

15 percent of cigarettes sold in NYC have illegal tax stamps, study finds

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Smoking harms nearly every organ in the body and causes many diseases. Credit: CDC/Debra Cartagena

Licensed tobacco retailers throughout New York City are selling a substantial number of cigarette packs carrying either counterfeit or out-of-state tax stamps, finds an investigation by NYU public health researchers.

These illegal cigarette sales are more pervasive in independent stores, as opposed to chain stores, according to the study published in the BMJ journal *Tobacco Control*.

"Our research found that illegal cigarettes are regularly available over the counter in New York City," said study author Diana Silver, associate professor of [public health](#) at NYU's Steinhardt School of Culture, Education, and Human Development and College of Global Public Health. "Taxes on [packs](#) sold with counterfeit or out-of-state tax stamps are not being recouped by the city and the state."

New York City has adopted several laws over the years aimed at reducing smoking. The city currently has the highest cigarette prices in the country, thanks to state and city taxes and [minimum price](#) laws. At the end of 2013, New York City established its minimum price for cigarettes at \$10.50 - \$1.67 higher than the rest of New York State - and added new provisions for enforcing cigarette laws.

In New York City, stamping agents pay cigarette taxes to the government in advance; they purchase and affix tax stamps to packs for wholesalers, who in turn sell the stamped packs to the more than 9,700 licensed retailers.

"Consumers may be unaware they are purchasing illegal cigarettes, since, at least in our study, clerks sold our investigators these cigarettes at full price," noted Silver.

Prior studies have collected littered cigarette packs and examined their stamps to try and understand the extent to which [cigarette taxes](#) are dodged, but evidence about tax evasion, especially in over-the-counter cigarette sales, is still scarce.

Silver and her colleagues studied the sales of illegal cigarette packs at

licensed New York City retailers in the spring and fall of 2014, after the minimum price law was established. Investigators purchased 830 packs of cigarettes from chain and independent cigarette retailers in 92 retail-dense neighborhoods throughout all five boroughs. To determine the legality of the tax stamps, the New York City Sheriff's office used a laser detection device to inspect the packs and find counterfeit and out-of-state stamps.

The researchers found that 15 percent, or 125 of the 830 packs, had either counterfeit or out-of-state stamps. More than 10 percent of all stamps were counterfeit, while 4.5 percent carried stamps from Virginia. Virginia does not have a minimum legal price for cigarettes and imposes a cigarette excise tax of 30 cents per pack - the second-lowest in the country.

"While cigarettes that have been smuggled into New York City from other places may also be sold directly to consumers, our study demonstrates that retailers are selling these cigarettes throughout the city," said Silver.

A significantly higher percentage of illegal packs were purchased from independent retailers, compared with chain stores. In addition, the number of illegal packs - which were found in all five boroughs - grew over the period studied, increasing from the spring to the fall of 2014.

The vast majority of [cigarette packs](#) were sold at prices in compliance with the minimum price law, suggesting that the lower prices paid by the retailers were not passed on to customers.

"Our findings underscore the need for intensive monitoring, oversight, and support to help retailers comply with existing and new cigarette laws. The use of digital tax stamps, coordination of taxes across areas, and systematic monitoring of enforcement efforts could help to address

the issues we uncovered," said Silver.

Provided by New York University

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