

AN ACT concerning revenue.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 5. The Cigarette Tax Act is amended by changing Sections 1, 3, 3-10, 4, 4b, 4d, 9c, 18, 18a, 18b, 18c, 20, and 24 and by adding Section 28a as follows:

(35 ILCS 130/1) (from Ch. 120, par. 453.1)

Sec. 1. For the purposes of this Act:

"Brand Style" means a variety of cigarettes distinguished by the tobacco used, tar and nicotine content, flavoring used, size of the cigarette, filtration on the cigarette or packaging.

"Cigarette", means any roll for smoking made wholly or in part of tobacco irrespective of size or shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, and the wrapper or cover of which is made of paper or any other substance or material except tobacco.

"Contraband cigarettes" means:

(a) cigarettes that do not bear a required tax stamp under this Act;

(b) cigarettes for which any required federal taxes have not been paid;

(c) cigarettes that bear a counterfeit tax stamp;

(d) cigarettes that are manufactured, fabricated, assembled, processed, packaged, or labeled by any person other than (i) the owner of the trademark rights in the cigarette brand or (ii) a person that is directly or indirectly authorized by such owner;

(e) cigarettes imported into the United States, or otherwise distributed, in violation of the federal Imported Cigarette Compliance Act of 2000 (Title IV of Public Law 106-476); ~~or~~

(f) cigarettes that have false manufacturing labels; ~~or~~

(g) cigarettes identified in Section 3-10(a)(1) of this Act; or

(h) cigarettes that are improperly tax stamped, including cigarettes that bear a tax stamp of another state or taxing jurisdiction.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint adventure, public or private corporation, however formed, limited liability company, or a receiver, executor, administrator, trustee, guardian or other representative appointed by order of any court.

"Prior Continuous Compliance Taxpayer" means any person who is licensed under this Act and who, having been a licensee for a continuous period of 5 years, is determined by the Department not to have been either delinquent or deficient in the payment of tax liability during that period or otherwise in

violation of this Act. Also, any taxpayer who has, as verified by the Department, continuously complied with the condition of his bond or other security under provisions of this Act for a period of 5 consecutive years shall be considered to be a "Prior continuous compliance taxpayer". In calculating the consecutive period of time described herein for qualification as a "prior continuous compliance taxpayer", a consecutive period of time of qualifying compliance immediately prior to the effective date of this amendatory Act of 1987 shall be credited to any licensee who became licensed on or before the effective date of this amendatory Act of 1987.

"Department" means the Department of Revenue.

"Sale" means any transfer, exchange or barter in any manner or by any means whatsoever for a consideration, and includes and means all sales made by any person.

"Original Package" means the individual packet, box or other container whatsoever used to contain and to convey cigarettes to the consumer.

"Distributor" means any and each of the following:

(1) Any person engaged in the business of selling cigarettes in this State who brings or causes to be brought into this State from without this State any original packages of cigarettes, on which original packages there is no authorized evidence underneath a sealed transparent wrapper showing that the tax liability imposed by this Act has been paid or assumed by the out-of-State seller of such cigarettes,

for sale or other disposition in the course of such business.

(2) Any person who makes, manufactures or fabricates cigarettes in this State for sale in this State, except a person who makes, manufactures or fabricates cigarettes as a part of a correctional industries program for sale to residents incarcerated in penal institutions or resident patients of a State-operated mental health facility.

(3) Any person who makes, manufactures or fabricates cigarettes outside this State, which cigarettes are placed in original packages contained in sealed transparent wrappers, for delivery or shipment into this State, and who elects to qualify and is accepted by the Department as a distributor under Section 4b of this Act.

"Place of business" shall mean and include any place where cigarettes are sold or where cigarettes are manufactured, stored or kept for the purpose of sale or consumption, including any vessel, vehicle, airplane, train or vending machine.

"Business" means any trade, occupation, activity or enterprise engaged in for the purpose of selling cigarettes in this State.

"Retailer" means any person who engages in the making of transfers of the ownership of, or title to, cigarettes to a purchaser for use or consumption and not for resale in any form, for a valuable consideration. "Retailer" does not include a person:

(1) who transfers to residents incarcerated in penal institutions or resident patients of a State-operated mental health facility ownership of cigarettes made, manufactured, or fabricated as part of a correctional industries program; or

(2) who transfers cigarettes to a not-for-profit research institution that conducts tests concerning the health effects of tobacco products and who does not offer the cigarettes for resale.

"Retailer" shall be construed to include any person who engages in the making of transfers of the ownership of, or title to, cigarettes to a purchaser, for use or consumption by any other person to whom such purchaser may transfer the cigarettes without a valuable consideration, except a person who transfers to residents incarcerated in penal institutions or resident patients of a State-operated mental health facility ownership of cigarettes made, manufactured or fabricated as part of a correctional industries program.

"Stamp" or "stamps" mean the indicia required to be affixed on a pack of cigarettes that evidence payment of the tax on cigarettes under Section 2 of this Act ~~(35 ILCS 130/2), or the indicia used to indicate that the cigarettes are intended for a sale or distribution within this State that is exempt from State tax under any applicable provision of law.~~

~~"Within this State" means within the exterior limits of the State of Illinois and includes all territory within these~~

~~limits owned by or ceded to the United States of America.~~

"Related party" means any person that is associated with any other person because he or she:

(a) is an officer or director of a business; or

(b) is legally recognized as a partner in business. †

~~or~~

~~(c) is directly or indirectly controlled by another.~~

(Source: P.A. 95-462, eff. 8-27-07; 95-1053, eff. 1-1-10.)

(35 ILCS 130/3) (from Ch. 120, par. 453.3)

Sec. 3. Affixing tax stamp; remitting tax to the Department. Payment of the taxes imposed by Section 2 of this Act shall (except as hereinafter provided) be evidenced by revenue tax stamps affixed to each original package of cigarettes. Each distributor of cigarettes, before delivering or causing to be delivered any original package of cigarettes in this State to a purchaser, shall firmly affix a proper stamp or stamps to each such package, or (in case of manufacturers of cigarettes in original packages which are contained inside a sealed transparent wrapper) shall imprint the required language on the original package of cigarettes beneath such outside wrapper, as hereinafter provided. ~~Any stamp required by this Act shall note whether the State tax under Section 2 of this Act (35 ILCS 130/2) was paid.~~

No stamp or imprint may be affixed to, or made upon, any package of cigarettes unless that package complies with all

requirements of the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1331 and following, for the placement of labels, warnings, or any other information upon a package of cigarettes that is sold within the United States. Under the authority of Section 6, the Department shall revoke the license of any distributor that is determined to have violated this paragraph. A person may not affix a stamp on a package of cigarettes, cigarette papers, wrappers, or tubes if that individual package has been marked for export outside the United States with a label or notice in compliance with Section 290.185 of Title 27 of the Code of Federal Regulations. It is not a defense to a proceeding for violation of this paragraph that the label or notice has been removed, mutilated, obliterated, or altered in any manner.

Only distributors licensed under this Act and transporters, as defined in Section 9c of this Act, may possess ~~or out of state manufacturers holding a permit under this Act~~ may receive unstamped original packages ~~packs~~ of cigarettes. Prior to shipment to an Illinois retailer, a stamp shall be applied to each original package of cigarettes sold to the retailer. A distributor may apply tax stamps only to original packages of cigarettes purchased or obtained directly from an in-state maker, manufacturer, or fabricator licensed as a distributor under Section 4 of this Act or an out-of-state maker, manufacturer, or fabricator holding a permit under Section 4b of this Act. A ~~another person, each licensed~~

~~distributor or out of state manufacturer holding a permit shall apply a stamp to each pack of cigarettes imported, distributed, or sold whether or not such cigarettes are subject to State tax under Section 2 of this Act (35 ILCS 130/2) or any other provision of State law, provided that a distributor or out of state manufacturer may only apply a tax stamp to a pack of cigarettes purchased or obtained directly from a licensed distributor or an out of state manufacturer holding a permit.~~ Only a licensed distributor ~~or an out of state manufacturer holding a permit~~ may ship or otherwise cause to be delivered unstamped original packages ~~packs~~ of cigarettes in, into, or from this State. ~~A , provided that a licensed distributor or an out of state manufacturer holding a permit~~ may transport unstamped original packages ~~packs~~ of cigarettes to a facility, wherever located, owned or controlled by such distributor; however, a distributor may not transport unstamped original packages of cigarettes to a facility where retail sales of cigarettes take place ~~or manufacturer~~. Any licensed distributor ~~person~~ that ships or otherwise causes to be delivered unstamped original packages ~~packs~~ of cigarettes into, within, or from this State shall ensure that the invoice or equivalent documentation and the bill of lading or freight bill for the shipment identifies the true name and address of the consignor ~~cosignor~~ or seller, the true name and address of the consignee ~~cosignee~~ or purchaser, and the quantity by brand style of the cigarettes so transported, provided that this



Section shall not be construed as to impose any requirement or liability upon any common or contract carrier.

The Department, or any person authorized by the Department, shall sell such stamps only to persons holding valid licenses as distributors under this Act. On and after July 1, 2003, payment for such stamps must be made by means of electronic funds transfer. The Department may refuse to sell stamps to any person who does not comply with the provisions of this Act. Beginning on the effective date of this amendatory Act of the 92nd General Assembly and through June 30, 2002, persons holding valid licenses as distributors may purchase cigarette tax stamps up to an amount equal to 115% of the distributor's average monthly cigarette tax stamp purchases over the 12 calendar months prior to the effective date of this amendatory Act of the 92nd General Assembly.

Prior to December 1, 1985, the Department shall allow a distributor 21 days in which to make final payment of the amount to be paid for such stamps, by allowing the distributor to make payment for the stamps at the time of purchasing them with a draft which shall be in such form as the Department prescribes, and which shall be payable within 21 days thereafter: Provided that such distributor has filed with the Department, and has received the Department's approval of, a bond, which is in addition to the bond required under Section 4 of this Act, payable to the Department in an amount equal to 80% of such distributor's average monthly tax liability to the

Department under this Act during the preceding calendar year or \$500,000, whichever is less. The Bond shall be joint and several and shall be in the form of a surety company bond in such form as the Department prescribes, or it may be in the form of a bank certificate of deposit or bank letter of credit. The bond shall be conditioned upon the distributor's payment of amount of any 21-day draft which the Department accepts from that distributor for the delivery of stamps to that distributor under this Act. The distributor's failure to pay any such draft, when due, shall also make such distributor automatically liable to the Department for a penalty equal to 25% of the amount of such draft.

