



1901 N. FORT MYER DRIVE • SUITE 500 • ARLINGTON, VA 22209-1604 • 703-351-8000 • FAX 703-351-9160

PREVENTING SALES OF TOBACCO TRAFFICKING

PMAA is a leading national trade association in the petroleum industry representing 8,000 independent petroleum marketing companies who own 60,000 retail fuel outlets such as gas stations, convenience stores and truck stops. Additionally, these companies supply motor fuels to 40,000 independently owned retail outlets and heating oil to seven million households and businesses. Tobacco accounts for approximately 35 percent of PMAA member company in-store sales. Preventing the illegal sale of tobacco via telephone, Internet and mail delivery is a top priority for PMAA.

Sellers of tobacco via the Internet, postal service and telephone can easily avoid paying excise taxes on tobacco. In 2006, there were 770 websites selling cigarettes to U.S. smokers with half based outside the USA – up from 40 domestic Internet sellers of cigarettes in early 2000. Since 2002, consumer purchases over the Internet have increased 50 percent. As cigarettes become more expensive, Internet sales of tobacco will likely increase so people can avoid paying taxes.

In the meantime, small businesses are unable to compete against Internet sales, postal delivery methods and phone sales. State governments lose revenue each year and minors are able to illegally purchase tobacco products from the marketing of tobacco via the Internet and other methods.

CURRENT LEGISLATION

At the start of the 111th Congress, Rep. Anthony Weiner (D-NY) introduced the “Prevent All Cigarette Trafficking Act,” or PACT Act (H.R. 1676), which would address tobacco marketing via the Internet, postal delivery and over the telephone. The House passed H.R. 1676 by an overwhelming majority vote of 397 - 11 in May 2009. Senator Herb Kohl (D-WI) introduced companion legislation, S. 1147, which passed the Senate Judiciary Committee by voice vote. Both bills would require tobacco sellers to verify the age of buyers who purchase products over the Internet and the phone, and require online tobacco sellers and other entities to keep delivery sales records. The bills would also treat tobacco products as non-mailable and prohibit them from being deposited in or carried through the United States Postal Service and would ensure that Internet, mail delivery and phone tobacco sellers pay federal excise taxes.

Sellers of tobacco via the Internet, postal service and phone can easily avoid paying excise taxes on tobacco which put retailers at a competitive disadvantage and cause state governments to lose revenue each year. PMAA urges the Senate to pass S. 1147 and reconcile small differences between the two bills to send to the President for his signature.

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Given the 62 cent cigarette tax increase in 2009, PMAA is concerned that sellers of tobacco via Internet, mail delivery and phone will increase as consumers look for ways to avoid paying state excise taxes on tobacco products.

PMAA fully supports passage of the "PACT Act" which is a step in the right direction to stop the illegal sale of tobacco products which hurts the ability for small businesses to compete and also allows tobacco products to get in the hands of minors. PMAA is working with the "Coalition to Stop Contraband Tobacco" urging Congress to act as soon as possible to pass the "PACT Act."

PMAA STAFF CONTACTS: Sherri Cabrera, scabrera@pmaa.org
Rob Underwood, runderwood@pmaa.org

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