



Reynolds American Inc.

Case for Tax Stamping of Cigarettes in North Dakota

Reynolds American Inc. supports the tax stamping of cigarettes in the three states that do not currently require tax stamps: North Dakota, North Carolina and South Carolina.

The application of tax stamps to cigarette packs intended for sale in these three states will help to ensure commercial and supply integrity -- the collection of all applicable taxes, as well as enforcement efforts at the state and federal levels to reduce illicit trade. Tax stamps also enhance tracking and traceability throughout the supply chain.

The importance of this issue is illustrated by the fact that the Bureau of Alcohol, Tobacco and Firearms (ATF) estimated in 2010 that approximately \$5 billion in annual tax revenue is lost to the black market.

In 2009, Congress passed the Family Smoking Prevention and Tobacco Control Act, which gave the Food and Drug Administration control of virtually every aspect of the tobacco industry. Tax stamping will benefit the state and distribution community in complying with the tracking, tracing and record keeping provisions of the Tobacco Control Act.

We strongly urge the committee to study what is occurring with regard to cigarette sales by Native Americans, cross border sales among states with differing tax rates, enforcement and the operational needs of the distribution community.

We commend the legislature for taking a proactive approach to this issue, especially now that federal regulation is being implemented. We are prepared to be of assistance in any way we can as you deal with this important issue.