On and after December 1, 1985 and until July 1, 2003, the Department shall allow a distributor 30 days in which to make final payment of the amount to be paid for such stamps, by allowing the distributor to make payment for the stamps at the time of purchasing them with a draft which shall be in such form as the Department prescribes, and which shall be payable within 30 days thereafter, and beginning on January 1, 2003 and thereafter, the draft shall be payable by means of electronic funds transfer: Provided that such distributor has filed with the Department, and has received the Department's approval of, a bond, which is in addition to the bond required under Section 4 of this Act, payable to the Department in an amount equal to 150% of such distributor's average monthly tax liability to the Department under this Act during the preceding calendar year or

\$750,000, whichever is less, except that as to bonds filed on or after January 1, 1987, such additional bond shall be in an amount equal to 100% of such distributor's average monthly tax liability under this Act during the preceding calendar year or \$750,000, whichever is less. The bond shall be joint and several and shall be in the form of a surety company bond in such form as the Department prescribes, or it may be in the form of a bank certificate of deposit or bank letter of credit. The bond shall be conditioned upon the distributor's payment of the amount of any 30-day draft which the Department accepts from that distributor for the delivery of stamps to that distributor under this Act. The distributor's failure to pay any such draft, when due, shall also make such distributor automatically liable to the Department for a penalty equal to 25% of the amount of such draft.

Every prior continuous compliance taxpayer shall be exempt from all requirements under this Section concerning the furnishing of such bond, as defined in this Section, as a condition precedent to his being authorized to engage in the business licensed under this Act. This exemption shall continue for each such taxpayer until such time as he may be determined by the Department to be delinquent in the filing of any returns, or is determined by the Department (either through the Department's issuance of a final assessment which has become final under the Act, or by the taxpayer's filing of a return which admits tax to be due that is not paid) to be delinquent

or deficient in the paying of any tax under this Act, at which time that taxpayer shall become subject to the bond requirements of this Section and, as a condition of being allowed to continue to engage in the business licensed under this Act, shall be required to furnish bond to the Department in such form as provided in this Section. Such taxpayer shall furnish such bond for a period of 2 years, after which, if the taxpayer has not been delinquent in the filing of any returns, or delinquent or deficient in the paying of any tax under this Act, the Department may reinstate such person as a prior continuance compliance taxpayer. Any taxpayer who fails to pay an admitted or established liability under this Act may also be required to post bond or other acceptable security with the Department guaranteeing the payment of such admitted or established liability.

Any person aggrieved by any decision of the Department under this Section may, within the time allowed by law, protest and request a hearing, whereupon the Department shall give notice and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to such person. In the absence of such a protest filed within the time allowed by law, the Department's decision shall become final without any further determination being made or notice given.

The Department shall discharge any surety and shall release and return any bond or security deposited, assigned, pledged,

or otherwise provided to it by a taxpayer under this Section within 30 days after:

(1) Such taxpayer becomes a prior continuous compliance taxpayer; or

(2) Such taxpayer has ceased to collect receipts on which he is required to remit tax to the Department, has filed a final tax return, and has paid to the Department an amount sufficient to discharge his remaining tax liability as determined by the Department under this Act. The Department shall make a final determination of the taxpayer's outstanding tax liability as expeditiously as possible after his final tax return has been filed. If the Department cannot make such final determination within 45 days after receiving the final tax return, within such period it shall so notify the taxpayer, stating its reasons therefor.

The Department may authorize distributors to affix revenue tax stamps by imprinting tax meter stamps upon original packages of cigarettes. The Department shall adopt rules and regulations relating to the imprinting of such tax meter stamps as will result in payment of the proper taxes as herein imposed. No distributor may affix revenue tax stamps to original packages of cigarettes by imprinting tax meter stamps thereon unless such distributor has first obtained permission from the Department to employ this method of affixation. The Department shall regulate the use of tax meters and may, to assure the proper collection of the taxes imposed by this Act,

revoke or suspend the privilege, theretofore granted by the Department to any distributor, to imprint tax meter stamps upon original packages of cigarettes.

Illinois cigarette manufacturers who place their cigarettes in original packages which are contained inside a sealed transparent wrapper, and similar out-of-State cigarette manufacturers who elect to qualify and are accepted by the Department as distributors under Section 4b(a) of this Act, shall pay the taxes imposed by this Act by remitting the amount thereof to the Department by the 5th day of each month covering cigarettes shipped or otherwise delivered in Illinois to purchasers during the preceding calendar month. Such manufacturers of cigarettes in original packages which are contained inside a sealed transparent wrapper, before delivering such cigarettes or causing such cigarettes to be delivered in this State to purchasers, shall evidence their obligation to remit the taxes due with respect to such cigarettes by imprinting language to be prescribed by the Department on each original package of such cigarettes underneath the sealed transparent outside wrapper of such original package, in such place thereon and in such manner as the Department may designate. Such imprinted language shall acknowledge the manufacturer's payment of or liability for the tax imposed by this Act with respect to the distribution of such cigarettes.

A distributor shall not affix, or cause to be affixed, any

stamp or imprint to a package of cigarettes, as provided for in this Section, if the tobacco product manufacturer, as defined in Section 10 of the Tobacco Product Manufacturers' Escrow Act, that made or sold the cigarettes has failed to become a participating manufacturer, as defined in subdivision (a)(1) of Section 15 of the Tobacco Product Manufacturers' Escrow Act, or has failed to create a qualified escrow fund for any cigarettes manufactured by the tobacco product manufacturer and sold in this State or otherwise failed to bring itself into compliance with subdivision (a)(2) of Section 15 of the Tobacco Product Manufacturers' Escrow Act.

(Source: P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 130/3-10)

Sec. 3-10. Cigarette enforcement.

(a) Prohibitions. It is unlawful for any person:

(1) to sell or distribute in this State; to acquire, hold, own, possess, or transport, for sale or distribution in this State; or to import, or cause to be imported into this State for sale or distribution in this State:

(A) any cigarettes the package of which:

(i) bears any statement, label, stamp, sticker, or notice indicating that the manufacturer did not intend the cigarettes to be sold, distributed, or used in the United States, including but not limited to labels stating "For

Export Only", "U.S. Tax Exempt", "For Use Outside U.S.", or similar wording; or

(ii) does not comply with:

(aa) all requirements imposed by or pursuant to federal law regarding warnings and other information on packages of cigarettes manufactured, packaged, or imported for sale, distribution, or use in the United States, including but not limited to the precise warning labels specified in the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333; and

(bb) all federal trademark and copyright laws;

(B) any cigarettes imported into the United States in violation of 26 U.S.C. 5754 or any other federal law, or implementing federal regulations;

(C) any cigarettes that such person otherwise knows or has reason to know the manufacturer did not intend to be sold, distributed, or used in the United States; or

(D) any cigarettes for which there has not been submitted to the Secretary of the U.S. Department of Health and Human Services the list or lists of the ingredients added to tobacco in the manufacture of the cigarettes required by the federal Cigarette Labeling



and Advertising Act, 15 U.S.C. 1335a;

(2) to alter the package of any cigarettes, prior to sale or distribution to the ultimate consumer, so as to remove, conceal, or obscure:

(A) any statement, label, stamp, sticker, or notice described in subdivision (a)(1)(A)(i) of this Section;

(B) any health warning that is not specified in, or does not conform with the requirements of, the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333; or

(3) to affix any stamp required pursuant to this Act to the package of any cigarettes described in subdivision (a)(1) of this Section or altered in violation of subdivision (a)(2). ~~or~~

~~(4) to knowingly possess, or possess for sale, contraband cigarettes.~~

(b) Documentation. On the first business day of each month, each person licensed to affix the State tax stamp to cigarettes shall file with the Department, for all cigarettes imported into the United States to which the person has affixed the tax stamp in the preceding month:

(1) a copy of:

(A) the permit issued pursuant to the Internal Revenue Code, 26 U.S.C. 5713, to the person importing the cigarettes into the United States allowing the

person to import the cigarettes; and

(B) the customs form containing, with respect to the cigarettes, the internal revenue tax information required by the U.S. Bureau of Alcohol, Tobacco and Firearms;

(2) a statement, signed by the person under penalty of perjury, which shall be treated as confidential by the Department and exempt from disclosure under the Freedom of Information Act, identifying the brand and brand styles of all such cigarettes, the quantity of each brand style of such cigarettes, the supplier of such cigarettes, and the person or persons, if any, to whom such cigarettes have been conveyed for resale; and a separate statement, signed by the individual under penalty of perjury, which shall not be treated as confidential or exempt from disclosure, separately identifying the brands and brand styles of such cigarettes; and

(3) a statement, signed by an officer of the manufacturer or importer under penalty of perjury, certifying that the manufacturer or importer has complied with:

(A) the package health warning and ingredient reporting requirements of the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333 and 1335a, with respect to such cigarettes; and

(B) the provisions of Exhibit T of the Master

Settlement Agreement entered in the case of People of the State of Illinois v. Philip Morris, et al. (Circuit Court of Cook County, No. 96-L13146), including a statement indicating whether the manufacturer is, or is not, a participating tobacco manufacturer within the meaning of Exhibit T.

(c) Administrative sanctions.

(1) Upon finding that a distributor or person has committed any of the acts prohibited by subsection (a), knowing or having reason to know that he or she has done so, or has failed to comply with any requirement of subsection (b), the Department may revoke or suspend the license or licenses of any distributor pursuant to the procedures set forth in Section 6 and impose on the distributor, or on the person, a civil penalty in an amount not to exceed the greater of 500% of the retail value of the cigarettes involved or \$5,000.

(2) Cigarettes that are acquired, held, owned, possessed, transported in, imported into, or sold or distributed in this State in violation of this Section shall be deemed contraband under this Act and are subject to seizure and forfeiture as provided in this Act, and all such cigarettes seized and forfeited shall be destroyed or maintained and used in an undercover capacity. Such cigarettes shall be deemed contraband whether the violation of this Section is knowing or otherwise.

(d) Unfair trade practices. In addition to any other penalties provided for in this Act, a violation of subsection (a) or subsection (b) of this Section shall constitute an unlawful practice as provided in the Consumer Fraud and Deceptive Business Practices Act.

(d-1) Retailers shall not be liable under subsections (c)(1) and (d) of this Section for unknowingly possessing, selling, or distributing to consumers or users cigarettes identified in subsection (a)(1) of this Section if the cigarettes possessed, sold, or distributed by the retailer were obtained from a distributor licensed under this Act.

(e) Unfair cigarette sales. For purposes of the Trademark Registration and Protection Act and the Counterfeit Trademark Act, cigarettes imported or reimported into the United States for sale or distribution under any trade name, trade dress, or trademark that is the same as, or is confusingly similar to, any trade name, trade dress, or trademark used for cigarettes manufactured in the United States for sale or distribution in the United States shall be presumed to have been purchased outside of the ordinary channels of trade.

(f) General provisions.

(1) This Section shall be enforced by the Department; provided that, at the request of the Director of Revenue or the Director's duly authorized agent, the State police and all local police authorities shall enforce the provisions of this Section. The Attorney General has concurrent power

with the State's Attorney of any county to enforce this Section.

