

**Statement of
The Honorable Anthony D. Weiner, Member of Congress**

**Committee on Judiciary
Subcommittee on Crime, Terrorism and Homeland Security**

Hearing on

on

**H.R. 4081, the Prevent All Cigarette Trafficking Act of 2007 and
H.R. 5689, the Smuggled Tobacco Prevention Act of 2008**

May 1, 2008

Mr. Chairman, thank you for calling this hearing on the Prevent All Cigarette Trafficking (or PACT) Act. I have introduced this legislation to correct a number of the deficiencies in current law that have allowed tobacco smuggling to become a multibillion annual industry in the United States. Cigarette smuggling offers criminals potential for high profits with little risk to get caught.

Tobacco smuggling costs federal, state and local governments billions in lost tax revenue, puts law abiding businesses at a tremendous competitive disadvantage to those who flaunt the law, and literally puts cigarettes at the fingertips of American youth who can purchase them online. And most troubling, we know that many of the proceeds from these illegal transactions are being used to fund terrorist activities around the world.

There is a dramatic difference between the price of legally taxed cigarettes and illegal cigarettes. For example, consumers can purchase a carton of Marlboro's on-line for \$31.95. That same carton of cigarettes would sell for \$70 in New York City. Over the last 12 months, there were over 1.1 billion cigarettes sold on-line. This represents billions of dollars lost in state and local revenue. New York City has estimated that they lose at least \$40 million each year due to cigarette smuggling.

Since 2000, 44 states, the District of Columbia and New York City have increased their excise tax on cigarettes by an average of \$.83. Just earlier this month, my home state of New York chose to increase the state excise tax by \$1.25 to a total of \$2.75 per pack. The national average is now \$1.14 per pack.

The PACT Act would address these devastating economic, health and security consequences of this illicit tobacco trade by taking the following steps:

- Strengthening the Jenkins Act by making violations of the Act a felony rather than a misdemeanor, and making it a federal offense for failure to comply with all state tax laws governing the sale of cigarettes via telephone, the mails, or the Internet.

Furthermore, State Attorneys General and local governments that have cigarette excise taxes can seek injunctive relief and civil penalties against out-of-state sellers.

- Prohibiting the shipment of cigarettes and smokeless tobacco products through the U.S. Postal Service.
- Empowering the U.S. Attorney General to compile a list of delivery sellers who fail to comply with act or states' tax laws. Common carriers and the USPS would then be prohibited from delivering for non-compliant sellers on the list.
- Granting ATF records inspection authority for distributors of cigarettes, and creating a penalty for those who refuse inspection.
- Requiring Internet and other remote sellers to verify a purchaser's age and identity through easily accessible databases.

Mr. Chairman, you will hear from witnesses this morning on the need for this legislation, to help address the economic, health and security implications of tobacco smuggling in the United States.

I would like to focus specifically on the link to terrorism, which we know to be real.

- The GAO has estimated that from 1996-2000 Hezbollah alone profited \$1.5 million from the sale of illegal tobacco in the United States.
- The largest single case to date was in 1996, in which millions of dollars of cigarettes were smuggled to Michigan from North Carolina. Authorities seized cigarettes, property, and currency worth \$2 million, and found evidence of proceeds being transferred to bank accounts in Beirut. Three defendants were ultimately found guilty of providing material support to Hezbollah.
- The infamous Lackawanna Seven received funding from an individual named Aref Ahmed for their travel from Buffalo, NY to Afghanistan to attend an al Qaeda training camp. Ahmed was convicted in 2004 on charges of conspiracy to commit money laundering and smuggling contraband cigarettes.

I look forward to hearing from the witnesses today to hear their thoughts on the issue of cigarette smuggling and on the PACT Act.