



NORTH CAROLINA NEEDS A CIGARETTE STAMP

Support SB 1197/HB 1979

A cigarette stamp is not a tax; it's a low-cost strategy to increase the amount of revenue collected from North Carolina's existing cigarette tax. It will also help enforce our fire-safe cigarette law, prevent smuggling and combat youth smoking.

Cigarette stamps are attached to packages of cigarettes as evidence of payment of the cigarette tax (now 45 cents/pack in NC). In 1993, NC's stamp requirement was repealed and now only three states in the nation (North Carolina, South Carolina and North Dakota) do not require cigarette stamps. The lack of the cigarette stamp in NC has allowed NC's relatively inexpensive and low-taxed cigarettes to be bought in large quantities and sold in other states, particularly in northeastern states with higher cigarette taxes. In addition, NC's lack of a cigarette stamp is making it difficult, if not impossible, to enforce our state's new fire-safe cigarette law. Without a mechanism to track cigarettes coming into the state, it is impossible to ensure that the cigarettes coming into the state are actually fire-safe as required by law.

Not having a stamp on North Carolina cigarettes hurts our state and our people:

- Reduces the amount of potential revenue that could be collected by the state from its existing cigarette tax.
- Makes it easy for smugglers to purchase low-cost cigarettes in NC and sell them for a huge profit in high-tax states. Profits have been used to fund terrorism in the Middle East and increases organized crime in our state.
- Makes it easier to continue shipping non fire-safe cigarettes for sale in North Carolina, even though we have a fire-safe cigarette law. Smoking materials are the number one cause of home-fire deaths in North Carolina. Since our fire-safe cigarette law went into effect on January 1, 2010, according to news reports, six people have lost their lives in smoking-related fire deaths. The real number could be much higher.
- Increases teen smoking, disease and death in other states, as our cheap, unstamped cigarettes make their way around the country in the hands of law-breaking smugglers. Teens are more likely to take up smoking when cigarettes are cheap.

The Facts

- 1) It is difficult to predict how much additional revenue a cigarette stamp in NC would generate. All other states that have added the cigarette stamp have experienced revenue increases, for instance:
 - **Hawaii:** When the cigarette stamp was added January 1, 2001, the state increased revenue by over \$20 million the first year without increasing their tax. (Per memo from Hawaii Tobacco Enforcement Unit Legislative report.)

**Hawaii Cigarette Stamp Revenue
Before and After Cigarette Stamp was added January 1, 2001**

1998	1999	2000	2001
\$35,694,447	\$39,697,384	\$40,777,139	\$61,282,238

- **Michigan:** When State added a cigarette stamp in 1998 to reduce smuggling, the state immediately saw an increase in annual cigarette tax revenues of more than 20% (over \$70 million). (Campaign for Tobacco Free Kids, 2010)
- 2) A North Carolina cigarette stamp would reduce profits made by organized crime and terrorists from selling low-tax, unstamped N.C. cigarettes in high-tax states.
 - In Charlotte, a criminal group smuggled N.C. cigarettes to Michigan, making more than \$8 million in profits, a portion of which was sent to the Hezbollah terrorist organization in Lebanon. The cartel was arrested in 2000 and convicted in 2002. (“Tobacco & Terror: How Cigarette Smuggling is Funding our Enemies Abroad” Republican Staff of the U.S. House Committee on Homeland Security, 2007)
 - “The more than \$50,000 in profits that smuggling rings can generate from one contraband load (1,500 cartons) is enough to fund as many as 10 USS Cole bombing operations.” (“Tobacco & Terror: How Cigarette Smuggling is Funding our Enemies Abroad” Republican Staff of the U.S. House Committee on Homeland Security, 2007)
 - “In just two months of illicit cigarette trade operations, a motivated terrorist cell could generate sufficient funds to carry out another September 11th style attack, in which operational costs were estimated to be \$500,000.” (“Tobacco & Terror: How Cigarette Smuggling is Funding our Enemies Abroad” Republican Staff of the U.S. House Committee on Homeland Security, 2007)
 - 3) A North Carolina cigarette stamp would protect N.C. families from home-fire deaths caused by non-fire-safe cigarettes that can make their way to N.C. stores and homes.
 - Cigarettes are the leading cause of home-fire deaths in N.C. (NC Office of the Fire Marshal)
 - In 2007 there were 140,700 smoking-material fires in the U.S., resulting in 720 civilian deaths, 1,580 civilian injuries and \$530 million in property damage. (National Fire Protection Association, 2010)
 - One in four fatal victims of smoking-materials fires are not the smoker whose cigarette caused the fire (National Fire Protection Association, 2010). **The March 10 fire that killed a mother and child in Selma is believed to be caused by an improperly discarded cigarette.**
 - News articles document at least five deaths January – March, 2010 in N.C. from smoking-related home fires (WRAL.com 3-1-10, Asheville *Citizen-Times* 2-17-10, Greensboro *News & Record* 2-9-10, Wilmington *Star-News* 1-5-10)
 - 4) A North Carolina cigarette stamp would protect teens from other states from low-cost, illegally smuggled cigarettes that could lead to addiction, disease and early death.

REINSTATE NORTH CAROLINA’S CIGARETTE STAMP
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