(2) For the purpose of enforcing this Section, the Director of Revenue and any agency to which the Director has delegated enforcement responsibility pursuant to subdivision (f)(1) may request information from any State or local agency and may share information with and request information from any federal agency and any agency of any other state or any local agency of any other state.

(3) In addition to any other remedy provided by law, including enforcement as provided in subdivision (a)(1), any person may bring an action for appropriate injunctive or other equitable relief for a violation of this Section; actual damages, if any, sustained by reason of the violation; and, as determined by the court, interest on the damages from the date of the complaint, taxable costs, and reasonable attorney's fees. If the trier of fact finds that the violation is flagrant, it may increase recovery to an amount not in excess of 3 times the actual damages sustained by reason of the violation.

(g) Definitions. As used in this Section:

"Importer" means that term as defined in 26 U.S.C. 5702(1).

"Package" means that term as defined in 15 U.S.C. 1332(4).

(h) Applicability.

(1) This Section does not apply to:

(A) cigarettes allowed to be imported or brought

into the United States for personal use; and

(B) cigarettes sold or intended to be sold as duty-free merchandise by a duty-free sales enterprise in accordance with the provisions of 19 U.S.C. 1555(b) and any implementing regulations; except that this Section shall apply to any such cigarettes that are brought back into the customs territory for resale within the customs territory.

(2) The penalties provided in this Section are in addition to any other penalties imposed under other provision of law.

(Source: P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 130/4) (from Ch. 120, par. 453.4)

Sec. 4. Distributor's license. No person may engage in business as a distributor of cigarettes in this State within the meaning of the first 2 definitions of distributor in Section 1 of this Act without first having obtained a license therefor from the Department. Application for license shall be made to the Department in form as furnished and prescribed by the Department. Each applicant for a license under this Section shall furnish to the Department on the form signed and verified by the applicant under penalty of perjury the following information:

(a) The name and address of the applicant;

(b) The address of the location at which the applicant

proposes to engage in business as a distributor of cigarettes in this State;

(c) Such other additional information as the Department may lawfully require by its rules and regulations.

The annual license fee payable to the Department for each distributor's license shall be \$250. The purpose of such annual license fee is to defray the cost, to the Department, of serializing cigarette tax stamps. Each applicant for license shall pay such fee to the Department at the time of submitting his application for license to the Department.

Every applicant who is required to procure a distributor's license shall file with his application a joint and several bond. Such bond shall be executed to the Department of Revenue, with good and sufficient surety or sureties residing or licensed to do business within the State of Illinois, in the amount of \$2,500, conditioned upon the true and faithful compliance by the licensee with all of the provisions of this Act. Such bond, or a reissue thereof, or a substitute therefor, shall be kept in effect during the entire period covered by the license. A separate application for license shall be made, a separate annual license fee paid, and a separate bond filed, for each place of business at which a person who is required to procure a distributor's license under this Section proposes to engage in business as a distributor in Illinois under this Act.

The following are ineligible to receive a distributor's

license under this Act:

(1) a person who is not of good character and reputation in the community in which he resides;

(2) a person who has been convicted of a felony under any Federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that such person has not been sufficiently rehabilitated to warrant the public trust;

(3) a corporation, if any officer, manager or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a license under this Act for any reason;~~;~~

(4) a person, or any person who owns more than 15 percent of the ownership interests in a person or a related party who:

(a) owes, at the time of application, any ~~\$500 or more~~ in delinquent cigarette taxes that have been determined by law to be due and unpaid, unless the license applicant has entered into an agreement approved by the Department to pay the amount due;

(b) had a license under this Act revoked within the past two years by the Department for ~~willful~~ misconduct relating to stolen or contraband



cigarettes or has been convicted of a State or federal crime, punishable by imprisonment of one year or more, relating to stolen or contraband cigarettes;

(c) ~~is a distributor who~~ manufactures cigarettes, whether in this State or out of this State, and who is neither (i) a participating manufacturer as defined in subsection II(jj) of the "Master Settlement Agreement" as defined in Sections 10 of the Tobacco Products Manufacturers' Escrow Act and the Tobacco Products Manufacturers' Escrow Enforcement Act of 2003 (30 ILCS 168/10 and 30 ILCS 167/10); nor (ii) in full compliance with Tobacco Products Manufacturers' Escrow Act and the Tobacco Products Manufacturers' Escrow Enforcement Act of 2003 (30 ILCS 168/ and 30 ILCS 167/);

(d) has been found by the Department, after notice and a hearing, to have ~~willfully~~ imported or caused to be imported into the United States for sale or distribution any cigarette in violation of 19 U.S.C. 1681a;

(e) has been found by the Department, after notice and a hearing, to have ~~willfully~~ imported or caused to be imported into the United States for sale or distribution or manufactured for sale or distribution in the United States any cigarette

that does not fully comply with the Federal Cigarette Labeling and Advertising Act (15 U.S.C. 1331, et seq.); or

(f) has been found by the Department, after notice and a hearing, to have ~~willfully~~ made a material false statement in the application or has ~~willfully~~ failed to produce records required to be maintained by this Act.

The Department, upon receipt of an application, license fee and bond in proper form, from a person who is eligible to receive a distributor's license under this Act, shall issue to such applicant a license in form as prescribed by the Department, which license shall permit the applicant to which it is issued to engage in business as a distributor at the place shown in his application. All licenses issued by the Department under this Act shall be valid for not to exceed one year after issuance unless sooner revoked, canceled or suspended as provided in this Act. No license issued under this Act is transferable or assignable. Such license shall be conspicuously displayed in the place of business conducted by the licensee in Illinois under such license. No distributor licensee acquires any vested interest or compensable property right in a license issued under this Act.

A licensed distributor shall notify the Department of any change in the information contained on the application form, including any change in ownership and shall do so within 30

days after any such change.

Any person aggrieved by any decision of the Department under this Section may, within 20 days after notice of the decision, protest and request a hearing. Upon receiving a request for a hearing, the Department shall give notice to the person requesting the hearing of the time and place fixed for the hearing and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to that person. In the absence of a protest and request for a hearing within 20 days, the Department's decision shall become final without any further determination being made or notice given.

(Source: P.A. 95-1053, eff. 1-1-10; revised 4-17-09.)

(35 ILCS 130/4b) (from Ch. 120, par. 453.4b)

Sec. 4b.

(a) The Department may, in its discretion, upon application, issue permits authorizing the payment of the tax herein imposed by out-of-State cigarette manufacturers who are not required to be licensed as distributors of cigarettes in this State, but who elect to qualify under this Act as distributors of cigarettes in this State, and who, to the satisfaction of the Department, furnish adequate security to insure payment of the tax, provided that any such permit shall extend only to cigarettes which such permittee manufacturer places in original packages that are contained inside a sealed

transparent wrapper. Such permits shall be issued without charge in such form as the Department may prescribe and shall not be transferable or assignable.

The following are ineligible to receive a distributor's permit under this subsection ~~Act~~:

(1) a person who is not of good character and reputation in the community in which he resides;

(2) a person who has been convicted of a felony under any Federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that such person has not been sufficiently rehabilitated to warrant the public trust;

(3) a corporation, if any officer, manager or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a permit under this Act for any reason.

With respect to cigarettes which come within the scope of such a permit and which any such permittee delivers or causes to be delivered in Illinois to licensed distributors ~~purchasers~~, such permittee shall remit the tax imposed by this Act at the times provided for in Section 3 of this Act. Each such remittance shall be accompanied by a return filed with the Department on a form to be prescribed and furnished by the Department and shall disclose such information as the Department may lawfully require. The Department may promulgate

rules to require that the permittee's return be accompanied by appropriate computer-generated magnetic media supporting schedule data in the format prescribed by the Department, unless, as provided by rule, the Department grants an exception upon petition of the permittee. Each such return shall be accompanied by a copy of each invoice rendered by the permittee to any licensed distributor ~~purchaser~~ to whom the permittee delivered cigarettes of the type covered by the permit (or caused cigarettes of the type covered by the permit to be delivered) in Illinois during the period covered by such return.

Such permit may be suspended, canceled or revoked when, at any time, the Department considers that the security given is inadequate, or that such tax can more effectively be collected from distributors located in this State, or whenever the permittee violates any provision of this Act or any lawful rule or regulation issued by the Department pursuant to this Act or is determined to be ineligible for a distributor's permit under this Act as provided in this Section, whenever the permittee shall notify the Department in writing of his desire to have the permit canceled. The Department shall have the power, in its discretion, to issue a new permit after such suspension, cancellation or revocation, except when the person who would receive the permit is ineligible to receive a distributor's permit under this Act.

All permits issued by the Department under this Act shall

be valid for not to exceed one year after issuance unless sooner revoked, canceled or suspended as in this Act provided.

(b) Out-of-state cigarette manufacturers who are not required to be licensed as distributors of cigarettes in this State and who do not elect to obtain approval under subsection 4b(a) to pay the tax imposed by this Act, but who elect to qualify under this Act as distributors of cigarettes in this State for purposes of shipping and delivering unstamped original packages of cigarettes into this State to licensed distributors, shall obtain a permit from the Department. These permits shall be issued without charge in such form as the Department may prescribe and shall not be transferable or assignable.

The following are ineligible to receive a distributor's permit under this subsection:

(1) a person who is not of good character and reputation in the community in which he or she resides;

(2) a person who has been convicted of a felony under any federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that the person has not been sufficiently rehabilitated to warrant the public trust; and

(3) a corporation, if any officer, manager, or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of the corporation, would not be eligible to receive a permit under this Act

for any reason.

With respect to original packages of cigarettes that such permittee delivers or causes to be delivered in Illinois and distributes to the public for promotional purposes without consideration, the permittee shall pay the tax imposed by this Act by remitting the amount thereof to the Department by the 5th day of each month covering cigarettes shipped or otherwise delivered in Illinois for those purposes during the preceding calendar month. The permittee, before delivering those cigarettes or causing those cigarettes to be delivered in this State, shall evidence his or her obligation to remit the taxes due with respect to those cigarettes by imprinting language to be prescribed by the Department on each original package of cigarettes, in such place thereon and in such manner also to be prescribed by the Department. The imprinted language shall acknowledge the permittee's payment of or liability for the tax imposed by this Act with respect to the distribution of those cigarettes.

With respect to cigarettes that the permittee delivers or causes to be delivered in Illinois to Illinois licensed distributors or distributed to the public for promotional purposes, the permittee shall, by the 5th day of each month, file with the Department, a report covering cigarettes shipped or otherwise delivered in Illinois to licensed distributors or distributed to the public for promotional purposes during the preceding calendar month on a form to be prescribed and

furnished by the Department and shall disclose such other information as the Department may lawfully require. The Department may promulgate rules to require that the permittee's report be accompanied by appropriate computer-generated magnetic media supporting schedule data in the format prescribed by the Department, unless, as provided by rule, the Department grants an exception upon petition of the permittee. Each such report shall be accompanied by a copy of each invoice rendered by the permittee to any purchaser to whom the permittee delivered cigarettes of the type covered by the permit (or caused cigarettes of the type covered by the permit to be delivered) in Illinois during the period covered by such report.

