

## **WILL KANSAS SMOKERS GO TO THE INTERNET TO BUY TAX-FREE CIGARETTES IF THE KANSAS CIGARETTE TAX RATE IS INCREASED?**

**No!**

***Buying cigarettes over the Internet is not as easy as it used to be, and it will soon get even harder to evade state taxes through Internet or other mail order purchases.***

- Special agreements between the Attorney General of New York and the major common carriers (e.g., UPS and FedEx), the major credit card companies (e.g. Visa and Master Card), and PayPal have shut off the credit card and Internet payment rights of many illegally operating Internet sellers and blocked their ability to deliver the cigarettes they sell by using the common carriers. Working with the New York Attorney General's office, the Kansas Attorney General can activate these settlement agreements to stop common carrier deliveries and take away the credit card and other electronic payment rights of any other Internet sellers found to be selling to Kansas kids or selling cigarettes to Kansas smokers without proper payment of state taxes.
- Just a few days ago, by unanimous consent, the U.S. Senate passed the Prevent all Cigarette Trafficking (PACT) Act, which will establish numerous additional safeguards to stop tax-evading sales of cigarettes to smokers in Kansas or any other state and to make sure that taxes are fully paid to the state on any continuing Internet or mail order sales. The U.S. House of Representatives earlier passed the PACT Act by a 397-11 vote; so the PACT Act will soon be signed into law. Among other things, the PACT Act makes cigarettes nonmailable matter and implements other measures to stop illegal Internet sellers from using the U.S. mails to avoid complying with state tax and tobacco laws. The PACT Act not only establishes strong new incentives for federal enforcement but also give states the right to enforce the PACT Act directly against illegal Internet sellers in federal court; requires Internet sellers to comply with all state laws that apply to bricks and mortar retailers; and subjects illegal Internet sellers to much larger penalties.

***Even if they could easily purchase state-tax-free cigarettes over the Internet, most smokers would not bother.***

- When state cigarette tax increases go into effect, most smokers simply go on buying their cigarettes at the same stores they used before, paying the higher tax. To save money, some smokers switch to cheaper brands and others switch to cheaper ways to get their nicotine fix, such as roll-your-own cigarettes or small cigars. But that doesn't reduce state revenues unless the state under-taxes those other tobacco products compared to its tax on cigarettes.
- Only a small percentage of smokers try to evade state cigarette tax increases by starting to buy their cigarettes over the Internet or from neighboring states with lower tax rates. And most of them soon get tired of all the extra time and trouble and go back to their regular, more convenient purchasing patterns: buying cigarettes by the pack in nearby in-state stores, with full payment of the state cigarette tax.
- Smokers don't like buying cigarettes over the Internet because they have to plan ahead (because of delivery times), have to buy their cigarettes by the carton, usually with a two carton minimum, and have to pay a big advance lump-sum payment. Even if they are not currently trying to quit, the vast majority of smokers would like to quit or cutback; and spending large amounts of money to buy cigarettes ahead of time by the carton would be a troubling admission that they are seriously addicted smokers and are not likely to quit any time soon.