IMPORTANCE OF UNIFORMITY

Cigarette and tobacco taxes are a vital part of every state’s revenue base, providing funding for a wide variety of programs. Uniformity makes it easier to ensure that each state is getting the fairest share of the revenue it deserves.

EVASION AND LACK OF UNIFORMITY

Although there are many similarities, each state has its own unique set of tax laws, tax rates, reporting forms, definitions, exemptions, and compliance methods. These differences can create problems in tax administration, regulation of cigarette and tobacco movement, enforcement efforts, exchange of information among state revenue agencies, and provide incentives for some to evade state cigarette and tobacco taxes.

While reliable estimates of evasion and diversion aren’t always available, even though numerous research projects have tried to determine losses, data shows billions of dollars are lost in federal cigarette and tobacco taxes annually, with similar losses occurring at the state level.

Some states have traditionally ignored compliance efforts for cigarette and tobacco taxes. Until recently, cigarette and tobacco taxes were considered to be a minor part of the total state revenue, and it was commonly thought there were no real evasion issues. However, as state legislatures struggle to maintain government services with increasingly tighter budgets, cigarette and tobacco taxes are receiving more attention. State and federal tobacco tax rates have steadily increased over the past ten years, providing a greater incentive for tax evaders to circumvent vital revenues and, at the same time, increase the tax burden on legitimate businesses.

BENEFITS OF THE TOBACCO TAX SECTION ACTIVITIES

The FTA Tobacco Tax Section, with the help of FTA staff and the Uniformity Committee, will develop and foster a unique and effective partnership between industry and state, federal, and foreign governments regarding tobacco tax administration and enforcement. The result of this partnership should be an international network of information established that covers most everything related to tobacco taxation. This information will be made available to the states through FTA Tobacco Tax Section regional, national, and Uniformity Committee meetings, Tax Exchange, the list serve, and the FTA Web site found at www.taxadmin.org. Whenever possible, information will contain current and historical cigarette and tobacco tax data that facilitates statistical analysis and research on legal, communications, enforcement, and technology issues.

The overall benefits for states participating in FTA Tobacco Tax Section projects and utilizing its resources is reduced tax evasion, improved compliance, minimized administrative costs, increased training for audit and enforcement staff, and easy access to quality information. The FTA Tobacco Tax Section won’t dictate procedures for states to follow, but rather will provide guidance for states to use at their discretion when it comes to cigarette and tobacco tax enforcement and administration.

An environment of open communication and cooperation exists among industry and all levels of government. This reduces costs for all partners, minimizes the burden on the cigarette and tobacco industry, controls administrative costs, and fosters a combined effort to control evasion and level the playing field in the cigarette and tobacco arena.

UNIFORMITY COMMITTEE MISSION STATEMENT

Provide an opportunity for government and industry to partner for the efficient and effective reporting and remittance of tobacco taxes, to minimize tobacco tax evasion, and to act as an information resource to stakeholders.

UNIFORMITY COMMITTEE GOALS

1. Implement all aspects of the 10-Point Plan.
2. Foster communication between and among levels of government, industry and related associations and interest groups and their representatives.
3. Encourage coordination of efforts among stakeholders in audit and enforcement.
4. Encourage sharing of information among enforcement, revenue, attorneys general and federal agencies in areas related to tobacco and tobacco revenue.
5. Educate the tobacco community in areas of audit and enforcement techniques, reporting requirements, and how to identify actual and potential evasion schemes.
6. Encourage active participation by stakeholders in Uniformity meetings. Inform stakeholders on how the goals of Uniformity are designed to work for all members of the tobacco community.
7. Encourage uniformity in reporting definitions and forms.

8. Prepare for change by staying informed on emerging topics and trends, by assuring personnel are fully informed to allow for ease of transition, and by being open to new ideas and methods for revenue reporting and remittance.

THE 10-POINT PLAN

The 10-Point Plan was created as an overall strategy for combating tobacco tax evasion. The general theme behind the Plan is the total accountability of all cigarette and tobacco products and sharing of information.

Point 1 – Adopt/implement uniform reporting guidelines by all states.

Point 2 – Adopt/implement uniform definitions and forms.

Point 3 – Incorporate the Federal Employers Identification number (FEIN), Social Security number (SSN), or Canadian Federal Business number (BN) as a reference for reporting information between jurisdictions.

Point 4 – Promote licensing of all persons that handle tobacco.

Point 5 – Adopt/implement procedures to achieve total accountability of tobacco.

Point 6 – Utilize uniform electronic reporting standards for tobacco information.

Point 7 – Promote workshops for audit and investigative techniques to identify tax evasion schemes and ensure regulatory compliance.

Point 8 – Review and establish Memorandums of Understanding to promote and share information that will facilitate tobacco tax compliance.

Point 9 – Utilize third party information on the movement of tobacco.

Point 10 – Encourage states to establish and adequately maintain a compliance staff dedicated to tobacco tax enforcement.

The 10-Point Plan offers the best method for achieving uniformity, reducing inefficiencies in state cigarette and tobacco tax administration, and combating tax evasion.