Such permit may be suspended, canceled, or revoked whenever the permittee violates any provision of this Act or any lawful rule or regulation issued by the Department pursuant to this Act, is determined to be ineligible for a distributor's permit under this Act as provided in this Section, or notifies the Department in writing of his or her desire to have the permit canceled. The Department shall have the power, in its discretion, to issue a new permit after such suspension, cancellation, or revocation, except when the person who would receive the permit is ineligible to receive a distributor's permit under this Act.

All permits issued by the Department under this Act shall be valid for a period not to exceed one year after issuance



unless sooner revoked, canceled, or suspended as provided in this Act.

(Source: P.A. 79-387.)

(35 ILCS 130/4d)

Sec. 4d. Sales of cigarettes to and by retailers. Transactions only with licensed distributors, out of state manufacturers holding a permit, and retailers holding a certificate of registration. In-state makers, manufacturers, and fabricators licensed as distributors under Section 4 of this Act and out-of-state makers, manufacturers, and fabricators holding permits under Section 4b of this Act may not sell original packages of cigarettes to retailers. A retailer may sell only original packages of cigarettes obtained from licensed distributors other than in-state makers, manufacturers, or fabricators licensed as distributors under Section 4 of this Act and out-of-state makers, manufacturers, or fabricators holding permits under Section 4b of this Act. A distributor or manufacturer may sell or distribute cigarettes to a person located or doing business within this State only if such person is a licensed distributor or a retailer holding a certificate of registration. A retailer may only sell cigarettes obtained from a licensed distributor or an out-of-state manufacturer holding a permit.

(Source: P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 130/9c) (from Ch. 120, par. 453.9c)

(Section scheduled to be repealed on January 1, 2010)

Sec. 9c. "Transporter" means any person transporting into or within this State original packages of cigarettes that are not tax stamped as required by this Act, except:

(a) a person transporting into this State unstamped original packages containing a total of not more than 2,000 cigarettes in any single lot or shipment;

(b) a licensed cigarette distributor under this Act;

(c) a common carrier;

(d) a person transporting cigarettes under federal internal bond or custom control that are non-tax paid under Chapter 52 of the Internal Revenue Code of 1954, as amended;

(e) a person engaged in transporting cigarettes to a licensed distributor under the Illinois Cigarette Tax Act or the Illinois Cigarette Use Tax Act, or under the laws of any other state, and who has in his or her possession during the course of transporting those cigarettes a bill of lading, waybill, or other similar commercial document that was issued by or for a manufacturer of cigarettes who holds a valid permit as a cigarette manufacturer under Chapter 52 of the Internal Revenue Code of 1954, as amended, and that shows that the cigarettes are being transported by or at the direction of that manufacturer to that licensed distributor.

Any transporter desiring to possess or acquire for transportation or transport upon the highways, roads, or

streets of this State more than 2,000 cigarettes that are not contained in original packages that are Illinois tax stamped shall obtain a permit from the Department authorizing that transporter to possess or acquire for transportation or transport the cigarettes, and he or she shall have the permit in the transporting vehicle during the period of transportation of the cigarettes. The application for the permit shall be in such form and shall contain such information as may be prescribed by the Department. The Department may issue a permit for a single load or shipment or for a number of loads or shipments to be transported under specified conditions.

Any cigarettes transported on the highways, roads, or streets of this State under conditions that violate any requirement of this Section, and the vehicle containing those cigarettes, are subject to seizure by the Department, and to confiscation and forfeiture in the same manner as is provided for in Section 18a of this Act.

Any person who violates any requirement of this Section is guilty of a Class 4 felony.

Any transporter who, with intent to defeat or evade or with intent to aid another to defeat or evade the tax imposed by this Act, at any given time, transports 40,000 or more cigarettes upon the highways, roads, or streets of this State under conditions that violate any requirement of this Section is guilty of a Class 3 felony.

~~"Transporter" means any person transporting into or within this~~

~~State original packages of cigarettes which are not tax stamped as required by this Act, except:~~

~~(a) A person transporting into this State unstamped original packages containing a total of not more than 2000 cigarettes in any single lot or shipment;~~

~~(b) a licensed cigarette distributor under this Act;~~

~~(c) a common carrier;~~

~~(d) a person transporting cigarettes under Federal internal bond or custom control that are non tax paid under Chapter 52 of the Internal Revenue Code of 1954, as amended;~~

~~(e) a person engaged in transporting cigarettes to a cigarette dealer who is properly licensed as a distributor under the Illinois Cigarette Tax Act or the Illinois Cigarette Use Tax Act, or under the laws of any other state, and who has in his possession during the course of transporting such cigarettes a bill of lading, waybill, or other similar commercial document which was issued by or for a manufacturer of cigarettes who holds a valid permit as a cigarette manufacturer under Chapter 52, Internal Revenue Code of 1954, as subsequently amended, and which shows that the cigarettes are being transported by or at the direction of such manufacturer to such licensed cigarette dealer.~~

~~Any transporter desiring to possess or acquire for transportation or transport upon the highways, roads or streets of this State more than 2000 cigarettes which are not contained in original packages that are Illinois tax stamped shall obtain~~

~~a permit from the Department authorizing such transporter to possess or acquire for transportation or transport the cigarettes, and he shall have the permit in the transporting vehicle during the period of transportation of the cigarettes. The application for the permit shall be in such form and shall contain such information as may be prescribed by the Department. The Department may issue a permit for a single load or shipment or for a number of loads or shipments to be transported under specified conditions.~~

~~Any cigarettes transported on the highways, roads or streets of this State under conditions which violate any requirement of this Section, and the vehicle containing such cigarettes, are subject to seizure by the Department, and to confiscation and forfeiture in the same manner as is provided for in Section 18a of this Act. Any such confiscated and forfeited property shall be sold in the same manner and under the same conditions as provided for in Section 21 of this Act, with the proceeds from any such sale being deposited in the State Treasury.~~

~~Any person who violates any requirement of this Section is guilty of a Class 4 felony.~~

~~Any transporter who, with intent to defeat or evade or with intent to aid another to defeat or evade the tax imposed by this Act, at any given time, transports 40,000 or more cigarettes upon the highways, roads or streets of this State under conditions which violate any requirement of this Section~~

~~shall be guilty of a Class 3 felony.~~

(Source: P.A. 83-1428. Repealed by P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 130/18) (from Ch. 120, par. 453.18)

Sec. 18. Any duly authorized employee of the Department may arrest without warrant any person committing in his presence a violation of any of the provisions of this Act, and may without a search warrant inspect all cigarettes located in any place of business and seize any original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with the provisions of this Act~~ and any vending device in which such packages may be found, and such original packages or vending devices so seized shall be subject to confiscation and forfeiture as hereinafter provided.

(Source: P.A. 82-1009.)

(35 ILCS 130/18a) (from Ch. 120, par. 453.18a)

Sec. 18a. After seizing any original packages of cigarettes, or cigarette vending devices, as provided in Section 18 of this Act, the Department shall hold a hearing and shall determine whether such original packages of cigarettes, at the time of their seizure by the Department, were contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with this Act,~~ or whether such cigarette vending

devices, at the time of their seizure by the Department, contained original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act~~. The Department shall give not less than 7 days' notice of the time and place of such hearing to the owner of such property if he is known, and also to the person in whose possession the property so taken was found, if such person is known and if such person in possession is not the owner of said property. In case neither the owner nor the person in possession of such property is known, the Department shall cause publication of the time and place of such hearing to be made at least once in each week for 3 weeks successively in a newspaper of general circulation in the county where such hearing is to be held.

If, as the result of such hearing, the Department shall determine that the original packages of cigarettes seized were at the time of seizure contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act~~, or that any cigarette vending device at the time of its seizure contained original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act~~, the Department shall enter an order declaring such original packages of cigarettes or such cigarette vending devices confiscated and forfeited to the State, and to be held by the Department for disposal by it

as provided in Section 21 of this Act. The Department shall give notice of such order to the owner of such property if he is known, and also to the person in whose possession the property so taken was found, if such person is known and if such person in possession is not the owner of said property. In case neither the owner nor the person in possession of such property is known, the Department shall cause publication of such order to be made at least once in each week for 3 weeks successively in a newspaper of general circulation in the county where such hearing was held.

(Source: P.A. 76-684.)

(35 ILCS 130/18b) (from Ch. 120, par. 453.18b)

Sec. 18b. Possession of more than 100 original packages of contraband cigarettes; penalty. With the exception of licensed distributors and transporters, as defined in Section 9c of this Act, possessing unstamped original packages of cigarettes, and licensed distributors possessing original packages of cigarettes that bear a tax stamp of another state or taxing jurisdiction, anyone possessing contraband cigarettes contained in original packages is ~~which are not tax stamped as required by this Act, or which are improperly tax stamped,~~ shall be liable to pay, to the Department for deposit in the Tax Compliance and Administration Fund State Treasury, a penalty of \$25 ~~\$15~~ for each such package of cigarettes in excess of 100 packages, unless reasonable cause can be



established by the person upon whom the penalty is imposed.  
This penalty is in addition to the taxes imposed by this Act.  
Reasonable cause shall be determined in each situation in  
accordance with rules adopted by the Department. The provisions  
of the Uniform Penalty and Interest Act do not apply to this  
Section. Such penalty may be recovered by the Department in a  
civil action.

(Source: P.A. 83-1428.)

(35 ILCS 130/18c)

Sec. 18c. Possession of not less than 10 and not more than 100 original packages of contraband cigarettes ~~not tax stamped or improperly tax stamped;~~ penalty. With the exception of licensed distributors and transporters, as defined in Section 9c of this Act, possessing unstamped original packages of cigarettes, and licensed distributors possessing original packages of cigarettes that bear a tax stamp of another state or taxing jurisdiction, anyone possessing not less than 10 and not more than 100 packages of contraband cigarettes contained in original packages ~~that are not tax stamped as required by this Act, or that are improperly tax stamped,~~ is liable to pay to the Department, for deposit into the Tax Compliance and Administration Fund, a penalty of \$10 for each such package of cigarettes, unless reasonable cause can be established by the person upon whom the penalty is imposed. Reasonable cause shall be determined in each situation in accordance with rules

adopted by the Department. The provisions of the Uniform Penalty and Interest Act do not apply to this Section.

(Source: P.A. 92-322, eff. 1-1-02.)

