

CIGARETTE TAX EVASION ESTIMATE - FY 2014
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 19.9 untaxed packs per capita, which equals 139.0 million untaxed packs in total.

After accounting for legal sales by tribal and military sources, 91.9 million illegally untaxed packs remain. This is 34.3% of all packs sold, those sold both legally and illegally.

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

Per Capita Estimates:	
U.S. Per Capita Consumption	48.6 packs
Washington Per Capita Consumption ¹	38.4 packs
Washington Taxable Consumption ²	<u>18.5 packs</u>
Washington Per Capita Gap Estimate	19.9 packs

Washington Population	7.0 million
Total Washington Loss	139.0 million packs
Less: Military Sales ³	(14.4) million packs
Less: Indian Sales	
a. Compact and contract cigarettes ⁴	(32.0) million packs
b. Indian allotments not included above	(0.6) million packs
Loss from Evasion	<u>91.9 million packs</u>
Loss as a percent of total packs purchased	34.3%

Revenue Losses:		\$7.82 Cost Per Pack
State Revenue Losses:	Tax Per Pack	Revenues
	Cents	Millions
State Cigarette Tax:	<u>302.5</u>	<u>\$278.1</u>
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Other State Excise Tax:		
Sales Tax: 6.5%	<u>50.8</u>	<u>46.7</u>
Total	353.3	\$324.9
Local Revenue Loss:		
Local Sales 2.46%	<u>19.2</u>	<u>17.7</u>
Total	372.6	\$342.6

1. Assumes that Washington residents per capita consumption is 79% of the U.S. rate (2006 DOR Study).
2. Taxable per capita consumption is based on the actual Fiscal Year 2014 sale of cigarette stamps.
3. Assumes 375,525 military and dependents consuming at the Washington per capita rate of 38.4 packs.
4. Indian Compact and Contract cigarettes are both legal and taxed.