

Illicit Trade in Tobacco Can Take a Number of forms

Counterfeit – Fake versions of genuine tobacco products where the packaging is made to look like a genuine pack and/or carton. Counterfeit cigarettes often look identical to genuine cigarettes, but counterfeit cigarettes are manufactured in China and elsewhere in unregulated facilities and they are smuggled into the U.S. through illicit channels. Counterfeit cigarettes are sold in large cities, such as Los Angeles, Miami and New York, and over the Internet. Counterfeit cigarettes may be sold at a discounted price, often by street sellers or even in some small retail outlets.



Illegal Imports (or grey market) – Genuine tobacco products manufactured and intended for sale outside of the U.S. Philip Morris USA sells its products only in the U.S. Philip Morris International is a separate, un-related company and its cigarettes (including Marlboro cigarettes) are intended for sale in countries other than the U.S. and cannot be legally imported into or sold within the U.S. To do so is a violation of U.S. law. Illegal imports often have packaging in another language and do not comply with U.S. packaging requirements, including required warning statements.

Smuggled Tobacco – Genuine tobacco products intended for illegal resale. The profit margin for smuggling tobacco is based on the evasion of applicable excise taxes, duties and/or fees. For example, cigarettes purchased in North Carolina, where the tax is \$0.45 per pack and there is no state tax stamp, are smuggled to New York City and illegally sold without payment of the combined city and state excise taxes of \$5.85 per pack. A potential profit of \$5.40 on each pack of cigarettes provides smugglers a powerful financial incentive.

Remote Sales – Sales of tobacco products to consumers or resellers using the Internet, mail order, telephone or social media on which the seller doesn't pay applicable taxes and fees and doesn't verify the legal age of the purchaser. Federal, state and local laws – such as the Federal Prevent All Cigarette Trafficking Act – govern Internet and remote cigarette sales. Most, if not all, Internet cigarette sellers evade these laws as well. Many Internet sites, particularly those operating outside the U.S., sell cigarettes that appear to be U.S. brands but are not intended for sale in the U.S., grey market, or are counterfeit.

Illicit Manufacturing – Producing tobacco products for sale in the U.S., without the requisite federal license or payment of the applicable federal excise tax. These cigarettes are both branded and non-branded.