



October 11, 2005

The Honorable Orrin G. Hatch  
United States Senate  
Washington, DC 20510

Dear Senator Hatch:

We are writing to urge you to reintroduce the Prevent All Contraband Tobacco (PACT) Act as soon as possible to curtail the alarming growth of illegal and dangerous tobacco product sales over the Internet. Internet tobacco sales facilitate the evasion of state tobacco excise taxes, make low-cost cigarettes readily available to kids, and could become a lucrative source of funding for criminal and terrorist organizations. We thank and commend you and Senator Herb Kohl for introducing this legislation in the last Congress and winning its unanimous approval by the United States Senate.

There are currently more than 400 Internet websites that sell tobacco products, and the number is growing. Internet sales of tobacco products pose real problems. Internet tobacco prices are much lower than those in retail outlets because they typically fail to include required state and, sometimes, federal tobacco excise taxes. These tax-evading low prices make Internet tobacco products attractive to both adult and underage smokers, and help to boost overall smoking levels and smoking harms. Children are especially sensitive to tobacco prices. Studies show every 10 percent increase in the price of cigarettes reduces overall cigarette consumption by about three to four percent and cuts youth smoking rates by seven percent.

In addition, states are losing hundreds of millions of dollars each year through Internet-based tobacco tax evasion, with projected losses in coming years totaling in the billions of dollars. The additional revenues that states enjoy from increasing their tobacco tax rates would be even larger if smokers and other tobacco users wishing to evade state taxes could not so readily find and buy tax-free tobacco products over the Internet.

All of the problems with Internet tobacco sales have been compounded by the lack of federal enforcement of existing laws, which virtually all Internet cigarette sellers are violating, and the enormous difficulties states face in trying to block illegal Internet tobacco sales or bring law-breaking Internet sellers to justice.

The Hatch-Kohl bill would provide state governments with effective tools for collecting the state taxes owed on Internet tobacco products that are not being paid or collected. The Hatch-Kohl legislation requires Internet vendors of tobacco products to register with the states where they sell their products and comply with all related state laws regarding state tobacco tax collection and reporting. It allows states to block the delivery of cigarettes and smokeless tobacco sold by Internet sellers who fail to register with the state or otherwise fail to comply with federal or state law. It also gives state officials the right to seek injunctive and equitable relief in federal courts to enforce Internet sellers' compliance with tobacco tax collection requirements.

Letter to Senator Orrin Hatch

Page Two

October 11, 2005

As you know, the legislation also goes beyond just Internet tobacco sales and includes additional provisions to prevent and reduce other contraband tobacco trafficking, which has served as a funding source for terrorist organizations both overseas and domestically. While giving federal, state, local and Tribal government enforcement officials the tools they need to block illegal Internet sales and deliveries and otherwise prevent contraband tobacco trafficking, the PACT Act also fully respects Indian Tribal sovereignty rights, neither expanding nor contracting its current scope. It is both a law-and-order bill and effective public health legislation that will help to reduce the terrible toll of tobacco use on our nation and on our kids.

We look forward to working with you as you continue to address the issues raised by illegal Internet sales of tobacco products. We hope you will speedily reintroduce this urgently needed legislation, and that Congress will adopt it forthwith.

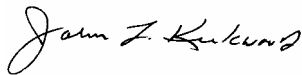
Sincerely,



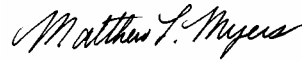
John R. Seffrin, CEO  
American Cancer Society



M. Cass Wheeler, CEO  
American Heart Association



John L. Kirkwood, CEO  
American Lung Association



Matthew L. Myers, President  
Campaign for Tobacco-Free Kids