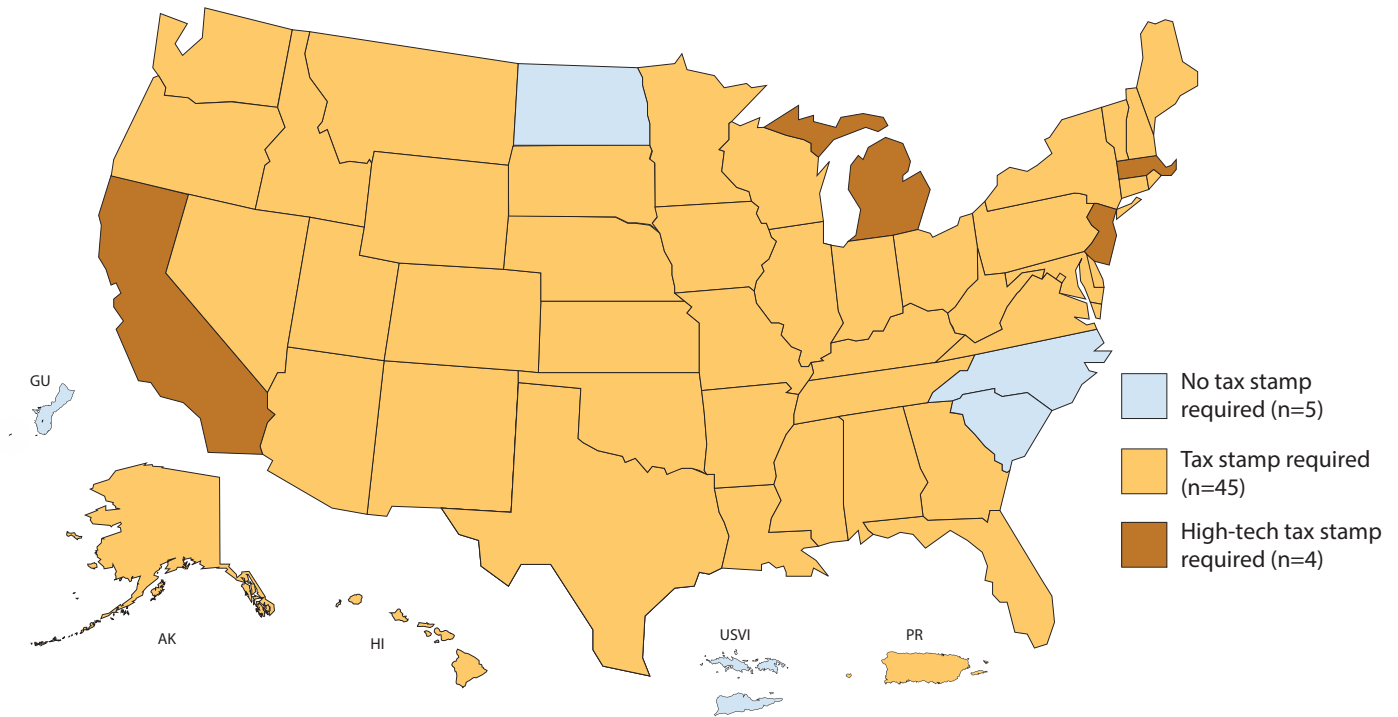


# STATE System Tax Stamp Fact Sheet

## Tax Stamps by Location

In effect as of June 30, 2017 (n=54)



\* South Carolina passed a new law on 3/10/2016 requiring tax stamps on pack of cigarettes. This law becomes effective on 1/1/2019.

## The Tax Stamp Explanation

When a licensed vendor (e.g., manufacturer, distributor, wholesaler) has paid the state excise tax for tobacco products, they receive a stamp from the state to affix to the tobacco products in order to sell at retail. Essentially, tax stamps are evidence of the payment of tax. Tax stamps have been historically required since excise taxes were first imposed on tobacco products, much like stamps are used on other licenses and products states regulate (e.g., hunting, alcohol sales). Forty-seven states and the District of Columbia currently require a tax stamp affixed to tobacco products. It is illegal in those states to sell tobacco products without tax stamps.

