

# CAMPAIGN For TOBACCO-FREE Kids®

## KEY PROVISIONS OF THE GREEN-MEEHAN INTERNET TAX COLLECTION BILL

Estimates of current and future state revenue losses from Internet-based evasion of state tobacco taxes range from the hundreds of millions to billions of dollars per year. The number of U.S. households with Internet access that have purchased items over the Internet is growing rapidly; and there are now more than 400 websites that sell tobacco products to U.S. households, with even more coming online each month. As documented in a report by the U.S. General Accounting Office, virtually all of these websites sell cigarettes to buyers free of state tobacco taxes at prices much lower than those at regular retail outlets. Accordingly, smokers faced with rising cigarette prices (e.g., from state tobacco tax increases) can currently simply shift to buying their cigarettes from the Internet instead of quitting or cutting back.

Implementing the Green-Meehan legislation would encourage quitting by sharply reducing Internet-based tobacco tax evasion and, therefore, raising Internet prices. The bill would place new restrictions on Internet sales and give states the tools they need to bring effective enforcement actions against often distant and hard-to-reach Internet sellers who break the law. Put simply, the Green-Meehan legislation would make Internet sellers that sell into a state follow the same kinds of laws and requirements that in-state bricks-and-mortar sellers of tobacco products must comply with relating to the collection of state taxes. Among the key provisions of the Green-Meehan bill are the following:

- Provides that no cigarettes or smokeless tobacco products may be sold and delivered to a state's consumers by Internet (or other mail order) sellers unless all applicable state tobacco excise taxes have already been collected and paid to the state and all related tax stamps or tax payment indicia have been affixed to the cigarette or smokeless tobacco packs.\*
- Provides that all Internet sellers that sell or deliver into a state must comply with all state laws relating to the collection of state and local taxes on cigarettes and smokeless tobacco products just as if they were physically located in the state.
- Requires that all Internet sellers register with any state to which they market, sell, or deliver cigarettes or smokeless tobacco and make periodic reports about all such sales.
- Authorizes states to create public lists of Internet sellers that have either a) properly registered with the state; or b) failed to register or otherwise comply with federal or state laws relating to Internet sales – and provides that in states that have made such lists public common carriers and other delivery services may not knowingly deliver any cigarettes or smokeless tobacco products for any Internet seller that is not on the list of registered Internet sellers or that is on the list of non-complying Internet sellers.†
- Allows state attorneys general to bring lawsuits against illegal Internet sellers in federal court to enforce the Green-Meehan provisions or related state laws (but does not in any way interfere with a state's ability to bring enforcement actions in its own courts).

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\* This provision respects state tax collection systems by applying only if the state's own laws do not specifically require payment of the state's excise taxes on Internet sales in some other manner.

† This provision enables states to block deliveries by non-complying Internet sellers without having to go through the time and expense of bringing each and every one of them into court (which would be difficult or impossible in regards to the hundred of foreign-based Internet sellers or the many small, fly-by-night operations that could quickly close up shop and reappear with a different name, location, and website).