CIGARETTE TAX EVASION ESTIMATE - FY 2013
CIGARETTE TAX RATE - $3.025 PER PACK

Washington State cigarette tax evasion is derived by comparing the state's per capita consumption of all cigarettes with per capita sales of state taxed cigarettes. This yields 20.2 untaxed packs per capita, which equals 138.9 million untaxed packs in total.

After accounting for legally untaxed pack sales by tribal and military sources, 90.7 million illegally untaxed packs remain. This is 32.9% of all packs sold both legally and illegally.

The data are not detailed enough to quantify sources of evasion or enforcement efforts.

### Per Capita Estimates:

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Per Capita Consumption</td>
<td>50.6 packs</td>
</tr>
<tr>
<td>Washington Per Capita Consumption *</td>
<td>40.0 packs</td>
</tr>
<tr>
<td>Washington Taxable Consumption **</td>
<td>19.8 packs</td>
</tr>
<tr>
<td>Washington Per Capita Gap Estimate</td>
<td>20.2 packs</td>
</tr>
<tr>
<td>Washington Population</td>
<td>6.9 million</td>
</tr>
<tr>
<td>Total Washington Loss</td>
<td>138.9 million packs</td>
</tr>
<tr>
<td>Less: Military Sales ***</td>
<td>(15.0) million packs</td>
</tr>
<tr>
<td>Less: Indian Sales</td>
<td></td>
</tr>
<tr>
<td>a. Compact and contract cigarettes</td>
<td>(32.5) million packs</td>
</tr>
<tr>
<td>b. Indian allotments not included above</td>
<td>(0.7) million packs</td>
</tr>
<tr>
<td>Loss from Evasion</td>
<td>90.7 million packs</td>
</tr>
<tr>
<td>Evasion loss as a percent of total packs purchased</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

### Revenue Losses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost Per Pack</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revenue Losses:</td>
<td>$7.69</td>
</tr>
<tr>
<td>State Cigarette Tax:</td>
<td>302.5 Cents</td>
</tr>
<tr>
<td>Other State Excise Tax:</td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>50.0 Cents</td>
</tr>
<tr>
<td>Total</td>
<td>352.5 Cents</td>
</tr>
<tr>
<td>Local Revenue Loss:</td>
<td></td>
</tr>
<tr>
<td>Local Sales Tax</td>
<td>18.9 Cents</td>
</tr>
<tr>
<td>Total</td>
<td>371.4 Cents</td>
</tr>
</tbody>
</table>

* Assumes that Washington residents per capita consumption is 79% of the U.S. rate (2006 DOR Study).
** Taxable per capita consumption is based on the actual Fiscal Year 2013 sale of cigarette stamps.
*** Assumes 375,525 military and dependents consuming at the Washington per capita rate of 40.0 packs.

Washington State Department of Revenue

March 12, 2014