(35 ILCS 130/20) (from Ch. 120, par. 453.20)

Sec. 20. Whenever any peace officer of the State or any duly authorized officer or employee of the Department shall have reason to believe that any violation of this Act has occurred and that the person so violating the Act has in his, her or its possession any original package of contraband cigarettes, ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original package as required by this Act,~~ or any vending device containing such original packages of contraband cigarettes ~~to which stamps have not been affixed, or on which an authorized substitute for stamps has not been imprinted underneath the sealed transparent wrapper of such original packages, as required by this Act,~~ he may file or cause to be filed his complaint in writing, verified by affidavit, with any court within whose jurisdiction the premises to be searched are situated, stating the facts upon which such belief is founded, the premises to be searched, and the property to be seized, and procure a search warrant and execute the same. Upon the execution of such search warrant, the peace officer, or officer or employee of the Department, executing such search warrant shall make due return thereof to the court issuing the same, together with an inventory of the

property taken thereunder. The court shall thereupon issue process against the owner of such property if he is known; otherwise, such process shall be issued against the person in whose possession the property so taken is found, if such person is known. In case of inability to serve such process upon the owner or the person in possession of the property at the time of its seizure, as hereinbefore provided, notice of the proceedings before the court shall be given as required by the statutes of the State governing cases of Attachment. Upon the return of the process duly served or upon the posting or publishing of notice made, as hereinabove provided, the court or jury, if a jury shall be demanded, shall proceed to determine whether or not such property so seized was held or possessed in violation of this Act, or whether, if a vending device has been so seized, it contained at the time of its seizure original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act.~~ In case of a finding that the original packages seized were contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with the provisions of this Act,~~ or that any vending device so seized contained at the time of its seizure original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with the~~

~~provisions of this Act~~, judgment shall be entered confiscating and forfeiting the property to the State and ordering its delivery to the Department, and in addition thereto, the court shall have power to tax and assess the costs of the proceedings.

When any original packages or any cigarette vending device shall have been declared forfeited to the State by any court, as hereinbefore provided, and when such confiscated and forfeited property shall have been delivered to the Department, as provided in this Act, the said Department shall destroy or maintain and use such property in an undercover capacity. The Department may, prior to any destruction of cigarettes, permit the true holder of the trademark rights in the cigarette brand to inspect such contraband cigarettes, in order to assist the Department in any investigation regarding such cigarettes.

(Source: P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 130/24) (from Ch. 120, par. 453.24)

Sec. 24. Punishment for sale or possession of ~~unstamped~~ packages of contraband cigarettes.

(a) Possession or sale of 100 or less packages of contraband cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of this Act, any person who has in his or her possession or sells 100 or less original packages of contraband cigarettes is guilty of a Class A misdemeanor.

(b) Possession or sale of more than 100 but less than 251 packages of contraband cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of this Act, any person who has in his or her possession or sells more than 100 but less than 251 original packages of contraband cigarettes is guilty of a Class A misdemeanor for a first offense and a Class 4 felony for each subsequent offense.

(c) Possession or sale of more than 250 but less than 1,001 packages of contraband cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of this Act, any person who has in his or her possession or sells more than 250 but less than 1,001 original packages of contraband cigarettes is guilty of a Class 4 felony.

(d) Possession or sale of more than 1,000 packages of contraband cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of this Act, any person who has in his or her possession or sells more than 1,000 original packages of contraband cigarettes is guilty of a Class 3 felony.

(e) Any person licensed as a distributor or transporter, as defined in Section 9c of this Act, who has in his or her possession or sells 100 or less original packages of contraband cigarettes is guilty of a Class A misdemeanor.

(f) Any person licensed as a distributor or transporter, as defined in Section 9c of this Act, who has in his or her possession or sells more than 100 original packages of

contraband cigarettes is guilty of a Class 4 felony.

(g) Notwithstanding subsections (e) through (f), licensed distributors and transporters, as defined in Section 9c of this Act, may possess unstamped packages of cigarettes. Notwithstanding subsections (e) through (f), licensed distributors may possess cigarettes that bear a tax stamp of another state or taxing jurisdiction. Notwithstanding subsections (e) through (f), a licensed distributor may possess contraband cigarettes returned to the distributor by a retailer if the distributor immediately conducts an inventory of the cigarettes being returned, the distributor and the retailer returning the contraband cigarettes sign the inventory, the distributor provides a copy of the signed inventory to the retailer, and the distributor retains the inventory in its books and records and promptly notifies the Department of Revenue.

(h) Notwithstanding subsections (a) through (d) of this Section, a retailer unknowingly possessing contraband cigarettes obtained from a licensed distributor or knowingly possessing contraband cigarettes obtained from a licensed distributor is not subject to penalties under this Section if the retailer, within 48 hours after discovering that the cigarettes are contraband cigarettes, excluding Saturdays, Sundays, and holidays: (i) notifies the Department and the licensed distributor from whom the cigarettes were obtained, orally and in writing, that he or she possesses contraband

cigarettes obtained from a licensed distributor; (ii) places the contraband cigarettes in one or more containers and seals those containers; and (iii) places on the containers the following or similar language: "Contraband Cigarettes. Not For Sale." All contraband cigarettes in the possession of a retailer remain subject to forfeiture under the provisions of this Act.

~~(a) Any person other than a licensed distributor who sells, offers for sale, or has in his possession with intent to sell or offer for sale, more than 100 original packages, not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original package in accordance with this Act, shall be guilty of a Class 4 felony.~~

~~(a-5) Any person other than a licensed distributor who sells, offers for sale, or has in his possession with intent to sell or offer for sale, 100 or fewer original packages, not tax stamped or tax imprinted underneath the sealed transparent wrapper of the original package in accordance with this Act, is guilty of a Class A misdemeanor for the first offense and a Class 4 felony for each subsequent offense.~~

~~(b) Any distributor who sells an original package of cigarettes, not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original package in accordance with this Act, except when the sale is made under such circumstances that the tax imposed by this Act may not legally be levied because of the Constitution or laws of the~~

~~United States, shall be guilty of a Class 3 felony.~~

(Source: P.A. 92-322, eff. 1-1-02.)

(35 ILCS 130/28a new)

Sec. 28a. If, at the time of terminating his or her business, any licensed distributor has on hand unused stamps, the distributor or his or her legal representative may, after Department approval, transfer or sell those unused stamps to another distributor licensed under this Act. The transferring distributor, or his or her legal representative, shall report to the Department in writing an intention to so sell or transfer the stamps and the name and address of the distributor to whom the sale or transfer is to be made, together with the total of the face amount of each denomination of stamps to be so sold or transferred. The Department shall approve or disapprove the requested transfer within 48 hours after receiving the report. Approval shall be deemed granted if not received by the distributor within 5 business days after the Department's receipt of the report.

(35 ILCS 130/3-15 rep.)

Section 10. The Cigarette Tax Act is amended by repealing Section 3-15.

Section 15. The Cigarette Use Tax Act is amended by changing Sections 1, 3, 3-10, 4, 7, 24, 25, 25a, 25b, and 30



and by adding Section 4d as follows:

(35 ILCS 135/1) (from Ch. 120, par. 453.31)

Sec. 1. For the purpose of this Act, unless otherwise required by the context:

"Use" means the exercise by any person of any right or power over cigarettes incident to the ownership or possession thereof, other than the making of a sale thereof in the course of engaging in a business of selling cigarettes and shall include the keeping or retention of cigarettes for use, except that "use" does not include the use of cigarettes by a not-for-profit research institution conducting tests concerning the health effects of tobacco products, provided the cigarettes are not offered for resale.

"Brand Style" means a variety of cigarettes distinguished by the tobacco used, tar and nicotine content, flavoring used, size of the cigarette, filtration on the cigarette or packaging.

"Cigarette" means any roll for smoking made wholly or in part of tobacco irrespective of size or shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, and the wrapper or cover of which is made of paper or any other substance or material except tobacco.

"Contraband cigarettes" means:

(a) cigarettes that do not bear a required tax stamp under this Act;

(b) cigarettes for which any required federal taxes have not been paid;

(c) cigarettes that bear a counterfeit tax stamp;

(d) cigarettes that are manufactured, fabricated, assembled, processed, packaged, or labeled by any person other than (i) the owner of the trademark rights in the cigarette brand or (ii) a person that is directly or indirectly authorized by such owner;

(e) cigarettes imported into the United States, or otherwise distributed, in violation of the federal Imported Cigarette Compliance Act of 2000 (Title IV of Public Law 106-476); ~~or~~

(f) cigarettes that have false manufacturing labels; ~~or~~

(g) cigarettes identified in Section 3-10(a)(1) of this Act; or

(h) cigarettes that are improperly tax stamped, including cigarettes that bear a tax stamp of another state or taxing jurisdiction.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint adventure, public or private corporation, however formed, limited liability company, or a receiver, executor, administrator, trustee, guardian or other representative appointed by order of any court.

"Department" means the Department of Revenue.

"Sale" means any transfer, exchange or barter in any manner

or by any means whatsoever for a consideration, and includes and means all sales made by any person.

"Original Package" means the individual packet, box or other container whatsoever used to contain and to convey cigarettes to the consumer.

"Distributor" means any and each of the following:

a. Any person engaged in the business of selling cigarettes in this State who brings or causes to be brought into this State from without this State any original packages of cigarettes, on which original packages there is no authorized evidence underneath a sealed transparent wrapper showing that the tax liability imposed by this Act has been paid or assumed by the out-of-State seller of such cigarettes, for sale in the course of such business.

b. Any person who makes, manufactures or fabricates cigarettes in this State for sale, except a person who makes, manufactures or fabricates cigarettes for sale to residents incarcerated in penal institutions or resident patients or a State-operated mental health facility.

c. Any person who makes, manufactures or fabricates cigarettes outside this State, which cigarettes are placed in original packages contained in sealed transparent wrappers, for delivery or shipment into this State, and who elects to qualify and is accepted by the Department as a distributor under Section 7 of this Act.

"Distributor" does not include any person who transfers

cigarettes to a not-for-profit research institution that conducts tests concerning the health effects of tobacco products and who does not offer the cigarettes for resale.

"Distributor maintaining a place of business in this State", or any like term, means any distributor having or maintaining within this State, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of business, or any agent operating within this State under the authority of the distributor or its subsidiary, irrespective of whether such place of business or agent is located here permanently or temporarily, or whether such distributor or subsidiary is licensed to transact business within this State.

"Business" means any trade, occupation, activity or enterprise engaged in or conducted in this State for the purpose of selling cigarettes.

"Prior Continuous Compliance Taxpayer" means any person who is licensed under this Act and who, having been a licensee for a continuous period of 5 years, is determined by the Department not to have been either delinquent or deficient in the payment of tax liability during that period or otherwise in violation of this Act. Also, any taxpayer who has, as verified by the Department, continuously complied with the condition of his bond or other security under provisions of this Act of a period of 5 consecutive years shall be considered to be a "prior continuous compliance taxpayer". In calculating the

consecutive period of time described herein for qualification as a "prior continuous compliance taxpayer", a consecutive period of time of qualifying compliance immediately prior to the effective date of this amendatory Act of 1987 shall be credited to any licensee who became licensed on or before the effective date of this amendatory Act of 1987.

