
Commerce & Labor Committee

HB 2686

Brief Description: Authorizing inspection of records regarding transportation of cigarettes.

Sponsors: Representatives Hudgins, Condotta and Conway; by request of Liquor Control Board.

Brief Summary of Bill

- The Liquor Control Board is given authority to inspect the records of individuals transporting cigarettes and of contract and common carriers involved in the transportation of cigarettes.

Hearing Date: 1/26/04

Staff: Susan Kavanaugh (786-7106).

Background:

The Liquor Control Board (Board) is responsible for enforcement of the state's tax on cigarettes.

In Washington, it is a gross misdemeanor for anyone except a wholesaler to sell cigarettes that are not stamped to show taxes have been paid on them. Likewise, it is prohibited to transport unstamped cigarettes without a wholesaler's permit.

The Department of Revenue collected \$399 million in cigarette taxes in FY 2003. They estimate evasion of cigarette taxes reduced state revenue by \$213 million in FY 2003 and local revenue by \$9.5 million in FY 2003.

Untaxed cigarettes enter Washington from various out-of-state locations. For a variety of reasons, including to avoid the risk of having their own vehicle seized and forfeited, individuals trying to bring in untaxed cigarettes sometimes transport the cigarettes in rental vehicles or ship them via a company such as United Parcel Service or Federal Express. These businesses are generally not aware of the content being shipped or the use to which a rented truck is being put.

The Board is authorized to inspect records and books of licensed businesses in enforcing the liquor control act. They also have authority to inspect records of those who sell cigarettes by mail order to enforce the tobacco access to minors code. They do not have this authority with regard to enforcement of the tobacco tax.

In the absence of authority to inspect shipping invoices of shipping companies and rental agreements of rental companies, the Board must seek a search warrant for records in individual

situations. To get this the Board must conduct surveillance to determine whether the unstamped cigarettes are going to a legitimate destination, such as a wholesaler.

Summary of Bill:

For the purpose of enforcing the cigarette tax, the Board is given authority to inspect the records of any person transporting cigarettes in Washington. They are also given this authority with regard to records of common or contract carriers that have to do with possession or transportation of cigarettes.

It is a gross misdemeanor, and cause for seizure of cigarettes, to refuse to allow the Board or its agents to inspect records.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.