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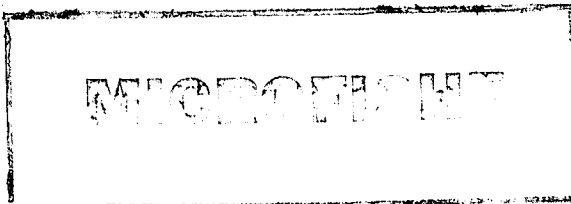
Department of the **TREASURY**

NEWS

BUREAU OF ALCOHOL, TOBACCO & FIREARMS

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ENFORCEMENT AND ADMINISTRATION

OF THE FEDERAL

CONTRABAND CIGARETTE LAW

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PREPARED FOR DELIVERY BEFORE
THE NATIONAL ASSOCIATION OF TOBACCO DISTRIBUTORS

1979 CONVENTION, MGM GRAND HOTEL,
LAS VEGAS, NEVADA, MARCH 27, 1979

NCJRS

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ACQUISITIONS

MR. PRESIDENT, MR. CHAIRMAN, DISTINGUISHED GUESTS:

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOUR ASSOCIATION AND DISCUSS WITH YOU THE RECENTLY ENACTED FEDERAL LAW TO COMBAT CIGARETTE SMUGGLING. THIS IS A MATTER OF IMPORTANCE, AND IMMEDIATE INTEREST, TO THE TOBACCO INDUSTRY AND LAW ENFORCEMENT AGENCIES.

ATF HAS A PRIMARY MISSION TO ENFORCE PUBLIC LAW 95-575, WHICH WAS PASSED BY THE CONGRESS AND SIGNED BY THE PRESIDENT AS A VEHICLE TO BREAK THE BACK OF THE MULTI-MILLION-DOLLAR CIGARETTE SMUGGLING RACKET. THIS NEW LAW SUPPORTS THE INTERESTS OF TAXPAYERS, LOCAL AND STATE GOVERNMENTS, THE FEDERAL GOVERNMENT, AND THE TOBACCO INDUSTRY.

(MORE)

CIGARETTE SMUGGLING HAS AN INDIRECT BUT DELETERIOUS IMPACT ON THE TOBACCO INDUSTRY IN GENERAL, AND LEGITIMATE TOBACCO DISTRIBUTORS IN PARTICULAR. THE NATD RECOGNIZED THIS FACTOR AT AN EARLY DATE AND SUCCESSFULLY SUPPORTED FEDERAL LEGISLATION TO DEAL WITH THE PROBLEM.

THE PRIMARY INVOLVEMENT OF ATF IN TOBACCO MATTERS, PRIOR TO THE ENACTMENT OF RECENT LEGISLATION, WAS TO ASSURE COLLECTION OF FEDERAL TOBACCO EXCISE TAXES. UNTIL NOW, ATF HAS NOT BEEN INVOLVED IN ENFORCEMENT AIMED AT CURBING VIOLATORS WHO TRAFFIC IN CIGARETTES WITH THE EXPRESS PURPOSE OF EVADING STATE AND LOCAL TAXES. THIS KIND OF TAXPAYER RIP-OFF WAS VIEWED PRIMARILY AS A STATE PROBLEM.

(MORE)

NOW WE HAVE A NEW LAW THAT TAKES A DIFFERENT VIEW. IT RECOGNIZES THAT CIGARETTE SMUGGLING IS, IN THE MAIN, AN INTERSTATE PROBLEM. THE VIOLATION OCCURS WHEN CIGARETTES ARE TRANSPORTED FROM A STATE WITH A LOW TOBACCO EXCISE TAX AND MARKETED ILLEGALLY IN STATES HAVING A HIGH TOBACCO TAX. THE RESULT IS A HEAVY LOSS, IN THE HUNDREDS OF MILLIONS OF DOLLARS AT MINIMUM, TO AFFECTED JURISDICTIONS. A CONCOM-- ITANT RESULT IS THAT CIGARETTE SMUGGLING PROFITS INCREASE THE FINANCIAL POSTURE OF ORGANIZED CRIME.

PRACTICAL REALITIES MAKE IT VIRTUALLY IMPOSSIBLE FOR MUNICIPALITIES, COUNTIES AND STATES TO COMBAT INTERSTATE CIGARETTE SMUGGLING. PROBLEMS OF JURISDICTION, MANPOWER AND COORDINATION ARE SIMPLY MONUMENTAL. THE CONGRESS RECOGNIZED THESE DIFFICULTIES IN PASSING LEGISLATION THAT CALLED FOR ENFORCEMENT, AGAINST CIGARETTE SMUGGLING, COORDINATED AT THE FEDERAL LEVEL.