"Stamp" or "stamps" mean the indicia required to be affixed on a pack of cigarettes that evidence payment of the tax on cigarettes under Section 2 of this Act ~~(35 ILCS 130/2), or the indicia used to indicate that the cigarettes are intended for a sale or distribution within this State that is exempt from State tax under any applicable provision of law.~~

~~"Within this State" means within the exterior limits of the State of Illinois and includes all territory within these limits owned by or ceded to the United States of America.~~

"Related party" means any person that is associated with any other person because he or she:

- (a) is an officer or director of a business; or
- (b) is legally recognized as a partner in business. †

~~or~~

~~(c) is directly or indirectly controlled by another.~~

(Source: P.A. 95-462, eff. 8-27-07; 95-1053, eff. 1-1-10.)

(35 ILCS 135/3) (from Ch. 120, par. 453.33)

Sec. 3. Stamp payment. The tax hereby imposed shall be collected by a distributor maintaining a place of business in

this State or a distributor authorized by the Department pursuant to Section 7 hereof to collect the tax, and the amount of the tax shall be added to the price of the cigarettes sold by such distributor. Collection of the tax shall be evidenced by a stamp or stamps affixed to each original package of cigarettes or by an authorized substitute for such stamp imprinted on each original package of such cigarettes underneath the sealed transparent outside wrapper of such original package, except as hereinafter provided. Each distributor who is required or authorized to collect the tax herein imposed, before delivering or causing to be delivered any original packages of cigarettes in this State to any purchaser, shall firmly affix a proper stamp or stamps to each such package, or (in the case of manufacturers of cigarettes in original packages which are contained inside a sealed transparent wrapper) shall imprint the required language on the original package of cigarettes beneath such outside wrapper as hereinafter provided. Such stamp or stamps need not be affixed to the original package of any cigarettes with respect to which the distributor is required to affix a like stamp or stamps by virtue of the Cigarette Tax Act, however, and no tax imprint need be placed underneath the sealed transparent wrapper of an original package of cigarettes with respect to which the distributor is required or authorized to employ a like tax imprint by virtue of the Cigarette Tax Act.

No stamp or imprint may be affixed to, or made upon, any

package of cigarettes unless that package complies with all requirements of the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1331 and following, for the placement of labels, warnings, or any other information upon a package of cigarettes that is sold within the United States. Under the authority of Section 6, the Department shall revoke the license of any distributor that is determined to have violated this paragraph. A person may not affix a stamp on a package of cigarettes, cigarette papers, wrappers, or tubes if that individual package has been marked for export outside the United States with a label or notice in compliance with Section 290.185 of Title 27 of the Code of Federal Regulations. It is not a defense to a proceeding for violation of this paragraph that the label or notice has been removed, mutilated, obliterated, or altered in any manner.

Only distributors licensed under this Act and transporters, as defined in Section 9c of the Cigarette Tax Act, may possess unstamped original packages of cigarettes. Prior to shipment to an Illinois retailer, a stamp shall be applied to each original package of cigarettes sold to the retailer. A distributor may apply a tax stamp only to an original package of cigarettes purchased or obtained directly from an in-state maker, manufacturer, or fabricator licensed as a distributor under Section 4 of this Act or an out-of-state maker, manufacturer, or fabricator holding a permit under Section 7 of this Act. A licensed distributor may ship or

otherwise cause to be delivered unstamped original packages of cigarettes in, into, or from this State. A licensed distributor may transport unstamped original packages of cigarettes to a facility, wherever located, owned or controlled by such distributor; however, a distributor may not transport unstamped original packages of cigarettes to a facility where retail sales of cigarettes take place. Any licensed distributor that ships or otherwise causes to be delivered unstamped original packages of cigarettes into, within, or from this State shall ensure that the invoice or equivalent documentation and the bill of lading or freight bill for the shipment identifies the true name and address of the consignor or seller, the true name and address of the consignee or purchaser, and the quantity by brand style of the cigarettes so transported, provided that this Section shall not be construed as to impose any requirement or liability upon any common or contract carrier.

Stamps, when required hereunder, shall be purchased from the Department, or any person authorized by the Department, by distributors. On and after July 1, 2003, payment for such stamps must be made by means of electronic funds transfer. The Department may refuse to sell stamps to any person who does not comply with the provisions of this Act. Beginning on June 6, 2002 and through June 30, 2002, persons holding valid licenses as distributors may purchase cigarette tax stamps up to an amount equal to 115% of the distributor's average monthly



cigarette tax stamp purchases over the 12 calendar months prior to June 6, 2002.

Prior to December 1, 1985, the Department shall allow a distributor 21 days in which to make final payment of the amount to be paid for such stamps, by allowing the distributor to make payment for the stamps at the time of purchasing them with a draft which shall be in such form as the Department prescribes, and which shall be payable within 21 days thereafter: Provided that such distributor has filed with the Department, and has received the Department's approval of, a bond, which is in addition to the bond required under Section 4 of this Act, payable to the Department in an amount equal to 80% of such distributor's average monthly tax liability to the Department under this Act during the preceding calendar year or \$500,000, whichever is less. The bond shall be joint and several and shall be in the form of a surety company bond in such form as the Department prescribes, or it may be in the form of a bank certificate of deposit or bank letter of credit. The bond shall be conditioned upon the distributor's payment of the amount of any 21-day draft which the Department accepts from that distributor for the delivery of stamps to that distributor under this Act. The distributor's failure to pay any such draft, when due, shall also make such distributor automatically liable to the Department for a penalty equal to 25% of the amount of such draft.

On and after December 1, 1985 and until July 1, 2003, the

Department shall allow a distributor 30 days in which to make final payment of the amount to be paid for such stamps, by allowing the distributor to make payment for the stamps at the time of purchasing them with a draft which shall be in such form as the Department prescribes, and which shall be payable within 30 days thereafter, and beginning on January 1, 2003 and thereafter, the draft shall be payable by means of electronic funds transfer: Provided that such distributor has filed with the Department, and has received the Department's approval of, a bond, which is in addition to the bond required under Section 4 of this Act, payable to the Department in an amount equal to 150% of such distributor's average monthly tax liability to the Department under this Act during the preceding calendar year or \$750,000, whichever is less, except that as to bonds filed on or after January 1, 1987, such additional bond shall be in an amount equal to 100% of such distributor's average monthly tax liability under this Act during the preceding calendar year or \$750,000, whichever is less. The bond shall be joint and several and shall be in the form of a surety company bond in such form as the Department prescribes, or it may be in the form of a bank certificate of deposit or bank letter of credit. The bond shall be conditioned upon the distributor's payment of the amount of any 30-day draft which the Department accepts from that distributor for the delivery of stamps to that distributor under this Act. The distributor's failure to pay any such draft, when due, shall also make such distributor

automatically liable to the Department for a penalty equal to 25% of the amount of such draft.

Every prior continuous compliance taxpayer shall be exempt from all requirements under this Section concerning the furnishing of such bond, as defined in this Section, as a condition precedent to his being authorized to engage in the business licensed under this Act. This exemption shall continue for each such taxpayer until such time as he may be determined by the Department to be delinquent in the filing of any returns, or is determined by the Department (either through the Department's issuance of a final assessment which has become final under the Act, or by the taxpayer's filing of a return which admits tax to be due that is not paid) to be delinquent or deficient in the paying of any tax under this Act, at which time that taxpayer shall become subject to the bond requirements of this Section and, as a condition of being allowed to continue to engage in the business licensed under this Act, shall be required to furnish bond to the Department in such form as provided in this Section. Such taxpayer shall furnish such bond for a period of 2 years, after which, if the taxpayer has not been delinquent in the filing of any returns, or delinquent or deficient in the paying of any tax under this Act, the Department may reinstate such person as a prior continuance compliance taxpayer. Any taxpayer who fails to pay an admitted or established liability under this Act may also be required to post bond or other acceptable security with the

Department guaranteeing the payment of such admitted or established liability.

Any person aggrieved by any decision of the Department under this Section may, within the time allowed by law, protest and request a hearing, whereupon the Department shall give notice and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to such person. In the absence of such a protest filed within the time allowed by law, the Department's decision shall become final without any further determination being made or notice given.

The Department shall discharge any surety and shall release and return any bond or security deposited, assigned, pledged, or otherwise provided to it by a taxpayer under this Section within 30 days after:

(1) such Taxpayer becomes a prior continuous compliance taxpayer; or

(2) such taxpayer has ceased to collect receipts on which he is required to remit tax to the Department, has filed a final tax return, and has paid to the Department an amount sufficient to discharge his remaining tax liability as determined by the Department under this Act. The Department shall make a final determination of the taxpayer's outstanding tax liability as expeditiously as possible after his final tax return has been filed. If the Department cannot make such final determination within 45

days after receiving the final tax return, within such period it shall so notify the taxpayer, stating its reasons therefor.

At the time of purchasing such stamps from the Department when purchase is required by this Act, or at the time when the tax which he has collected is remitted by a distributor to the Department without the purchase of stamps from the Department when that method of remitting the tax that has been collected is required or authorized by this Act, the distributor shall be allowed a discount during any year commencing July 1 and ending the following June 30 in accordance with the schedule set out hereinbelow, from the amount to be paid by him to the Department for such stamps, or to be paid by him to the Department on the basis of monthly remittances (as the case may be), to cover the cost, to such distributor, of collecting the tax herein imposed by affixing such stamps to the original packages of cigarettes sold by such distributor or by placing tax imprints underneath the sealed transparent wrapper of original packages of cigarettes sold by such distributor (as the case may be): (1) Prior to December 1, 1985, a discount equal to 1-2/3% of the amount of the tax up to and including the first \$700,000 paid hereunder by such distributor to the Department during any such year; 1-1/3% of the next \$700,000 of tax or any part thereof, paid hereunder by such distributor to the Department during any such year; 1% of the next \$700,000 of tax, or any part thereof, paid hereunder by such distributor to

the Department during any such year; and 2/3 of 1% of the amount of any additional tax paid hereunder by such distributor to the Department during any such year or (2) On and after December 1, 1985, a discount equal to 1.75% of the amount of the tax payable under this Act up to and including the first \$3,000,000 paid hereunder by such distributor to the Department during any such year and 1.5% of the amount of any additional tax paid hereunder by such distributor to the Department during any such year.

Two or more distributors that use a common means of affixing revenue tax stamps or that are owned or controlled by the same interests shall be treated as a single distributor for the purpose of computing the discount.

