

Treasury Targets Illegal On-line Tobacco Sales

Contact: Terry Stanton, (517) 335-2167

In an effort to crackdown on the illegal sales of untaxed cigarettes, the Michigan Department of Treasury has sent more than 500 letters to Michigan residents who have purchased untaxed cigarettes from internet-based companies. Under Michigan's Tobacco Product Tax Act, it is illegal to purchase cigarettes over the internet or through any other source outside Michigan, unless the purchaser is registered by the State of Michigan or the seller complies with the Act by applying, collecting, and remitting appropriate cigarette and use taxes.

"At its most fundamental level, this is an issue of tax fairness," said Treasurer Rising. "It is only right that out-of-state vendors, who conduct business only on-line and at arms length, follow the letter of the law. These taxes are collected by brick and mortar businesses in Michigan and Internet vendors should not be allowed to skirt their responsibility."

Treasury is requesting that on-line cigarette purchasers send to the state any applicable cigarette tax, use tax, and interest associated with their purchases or they may face significant penalties. Additional mailings will be forthcoming, as Treasury receives new information about on-line tobacco purchases.

Under federal law, Internet cigarette vendors are required to provide the Department of Treasury with names and addresses of all Michigan residents who purchase their products, as well as the quantity purchased and the price paid. In addition, Treasury's Discovery and Enforcement Division has issued subpoenas to several on-line vendors who have not reported sales into Michigan, in order to receive the sales information that should have been previously provided.

"It's important that residents of Michigan understand there is no such thing as 'tax free cigarettes'," said State Treasurer Jay B. Rising. "The Department of Treasury has, and will continue to, enforce the cigarette tax as it does any other tax administered and collected by the state."

Cigarettes sold directly to consumers in Michigan must include the \$2 per pack cigarette tax and must display a Michigan cigarette stamp on each package. Anyone purchasing cigarettes, which have not been properly taxed and stamped, is liable for the cigarette tax and any penalty. In addition, a 6 percent use tax will be assessed on the cost of the cigarettes plus the tax.

"When Michigan residents fully understand the potential tax liabilities and legal consequences associated with purchasing untaxed cigarettes on-line, by catalog, or by driving across state lines, they'll be much less likely to do so again," added Treasurer Rising.