(MORE)

LET US TAKE A CLOSER LOOK AT THE CONTRABAND CIGARETTE LAW. IT IS IMPORTANT TO REMEMBER THE LAW DEALS ONLY WITH CIGARETTES. NO OTHER TOBACCO PRODUCTS ARE INCLUDED.

UNDER THE NEW LAW, IT IS UNLAWFUL FOR ANY PERSON... EXCEPT IN CERTAIN REGULATED INDUSTRY CATEGORIES...TO POSSESS MORE THAN 60,000 CIGARETTES...WHICH DO NOT BEAR EVIDENCE OF APPLICABLE TAX PAYMENT IN THE STATE WHERE SUCH CIGARETTES ARE FOUND.

I WILL BE MORE SPECIFIC ABOUT REGULATED INDUSTRY CATEGORIES, RECOGNIZING THE PARTICULAR RELEVANCE OF THIS POINT TO MEMBERS OF YOUR ASSOCIATION. PERSONS IN REGULATED INDUSTRY CATEGORIES INCLUDE THE LICENSED CIGARETTE MANUFACTURER -- THE EXPORT WAREHOUSE PROPRIETOR -- THE OPERATOR OF A CUSTOMS BONDED WAREHOUSE -- THE COMMON OR CONTRACT CARRIER TRANSPORTING CIGARETTES UNDER A PROPER BILL OF LADING OR FREIGHT BILL -- AND THE PERSON AUTHORIZED BY A STATE TO ACCOUNT FOR AND PAY TAXES IMPOSED BY THAT STATE.

(MORE)

IN SUMMARY, THE EXEMPTIONS PROHIBIT ANYONE OTHER THAN LEGITIMATE MEMBERS OF THE CIGARETTE INDUSTRY FROM TRANSPORTING LARGE QUANTITIES OF CIGARETTES IN INTERSTATE COMMERCE. OR, WE MIGHT SAY THAT WITH LEGITIMATE SHIPMENTS OF CIGARETTES, THERE IS RECOGNITION OF LAWFUL TAX OBLIGATIONS TO STATE AND LOCAL GOVERNMENTS. TRAFFIC IN CIGARETTES -- WHERE THIS TAX OBLIGATION IS NOT RECOGNIZED -- IS ILLEGAL.

RECORDKEEPING REQUIREMENTS OF THE NEW LAW ARE, I KNOW, A MATTER OF CONCERN TO YOU. THE LAW STATES THAT ANY PERSON WHO SELLS, SHIPS OR DISTRIBUTES ANY QUANTITY OF CIGARETTES... IN EXCESS OF 60,000 CIGARETTES, IN A SINGLE TRANSACTION... SHALL MAINTAIN SUCH INFORMATION ABOUT THE SHIPMENT, RECEIPT, SALE AND DISTRIBUTION OF CIGARETTES...AS THE SECRETARY OF THE TREASURY MAY REQUIRE BY RULE OR REGULATION. ATF IS, OF COURSE, A TREASURY BUREAU, AND THE ATF DIRECTOR REPORTS TO THE SECRETARY OF THE TREASURY.

(MORE)

NOW, TO KEY ON THE RECORDKEEPING REQUIREMENTS. RECORDS THAT MAY BE REQUIRED OF CIGARETTE INDUSTRY MEMBERS ARE RESTRICTED TO CERTAIN ITEMS SPECIFICALLY MENTIONED IN THE LAW. LET ME EMPHASIZE THAT UNDER NO CIRCUMSTANCE WILL ATF REQUIRE RECORDS THAT ARE AN UNNECESSARY BURDEN ON THE LAWFUL CIGARETTE INDUSTRY, AND WHICH ARE NOT NECESSARY FOR LAW ENFORCEMENT PURPOSES.

OUR PROPOSED REGULATIONS ARE IN THE RESEARCH AND DRAFTING STAGE AT THIS TIME, AND NO FINAL DECISION HAS BEEN REACHED AS TO EXACTLY WHAT INFORMATION WILL BE REQUIRED. I CAN TELL YOU THAT NATD WILL RECEIVE THE PROPOSED REGULATIONS WHEN THEY ARE COMPLETED AND WILL BE GIVEN THE OPPORTUNITY TO COMMENT ON THEM PRIOR TO IMPLEMENTATION.

I THINK YOU WILL APPROVE OF ONE SECTION IN THE RECORDKEEPING PROVISIONS OF PUBLIC LAW 95-575. WHEREAS MOST STATES REQUIRE A MONTHLY REPORT OF SALES VOLUME BY MANUFACTURERS AND DISTRIBUTORS, THIS PROVISION IS ABSENT IN THE FEDERAL LAW.

