

# **CALIFORNIA'S CIGARETTE AND TOBACCO PRODUCTS LICENSING ACT, TAX STAMP LAW, AND THEIR IMPACT ON SMUGGLING AND OTHER TAX EVASION ACTIVITIES**

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## **ABSTRACT**

*While cigarette price and tax increases may well reduce cigarette demand and consumption, the positive impact of a tax increase may need to be reinforced by efforts to eliminate illicit trade of tobacco products. Recognizing that individual tax avoidance and organized smuggling of cigarettes have a long history in California, the legislators in California sought to tackle this problem through the implementation of the Licensing Act of 2003 and a new tax stamp law. This paper details the above-mentioned legislative mandates, and analyzes the impact of these legislative programs on controlling the illicit cigarette trade in California. This analysis is based on a review of methodologies used by different entities to estimate the magnitude of smuggling. The goal of the study is to provide a clear picture of California's efforts on curbing the illicit cigarette trade and a critical understanding of how to track and measure illicit trade with sound methodologies in order to evaluate the impact of a legislative*

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