

Illegal Tobacco Task Force



Illegal Tobacco Task Force

- (b) The task force shall:
- (i) facilitate timely information sharing among state agencies in order to advise or refer matters of potential investigative interest;
- (ii) dedicate not less than an aggregate of 20 personnel from member agencies to carry out enforcement and investigative strategies;
- (iii) **identify where illegal tobacco distribution is most prevalent and target task force members' investigative and enforcement resources** against those in violation of this chapter and chapter 62C, including through the formation of joint investigative and enforcement teams;
- (iv) **assess existing investigative and enforcement methods in the commonwealth and in other jurisdictions and develop and recommend strategies to improve those methods; and**
- (v) solicit the cooperation and participation of other relevant enforcement agencies and establish procedures for referring cases to prosecuting authorities as appropriate.

Report of Commission on Illegal Tobacco - 2014

- “Massachusetts will bring in an additional \$157.5 million a year and that the annual revenue loss from tax avoidance will be in the range of \$62 million to \$246 million in excise taxes and an additional \$12 and \$49 million in sales tax revenues”

Levels of Diversions

I-IV

- **Level I- Personal use-** Individual obtains product for personal use products from out of state or on-line. Impact on Ma- **Low**
- **Level II- Retail use-** Individual obtains product for sale at regional retail outlets. Obtains product from out of state or other country. Small group of customers. Impact on Ma- **Med**

Levels of Diversions

I-IV

- **Level III-Retail distribution.** Organizations have large quantities of tobacco products shipped up from southern states to warehouses. Established distribution structure set up for distribution to retail outlets in a large geographical area.
- **Type I- No tobacco licenses.** Paying no taxes.
Impact- High
- **Type II- Licensed tobacco distributor-** Blends illegal product with legal product. Pays small percentage of tax on overall sales. **Impact -High**

Levels of Diversions

I-IV

- Level IV-Wholesale distributors. Large
Licensed Distributors– Impact- Unknown

Where do we spend out time and resources ?



Tobacco Storage Evidence vs Assets



CHAPTER 64C CIGARETTE EXCISE

Section 38A Seizure, forfeiture and sale of unstamped cigarettes and smokeless tobacco on which tax has not been paid

- Section 38A. Whenever the commissioner or a police officer discovers, in the possession of any person not being a stamper, licensed transportation company or one authorized by the commissioner, any cigarettes subject to tax under this chapter that do not have affixed to them the required Massachusetts stamps showing the payment of excise, or any smokeless tobacco on which tax has not been paid, he may seize and take possession of those cigarettes or smokeless tobacco, together with any vending machine or other receptacle, which shall include, without limitation, a motor vehicle, boat or airplane, in which the cigarettes or smokeless tobacco are contained or in which they are transported. **The cigarettes, smokeless tobacco, vending machine or other receptacle seized by a police officer shall be turned over to the commissioner and shall be forfeited to the commonwealth. The commissioner shall destroy such cigarettes and smokeless tobacco** and shall destroy or otherwise dispose of such vending machine or other receptacle. The commissioner may, within a reasonable time after the seizure, by a public notice at least 5 days before the day of sale, sell the vending machine or other receptacle at public sale

Illegal warehouse-NH



Illegal warehouse-Worcester



Prosecutors seek to auction seized tobacco products from Salem, Pelham raids

- Agents seized 36 pallets of tobacco and other tobacco products from the Salem location and 12 similar pallets in Pelham. USA Wholesalers had obtained a tobacco tax license in November 2013, but had only filed one tax return during its existence, according to prosecutors.

Cases

- Norwood warehouse- Distributed to customers from 2012-2015. IRS/JTTF case. Increased their business in 2014-2015. Investigators believe the loss to Massachusetts is between **21-30 Million** Dollars (documented).
- 3 parties pled guilty in Fed court, awaiting sentencing.
- Tobacco seized- Value between 1-3 Million dollars. Auctioned for \$297,000

NH warehouse- FBI NH case- June 23, 2016- Unknown loss to MA



Warehouse- Worcester Ma

- Operating as Warehouse since November 2014. 11/14-11/15 \$30,000-\$50,000 a week in sales
- 11/15-7/8/16 \$90,000 a week in sales .
- Search Warrant 7/8/16
- Loss to Ma over **4 Million**

Task force past case

- Suspect #1/#2- S/W May 2016-Purchased 35 ½ cases of cigarettes a week. Sold them to stores from Chicopee to Boston, Providence and Hartford. Since 2012 did about 1.9 Million in retail sales. Loss to Ma about **\$800,000**
- Suspect #3 May 2016- Owner of Massachusetts convenience store. Customer of Perez. Selling cigarettes out of his store. Loss to Ma about **\$26,325**

M.G.L 94 C

- Section 47. (a) The following property shall be subject to forfeiture to the commonwealth and all property rights therein shall be in the commonwealth:
- (1) All controlled substances which have been manufactured, delivered, distributed, dispensed or acquired in violation of this chapter.
- d. A district attorney or the attorney general may petition the superior court in the name of the commonwealth in the nature of a proceeding in rem to order forfeiture of a conveyance, real property, moneys or other things of value subject to forfeiture under the provisions of subparagraphs (3), (5), and (7) of subsection (a).

Do we really need to keep it? If so at what cost ?

Storage costs.

Physical space.

Environmental issues.

Health issues.

Tobacco storage

- **Tobacco and Tobacco Products**

- **Revised 2008**

• Storage Conditions	Temperature		Relative Humidity	Storage Period
•	°F	°C		
• Tobacco in bales	35-40	2-4	80 - 85%	1-3 years
• Tobacco in hogsheads	50-65	10-18	50 - 65%	1-3 years
• Cigars	35-50	2-10	60 - 65%	2 months
• Cigarettes	35-46	2-8	55 - 60%	4-6 months
• Snuff	36-38	2-3	80 - 82%	3-5 months

Storage costs

- Warehouse storage
- \$20 per pallet per 30 days + handling fee
- 10 pallets stored for 24 months = \$4,800 + \$200 handling = \$5,000

Container storage

40 foot container \$100 a month

24 months=\$2,400

Questions ?

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