



Washington State Liquor and Cannabis Board

Tobacco Products & Tax Evasion – First Annual Report 2015

December 31,

Background Information:

ESSB 6052.SL, Section 141, funded a Tobacco Tax unit of 11 commissioned FTEs inside the Washington State Liquor and Cannabis Board (WSLCB). The unit will pursue strategies to reduce the amount of smuggled, contraband, and otherwise untaxed cigarette and tobacco products in the state. The unit’s funding started on October 1, 2015. As of December 1st, the unit has filled 80% of the allotted positions, inclusive of its command staff.

Tobacco Smuggling Overview

- Washington has the third highest tax rate on cigarettes and holds the fourth highest in-bound smuggling rate for cigarettes according to a 2014 study from the Tax Foundation.
- Three different studies from 2012 to 2014 have indicated that 29% to 48% of cigarette sales in the state of Washington are from untaxed sources.
- DOR estimated that the state and local governments lost \$372.6 million dollars in tax revenue in FY 2014 due to cigarette smuggling.

Tobacco Tax Unit: First 60 Days – Enforcement Actions

- Seized over 4,000 packs of cigarettes.
- Issued five criminal citations.
- Criminal case settlement- defendant to pay WA state \$2.4 million in FY 16 from a case developed in late FY15.

Historical Data from LCB’s Tobacco Enforcement – Year 2015 to 2016

	FY2015	FY2016
DOR Referrals/Criminal Cases	\$358,064	3,062,727*

* Total includes 2.4 million dollar settlement from court case developed in late FY15 and payment being made in FY16.

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