(MORE)

RECORDS AND REPORTING REQUIREMENTS MEAN TIME AND MONEY,
BE ASSURED THAT ATF RECOGNIZES THIS TRUTH.

LET ME TURN NOW TO ENFORCEMENT PROVISIONS OF THE
CONTRABAND CIGARETTE LAW, AND BEGIN WITH A STATEMENT MADE
DURING CONGRESSIONAL HEARINGS THAT PRECEDED PASSAGE OF
PUBLIC LAW 95-575. SENATOR EDWARD M. KENNEDY FOCUSED ON
THE COMPLEXITY AND SERIOUSNESS OF THE CIGARETTE SMUGGLING
PROBLEM WHEN HE STATED: "NOT ONLY HAVE STATES LOST HUN-
DREDS OF MILLIONS OF DOLLARS OF NEEDED TAX REVENUE, WHICH
HAS ULTIMATELY FOUND ITS WAY INTO THE COFFERS OF ORGANIZED
CRIME, BUT ALSO THOUSANDS OF LEGITIMATE WHOLESALERS, RETAILERS,
DRIVERS, PACKERS AND SALESMEN HAVE LOST THEIR LIVELIHOOD
AND BUSINESSES AS A DIRECT RESULT OF ORGANIZED CRIME TAKE-
OVER. WITH THE INFILTRATION OF ORGANIZED CRIME INTO THIS
AREA, THERE HAS BEEN EVIDENCE OF INCREASING VIOLENT CRIME:
EXTORTION AND BRIBERY, TRUCK HIJACKINGS, ARMED ROBBERY,
SERIOUS ASSAULTS AND EVEN MURDER."

THIS IS THE REALITY OF CIGARETTE SMUGGLING.

(MORE)

IT IS THE INTENT AND OBJECTIVE OF THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS TO DIRECT OUR CRIMINAL ENFORCEMENT RESOURCES TOWARD THE PERFECTION OF CRIMINAL CASES AGAINST, AND THE SUBSEQUENT PROSECUTION OF, CIGARETTE SMUGGLERS. ATF WILL CONCENTRATE ON INTERSTATE VIOLATIONS, AND PARTICULARLY THOSE LARGE SCALE SMUGGLING RINGS CONTROLLED BY ORGANIZED CRIME.

WE SHALL STRESS COOPERATION WITH STATE AND LOCAL OFFICIALS AND, IN FACT, THIS WORK HAS BEGUN. I AM PLEASED TO REPORT THAT WITHIN THE PAST FEW WEEKS, ATF JOINED WITH STATE OFFICIALS TO SEIZE MORE THAN 9,000 CARTONS OF CONTRABAND CIGARETTES. FIVE VIOLATORS WERE ARRESTED AND FOUR VEHICLES USED TO TRANSPORT SMUGGLED CIGARETTES WERE IMPOUNDED. THESE INVESTIGATIONS ARE CONTINUING AND OTHERS ARE UNDERWAY.

(MORE)

THE SEIZURE OF CONTRABAND CIGARETTES RIGHTFULLY WILL PLACE INCREASING CONSUMER RELIANCE ON THE LEGITIMATE TOBACCO INDUSTRY. THIS REPRESENTS OPPORTUNITY, AND RESPONSIBILITY. IT WILL TAKE A CONTINUING, COOPERATIVE EFFORT ON THE PART OF INDUSTRY, INDUSTRY ASSOCIATIONS, STATE ENFORCEMENT AGENCIES AND THE FEDERAL GOVERNMENT TO MAKE THIS NEW LAW AN EFFECTIVE WEAPON AGAINST CRIME. WITH ADEQUATE RESOURCES, WE BELIEVE THAT ATF CAN BRING TOGETHER A COORDINATED TEAM, COMPRISED OF FEDERAL, STATE AND INDUSTRY MEMBERS, THAT CAN REDUCE ORGANIZED CRIMINAL INVOLVEMENT IN CIGARETTE SMUGGLING ACTIVITIES.

THE CONTRABAND CIGARETTE BILL DOES NOT REPRESENT A THREAT TO THE LEGITIMATE CIGARETTE INDUSTRY. I THINK THIS IS CLEAR. ONLY THOSE PERSONS ENGAGED IN CIGARETTE SMUGGLING ACTIVITIES NEED FEAR THE LAW.

LET ME AGAIN EXPRESS MY APPRECIATION FOR THE OPPORTUNITY TO MEET WITH YOU TODAY AND TO SHARE YOUR COUNSEL. I LOOK FORWARD TO OUR CONTINUED EXCELLENT RELATIONSHIP.

THANK YOU.

END