Cigarette manufacturers who are distributors under Section 7(a) of this Act, and who place their cigarettes in original packages which are contained inside a sealed transparent wrapper, shall be required to remit the tax which they are required to collect under this Act to the Department by remitting the amount thereof to the Department by the 5th day of each month, covering cigarettes shipped or otherwise delivered to points in Illinois to purchasers during the preceding calendar month, but a distributor need not remit to the Department the tax so collected by him from purchasers under this Act to the extent to which such distributor is required to remit the tax imposed by the Cigarette Tax Act to the Department with respect to the same cigarettes. All taxes

upon cigarettes under this Act are a direct tax upon the retail consumer and shall conclusively be presumed to be precollected for the purpose of convenience and facility only. Cigarette manufacturers that are distributors licensed under Section 7(a) of this Act and ~~Distributors~~ who place their ~~are manufacturers~~ of cigarettes in original packages which are contained inside a sealed transparent wrapper, before delivering such cigarettes or causing such cigarettes to be delivered in this State to purchasers, shall evidence their obligation to collect and remit the tax due with respect to such cigarettes by imprinting language to be prescribed by the Department on each original package of such cigarettes underneath the sealed transparent outside wrapper of such original package, in such place thereon and in such manner as the Department may prescribe; provided (as stated hereinbefore) that this requirement does not apply when such distributor is required or authorized by the Cigarette Tax Act to place the tax imprint provided for in the last paragraph of Section 3 of that Act underneath the sealed transparent wrapper of such original package of cigarettes. Such imprinted language shall acknowledge the manufacturer's collection and payment of or liability for the tax imposed by this Act with respect to such cigarettes.

The Department shall adopt the design or designs of the tax stamps and shall procure the printing of such stamps in such amounts and denominations as it deems necessary to provide for

the affixation of the proper amount of tax stamps to each original package of cigarettes.

Where tax stamps are required, the Department may authorize distributors to affix revenue tax stamps by imprinting tax meter stamps upon original packages of cigarettes. The Department shall adopt rules and regulations relating to the imprinting of such tax meter stamps as will result in payment of the proper taxes as herein imposed. No distributor may affix revenue tax stamps to original packages of cigarettes by imprinting meter stamps thereon unless such distributor has first obtained permission from the Department to employ this method of affixation. The Department shall regulate the use of tax meters and may, to assure the proper collection of the taxes imposed by this Act, revoke or suspend the privilege, theretofore granted by the Department to any distributor, to imprint tax meter stamps upon original packages of cigarettes.

The tax hereby imposed and not paid pursuant to this Section shall be paid to the Department directly by any person using such cigarettes within this State, pursuant to Section 12 hereof.

A distributor shall not affix, or cause to be affixed, any stamp or imprint to a package of cigarettes, as provided for in this Section, if the tobacco product manufacturer, as defined in Section 10 of the Tobacco Product Manufacturers' Escrow Act, that made or sold the cigarettes has failed to become a participating manufacturer, as defined in subdivision (a)(1)



of Section 15 of the Tobacco Product Manufacturers' Escrow Act, or has failed to create a qualified escrow fund for any cigarettes manufactured by the tobacco product manufacturer and sold in this State or otherwise failed to bring itself into compliance with subdivision (a) (2) of Section 15 of the Tobacco Product Manufacturers' Escrow Act.

(Source: P.A. 92-322, eff. 1-1-02; 92-536, eff. 6-6-02; 92-737, eff. 7-25-02; 93-22, eff. 6-20-03.)

(35 ILCS 135/3-10)

Sec. 3-10. Cigarette enforcement.

(a) Prohibitions. It is unlawful for any person:

(1) to sell or distribute in this State; to acquire, hold, own, possess, or transport, for sale or distribution in this State; or to import, or cause to be imported into this State for sale or distribution in this State:

(A) any cigarettes the package of which:

(i) bears any statement, label, stamp, sticker, or notice indicating that the manufacturer did not intend the cigarettes to be sold, distributed, or used in the United States, including but not limited to labels stating "For Export Only", "U.S. Tax Exempt", "For Use Outside U.S.", or similar wording; or

(ii) does not comply with:

(aa) all requirements imposed by or

pursuant to federal law regarding warnings and other information on packages of cigarettes manufactured, packaged, or imported for sale, distribution, or use in the United States, including but not limited to the precise warning labels specified in the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333; and

(bb) all federal trademark and copyright laws;

(B) any cigarettes imported into the United States in violation of 26 U.S.C. 5754 or any other federal law, or implementing federal regulations;

(C) any cigarettes that such person otherwise knows or has reason to know the manufacturer did not intend to be sold, distributed, or used in the United States; or

(D) any cigarettes for which there has not been submitted to the Secretary of the U.S. Department of Health and Human Services the list or lists of the ingredients added to tobacco in the manufacture of the cigarettes required by the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1335a;

(2) to alter the package of any cigarettes, prior to sale or distribution to the ultimate consumer, so as to remove, conceal, or obscure:

(A) any statement, label, stamp, sticker, or notice described in subdivision (a)(1)(A)(i) of this Section;

(B) any health warning that is not specified in, or does not conform with the requirements of, the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333; or

(3) to affix any stamp required pursuant to this Act to the package of any cigarettes described in subdivision (a)(1) of this Section or altered in violation of subdivision (a)(2) ~~.+ or~~

~~(4) to knowingly possess, or possess for sale, contraband cigarettes.~~

(b) Documentation. On the first business day of each month, each person licensed to affix the State tax stamp to cigarettes shall file with the Department, for all cigarettes imported into the United States to which the person has affixed the tax stamp in the preceding month:

(1) a copy of:

(A) the permit issued pursuant to the Internal Revenue Code, 26 U.S.C. 5713, to the person importing the cigarettes into the United States allowing the person to import the cigarettes; and

(B) the customs form containing, with respect to the cigarettes, the internal revenue tax information required by the U.S. Bureau of Alcohol, Tobacco and

Firearms;

(2) a statement, signed by the person under penalty of perjury, which shall be treated as confidential by the Department and exempt from disclosure under the Freedom of Information Act, identifying the brand and brand styles of all such cigarettes, the quantity of each brand style of such cigarettes, the supplier of such cigarettes, and the person or persons, if any, to whom such cigarettes have been conveyed for resale; and a separate statement, signed by the individual under penalty of perjury, which shall not be treated as confidential or exempt from disclosure, separately identifying the brands and brand styles of such cigarettes; and

(3) a statement, signed by an officer of the manufacturer or importer under penalty of perjury, certifying that the manufacturer or importer has complied with:

(A) the package health warning and ingredient reporting requirements of the federal Cigarette Labeling and Advertising Act, 15 U.S.C. 1333 and 1335a, with respect to such cigarettes; and

(B) the provisions of Exhibit T of the Master Settlement Agreement entered in the case of People of the State of Illinois v. Philip Morris, et al. (Circuit Court of Cook County, No. 96-L13146), including a statement indicating whether the manufacturer is, or

is not, a participating tobacco manufacturer within the meaning of Exhibit T.

(c) Administrative sanctions.

(1) Upon finding that a distributor or a person has committed any of the acts prohibited by subsection (a), knowing or having reason to know that he or she has done so, or has failed to comply with any requirement of subsection (b), the Department may revoke or suspend the license or licenses of any distributor pursuant to the procedures set forth in Section 6 and impose on the distributor, or on the person, a civil penalty in an amount not to exceed the greater of 500% of the retail value of the cigarettes involved or \$5,000.

(2) Cigarettes that are acquired, held, owned, possessed, transported in, imported into, or sold or distributed in this State in violation of this Section shall be deemed contraband under this Act and are subject to seizure and forfeiture as provided in this Act, and all such cigarettes seized and forfeited shall be destroyed or maintained and used in an undercover capacity. Such cigarettes shall be deemed contraband whether the violation of this Section is knowing or otherwise.

(d) Unfair trade practices. In addition to any other penalties provided for in this Act, a ~~A~~ violation of subsection (a) or subsection (b) of this Section shall constitute an unlawful practice as provided in the Consumer Fraud and

Deceptive Business Practices Act.

(d-1) Retailers shall not be liable under subsections (c)(1) and (d) of this Section for unknowingly possessing, selling, or distributing to consumers or users cigarettes identified in subsection (a)(1) of this Section if the cigarettes possessed, sold, or distributed by the retailer were obtained from a distributor licensed under this Act or the Cigarette Tax Act.

(e) Unfair cigarette sales. For purposes of the Trademark Registration and Protection Act and the Counterfeit Trademark Act, cigarettes imported or reimported into the United States for sale or distribution under any trade name, trade dress, or trademark that is the same as, or is confusingly similar to, any trade name, trade dress, or trademark used for cigarettes manufactured in the United States for sale or distribution in the United States shall be presumed to have been purchased outside of the ordinary channels of trade.

(f) General provisions.

(1) This Section shall be enforced by the Department; provided that, at the request of the Director of Revenue or the Director's duly authorized agent, the State police and all local police authorities shall enforce the provisions of this Section. The Attorney General has concurrent power with the State's Attorney of any county to enforce this Section.

(2) For the purpose of enforcing this Section, the

Director of Revenue and any agency to which the Director has delegated enforcement responsibility pursuant to subdivision (f)(1) may request information from any State or local agency and may share information with and request information from any federal agency and any agency of any other state or any local agency of any other state.

(3) In addition to any other remedy provided by law, including enforcement as provided in subdivision (a)(1), any person may bring an action for appropriate injunctive or other equitable relief for a violation of this Section; actual damages, if any, sustained by reason of the violation; and, as determined by the court, interest on the damages from the date of the complaint, taxable costs, and reasonable attorney's fees. If the trier of fact finds that the violation is flagrant, it may increase recovery to an amount not in excess of 3 times the actual damages sustained by reason of the violation.

(g) Definitions. As used in this Section:

"Importer" means that term as defined in 26 U.S.C. 5702(1).

"Package" means that term as defined in 15 U.S.C. 1332(4).

(h) Applicability.

(1) This Section does not apply to:

(A) cigarettes allowed to be imported or brought into the United States for personal use; and

(B) cigarettes sold or intended to be sold as duty-free merchandise by a duty-free sales enterprise

in accordance with the provisions of 19 U.S.C. 1555(b) and any implementing regulations; except that this Section shall apply to any such cigarettes that are brought back into the customs territory for resale within the customs territory.

(2) The penalties provided in this Section are in addition to any other penalties imposed under other provision of law.

(Source: P.A. 95-1053, eff. 1-1-10.)

(35 ILCS 135/4) (from Ch. 120, par. 453.34)

Sec. 4. Distributor's license. A distributor maintaining a place of business in this State, if required to procure a license or allowed to obtain a permit as a distributor under the Cigarette Tax Act, need not obtain an additional license or permit under this Act, but shall be deemed to be sufficiently licensed or registered by virtue of his being licensed or registered under the Cigarette Tax Act.

Every distributor maintaining a place of business in this State, if not required to procure a license or allowed to obtain a permit as a distributor under the Cigarette Tax Act, shall make a verified application to the Department (upon a form prescribed and furnished by the Department) for a license to act as a distributor under this Act. In completing such application, the applicant shall furnish such information as the Department may reasonably require.



