resource for stakeholders, and

WHEREAS, Congress and the state legislatures have enacted cigarette and tobacco enforcement legislation to curb tax evasion and illegal trafficking in cigarette and tobacco products, such as the Jenkins Act and subsequently the PACT Act which amended and fortified the provisions of the Jenkins Act; and

WHEREAS, intergovernmental cooperation across state and national borders is an effective and indispensable tool in curbing illegal cigarette and tobacco trafficking and tax evasion; it has become evident that an expansion of these Acts will be necessary to encompass all tobacco products, specifically cigars and pipe tobacco; and

WHEREAS, despite the State's diligent efforts to implement Jenkins and PACT Act provisions to stem tax evasion and unlawful distribution, it has become increasingly evident that an expansion of these statutes is necessary to incorporate cigar and pipe tobacco product for the proper application of each State's cigarette and tobacco tax programs and to protect the retail tobacco industry.

NOW, THEREFORE, BE IT RESOLVED, that the delegates of the 86th annual meeting of the Federation of Tax Administrators, Tobacco Tax Section held in Hartford Connecticut adopt the position to support all legislative efforts to amend and/or expand federal statutes to incorporate cigars and pipe tobacco into the PACT Act or for the creation of an equivalent statute.

PRESENTED this 29th day of August 2012, at the Hilton Hartford in Hartford, Connecticut.

Jim McKeon, Secretary