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**U.S. Department of Health and Human Services**  
Centers for Disease Control and Prevention

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OSHData: [CDC.gov/OSHData](http://CDC.gov/OSHData)  
Office on Smoking and Health: [CDC.gov/Tobacco](http://CDC.gov/Tobacco)



Increase the number of States requiring **high-tech tax stamps** on packs of cigarettes<sup>6</sup>

### Problem with Old Technology Tax Stamps

The majority of states use outdated tax stamps, which have little protection against counterfeiting. Old stamps contain a heat-applied decal or watermark containing a serial number unique to each roll of stamps.<sup>1</sup> The state licensing process does allow for the state to know which serial numbers are given to which vendor and state agencies do conduct inspections and other enforcement activities.<sup>1</sup>

States lose revenue with the counterfeiting of tobacco tax stamps. As tax rates rise, it becomes more lucrative to take unstamped cigarettes and try and resell them, or to buy cigarettes from a lower tax state or Native-American reservation and place a counterfeit stamp on them in a high-tax state. Evasion of tobacco excise taxes costs states millions of revenue dollars every year. After

the switch to the new high-tech tax stamps, California collected an additional \$110 million dollars in revenue, without raising the excise tax.<sup>2</sup>

### New Counterfeit Resistant Tax Stamps

As cigarette and tobacco taxes increase, so does the incentive to counterfeit tax stamps. States in turn lose out on tax revenue. California was the first state in 2005 to require new counterfeit resistant tax stamps.<sup>3</sup> These new, high-tech tax stamps may have one or more of the following features:

- Encryption protection within the tax stamp to help stop counterfeiting.
- Readability by portable scanners for more effective and efficient enforcement.
- Color shifting dyes to make counterfeiting more difficult.
- Tamper-evident surface cuts to make removal or alteration more difficult.
- Unique serial number.<sup>4</sup>

### State Legislative Activity Regarding Tax Stamps

Currently three states (California, Massachusetts, and New Jersey) require the stamp to have a hologram or encrypted image. Three states (California, Michigan, and New Jersey) require a barcode or other scannable code in the tax stamp. States are now beginning to act in this legislation area as Massachusetts law went into effect January 1, 2012, and New Jersey's law went into effect June 20, 2012.

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# Tax Stamps by State

In effect as of June 30, 2017 (n=54)

Location	Tax Stamp Required	Barcode/Scannable Code Required	Encrypted Image/Hologram Required	Other Requirements
Alabama	Yes			
Alaska	Yes			
Arizona	Yes			
Arkansas	Yes			
California	Yes	Yes	Yes	
Colorado	Yes			
Connecticut	Yes			
Delaware	Yes			
District of Columbia	Yes			
Florida	Yes			
Georgia	Yes			
Guam				
Hawaii	Yes			
Idaho	Yes			
Illinois	Yes			
Indiana	Yes			
Iowa	Yes			
Kansas	Yes			
Kentucky	Yes			
Louisiana	Yes			
Maine	Yes			
Maryland	Yes			
Massachusetts	Yes		Yes	
Michigan	Yes	Yes		Yes*
Minnesota	Yes			
Mississippi	Yes			
Missouri	Yes			
Montana	Yes			
Nebraska	Yes			
Nevada	Yes			
New Hampshire	Yes			
New Jersey	Yes	Yes	Yes	
New Mexico	Yes			
New York	Yes			
North Carolina				
North Dakota				
Ohio	Yes			
Oklahoma	Yes			
Oregon	Yes			
Pennsylvania	Yes			
Puerto Rico	Yes			
Rhode Island	Yes			
South Carolina				
South Dakota	Yes			
Tennessee	Yes			
Texas	Yes			
U.S. Virgin Islands				
Utah	Yes			
Vermont	Yes			
Virginia	Yes			
Washington	Yes			
West Virginia	Yes			
Wisconsin	Yes			
Wyoming	Yes			

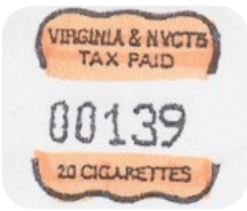
\* The Department of Revenue shall use digital stamps that may also contain other security and enforcement features as determined by the department.

OSHData presents comprehensive tobacco prevention and control data in an online, easy to use, interactive data application.

Download the entire dataset from OSHData.

## Counterfeit Resistant Tax Stamps May be Effective at Reducing Tax Evasion

Within two years of new legislation including encrypted tax stamps, California saw a 37% decline in cigarette tax evasion and increased tax revenue of \$110 million.<sup>5</sup>



**OLD Technology Tax Stamp, Virginia**



**NEW Technology Tax Stamp, California**



**NEW Technology Tax Stamp, Massachusetts**

*The STATE System contains data synthesized from state-level statutory laws. It does not contain state-level regulations; measures implemented by counties, cities, or other localities; opinions of Attorneys General; or relevant case law decisions for tobacco control topics other than preemption; all of which may vary significantly from the laws reported in the database, fact sheets, and publications.*

## References:

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