New Law Helps Prevent Cigarette Tax Evasion

The California State Board of Equalization's (BOE) inspection teams have recently identified cigarette tax evasion schemes involving the accumulation of used cigarette tax stamps. Unlike postage stamps, cigarette stamps are generally not used as collectibles. Used cigarette tax stamps do not have monetary value, except for tax evasion purposes.

To help prevent cigarette tax evasion, the Governor signed Assembly Bill (AB) 1901 (Stats. 2016, Ch.662) to give the BOE authority to seize and destroy any “unaffixed” cigarette tax stamps aggregated for reuse, and makes it a misdemeanor for any person to possess, sell or offer to sell, or buy or offer to buy, any false, fraudulent, or “unaffixed” cigarette tax stamps starting January 1, 2017.

For purposes of the law, “unaffixed stamps” means cigarette tax stamps which the tax has previously been paid by a Cigarette and Tobacco Products licensed distributor and were previously affixed to cigarette packs. “Unaffixed stamps” do not include any unused and unapplied rolls of stamps or loose stamps acquired from the BOE or its authorized agent and in the possession of a licensed distributor.

Anyone found with “unaffixed” cigarette tax stamps for reuse purposes is guilty of a misdemeanor, punishable by a fine of up to $50,000, or imprisonment (not to exceed one year in a county jail), or by both the fine and imprisonment.

For more information

Visit the BOE’s online Cigarette and Tobacco Products tax guide at www.boe.ca.gov/industry/cigarettes_tobacco_products.html.

If you have any questions regarding this notice, please visit the BOE’s website at www.boe.ca.gov. From the main menu, select the option, Special Taxes and Fees. Taxpayers may also call the BOE’s Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.