

## Prohibition of Distribution of Gray Market Cigarettes

## Tobacco taxes notice

1999 Public Chapter 280, which became law on May 26, 1999, effectively prohibits dealing in cigarettes intended by the manufacturer for export (“gray market” cigarettes).

P.C. 280 provides that no Tennessee cigarette tax stamp may be affixed to a package of cigarettes if (1) the package does not contain the labeling and warning requirements imposed by federal law on cigarette packages intended for sale in the United States; (2) the package is labeled “for export only,” “U.S. tax exempt,” or similar wording; (3) the labeling has been altered; (4) the package violates federal trademark or copyright laws; or (5) effective January 1, 2000, the package has been imported into the U.S. in violation of 26 U.S.C. Section 5754, which deals with importing tobacco products which previously have been exported.

Except with respect to item (5) above, P.C. 280 went into effect on May 26, 1999.

Persons who sell, or possess for the purpose of sale, packages to which tax stamps have been affixed in violation of the P.C. 280, are guilty of a class E felony and an unfair trade practice under the Consumer Protection Act. Any tobacco license they hold will be revoked by the commissioner of revenue. In addition, the act requires the department to seize as contraband any violating package.

Tennessee licensed tobacco wholesalers, who possess violating packages, may obtain a refund for the tax stamps if the packages are returned to the manufacturer and if the procedure set out in Rules and Regulations 1320-4-3-.08 is followed. No refund will be given for stamps on violating packages seized by the department.

Have questions or comments? Please let us know. [Contact us.](#)

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