The annual license fee payable to the Department for each distributor's license shall be \$250. The purpose of such annual license fee is to defray the cost, to the Department, of serializing cigarette tax stamps. The applicant for license shall pay such fee to the Department at the time of submitting the application for license to the Department.

Such applicant shall file, with his application, a joint and several bond. Such bond shall be executed to the Department of Revenue, with good and sufficient surety or sureties residing or licensed to do business within the State of Illinois, in the amount of \$2,500, conditioned upon the true and faithful compliance by the licensee with all of the provisions of this Act. Such bond, or a reissue thereof, or a substitute therefor, shall be kept in effect during the entire period covered by the license. A separate application for license shall be made, a separate annual license fee paid, and a separate bond filed, for each place of business at or from which the applicant proposes to act as a distributor under this Act and for which the applicant is not required to procure a license or allowed to obtain a permit as a distributor under the Cigarette Tax Act.

The following are ineligible to receive a distributor's license under this Act:

- (1) a person who is not of good character and reputation in the community in which he resides;
- (2) a person who has been convicted of a felony under

any Federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that such person has not been sufficiently rehabilitated to warrant the public trust;

(3) a corporation, if any officer, manager or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a license hereunder for any reason;~~;~~

(4) a person, or any person who owns more than 15 percent of the ownership interests in a person or a related party who:

(a) owes, at the time of application, any ~~\$500 or more in~~ delinquent cigarette taxes that have been determined by law to be due and unpaid, unless the license applicant has entered into an agreement approved by the Department to pay the amount due;

(b) had a license under this Act revoked within the past 2 years by the Department for ~~willful~~ misconduct relating to stolen or contraband cigarettes or has been convicted of a State or federal crime, punishable by imprisonment of one year or more, relating to stolen or contraband cigarettes;

(c) ~~is a distributor who~~ manufactures cigarettes, whether in this State or out of this State, and who is neither (i) a participating manufacturer as defined in

subsection II(jj) of the "Master Settlement Agreement" as defined in Sections 10 of the Tobacco Products Manufacturers' Escrow Act and the Tobacco Products Manufacturers' Escrow Enforcement Act of 2003 (30 ILCS 168/10 and 30 ILCS 167/10); nor (ii) in full compliance with Tobacco Products Manufacturers' Escrow Act and the Tobacco Products Manufacturers' Escrow Enforcement Act of 2003 (30 ILCS 168/ and 30 ILCS 167/);

(d) has been found by the Department, after notice and a hearing, to have ~~willfully~~ imported or caused to be imported into the United States for sale or distribution any cigarette in violation of 19 U.S.C. 1681a;

(e) has been found by the Department, after notice and a hearing, to have ~~willfully~~ imported or caused to be imported into the United States for sale or distribution or manufactured for sale or distribution in the United States any cigarette that does not fully comply with the Federal Cigarette Labeling and Advertising Act (15 U.S.C. 1331, et seq.); or

(f) has been found by the Department, after notice and a hearing, to have ~~willfully~~ made a material false statement in the application or has ~~willfully~~ failed to produce records required to be maintained by this Act.

Upon approval of such application and bond and payment of the required annual license fee, the Department shall issue a

license to the applicant. Such license shall permit the applicant to engage in business as a distributor at or from the place shown in his application. All licenses issued by the Department under this Act shall be valid for not to exceed one year after issuance unless sooner revoked, canceled or suspended as in this Act provided. No license issued under this Act is transferable or assignable. Such license shall be conspicuously displayed at the place of business for which it is issued.

No distributor licensee acquires any vested interest or compensable property right in a license issued under this Act.

A licensed distributor shall notify the Department of any change in the information contained on the application form, including any change in ownership, and shall do so within 30 days after any such change.

Any person aggrieved by any decision of the Department under this Section may, within 20 days after notice of the decision, protest and request a hearing. Upon receiving a request for a hearing, the Department shall give notice to the person requesting the hearing of the time and place fixed for the hearing and shall hold a hearing in conformity with the provisions of this Act and then issue its final administrative decision in the matter to that person. In the absence of a protest and request for a hearing within 20 days, the Department's decision shall become final without any further determination being made or notice given.

(Source: P.A. 95-1053, eff. 1-1-10; revised 4-17-09.)

(35 ILCS 135/4d new)

Sec. 4d. Sales of cigarettes to and by retailers. In-state makers, manufacturers, or fabricators licensed as distributors under Section 4 of this Act and out-of-state makers, manufacturers, or fabricators holding permits under Section 7 of this Act may not sell original packages of cigarettes to retailers. A retailer may sell only original packages of cigarettes obtained from licensed distributors other than in-state makers, manufacturers, or fabricators licensed as distributors under Section 4 of this Act and out-of-state makers, manufacturers, or fabricators holding permits under Section 7 of this Act.

(35 ILCS 135/7) (from Ch. 120, par. 453.37)

Sec. 7. Distributor's permits.

(a) The Department may, in its discretion, upon application, issue permits authorizing the collection of the tax herein imposed by those out-of-State cigarette manufacturers who are not required to be licensed as distributors of cigarettes in this State, but who elect to qualify under this Act as distributors of cigarettes in this State, and who, to the satisfaction of the Department, furnish adequate security to insure collection and payment of the tax, provided that any such permit shall extend only to cigarettes

which such permittee manufacturer places in original packages that are contained inside a sealed transparent wrapper, and provided that no such permit shall be issued under this Act to such a manufacturer who has obtained the permit provided for in Section 4b(a) of the Cigarette Tax Act. Such distributor shall be issued, without charge, a permit to collect such tax in such manner, and subject to such reasonable regulations and agreements as the Department shall prescribe. When so authorized, it shall be the duty of such distributor to collect the tax upon all cigarettes which he delivers (or causes to be delivered) within this State to licensed distributors ~~purchasers~~, in the same manner and subject to the same requirements as a distributor maintaining a place of business within this State. Such permit shall be in such form as the Department may prescribe and shall not be transferable or assignable.

The following are ineligible to receive a distributor's permit under this Act:

(1) a person who is not of good character and reputation in the community in which he resides;

(2) a person who has been convicted of a felony under any Federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that such person has not been sufficiently rehabilitated to warrant the public trust;

(3) a corporation, if any officer, manager or director

thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of such corporation, would not be eligible to receive a permit under this Act for any reason.

With respect to cigarettes which come within the scope of such a permit and which any such permittee delivers or causes to be delivered in Illinois to licensed distributors ~~purchasers~~, such permittee shall collect the tax imposed by this Act and shall remit such tax to the Department by the 5th day of each month for the preceding calendar month. Each such remittance shall be accompanied by a return filed with the Department on a form to be prescribed and furnished by the Department and shall disclose such information as the Department may lawfully require. The Department may promulgate rules to require that the permittee's return be accompanied by appropriate computer-generated magnetic media supporting schedule data in the format prescribed by the Department, unless, as provided by rule, the Department grants an exception upon petition of the permittee. Each such return shall be accompanied by a copy of each invoice rendered by the permittee to any licensed distributor ~~purchaser~~ to whom the permittee delivered cigarettes of the type covered by the permit (or caused cigarettes of the type covered by the permit to be delivered) in Illinois during the period covered by such return.

Such authority and permit may be suspended, canceled or

revoked when, at any time, the Department considers that the security given is inadequate, or that such tax can more effectively be collected from the person using such cigarettes in this State or through distributors located in this State, or whenever the permittee violates any provision of this Act or any lawful rule or regulation issued by the Department pursuant to this Act or is determined to be ineligible for a distributor's permit under this Act as provided in this Section, or whenever the permittee shall notify the Department in writing of his desire to have the permit canceled. The Department shall have the power, in its discretion, to issue a new permit after such suspension, cancellation or revocation, except when the person who would receive the permit is ineligible to receive a distributor's permit under this Act.

All permits issued by the Department under this Act shall be valid for not to exceed one year after issuance unless sooner revoked, canceled or suspended as in this Act provided.

(b) Out-of-state cigarette manufacturers who are not required to be licensed as distributors of cigarettes in this State and who do not elect to obtain approval under subsection (a) to pay the tax imposed by this Act, but who elect to qualify under this Act as distributors of cigarettes in this State for purposes of shipping and delivering unstamped original packages of cigarettes into this State to licensed distributors, shall obtain a permit from the Department, provided that no such permit shall be issued under this



subsection to a manufacturer who has obtained the permit provided for in Section 4b(b) of the Cigarette Tax Act. These permits shall be issued without charge in such form as the Department may prescribe and shall not be transferable or assignable.

The following are ineligible to receive a distributor's permit under this subsection:

(1) a person who is not of good character and reputation in the community in which he or she resides;

(2) a person who has been convicted of a felony under any federal or State law, if the Department, after investigation and a hearing, if requested by the applicant, determines that the person has not been sufficiently rehabilitated to warrant the public trust; and

(3) a corporation, if any officer, manager or director thereof, or any stockholder or stockholders owning in the aggregate more than 5% of the stock of the corporation, would not be eligible to receive a permit under this Act for any reason.

With respect to original packages of cigarettes such permittee delivers or causes to be delivered in Illinois and distributed to the public for promotional purposes without consideration, the permittee shall pay the tax imposed by this Act by remitting the amount thereof to the Department by the 5th day of each month covering cigarettes shipped or otherwise delivered in Illinois for those purposes during the preceding

calendar month. The permittee, before delivering those cigarettes or causing those cigarettes to be delivered in this State, shall evidence his or her obligation to remit the taxes due with respect to those cigarettes by imprinting language to be prescribed by the Department on each original package of cigarettes, in such place thereon and in such manner also to be prescribed by the Department. The imprinted language shall acknowledge the permittee's payment of or liability for the tax imposed by this Act with respect to the distribution of those cigarettes.

With respect to cigarettes such permittee delivers or causes to be delivered in Illinois to Illinois licensed distributors or distributed to the public for promotional purposes, the permittee shall, by the 5th day of each month, file with the Department, a report covering cigarettes shipped or otherwise delivered in Illinois to licensed distributors or distributed to the public for promotional purposes during the preceding calendar month on a form to be prescribed and furnished by the Department and shall disclose such other information as the Department may lawfully require. The Department may promulgate rules to require that the permittee's report be accompanied by appropriate computer-generated magnetic media supporting schedule data in the format prescribed by the Department, unless, as provided by rule, the Department grants an exception upon petition of the permittee. Each such report shall be accompanied by a copy of each invoice

rendered by the permittee to any purchaser to whom the permittee delivered cigarettes of the type covered by the permit (or caused cigarettes of the type covered by the permit to be delivered) in Illinois during the period covered by such report.

Such permit may be suspended, canceled, or revoked whenever the permittee violates any provision of this Act or any lawful rule or regulation issued by the Department pursuant to this Act, is determined to be ineligible for a distributor's permit under this Act as provided in this Section, or notifies the Department in writing of his or her desire to have the permit canceled. The Department shall have the power, in its discretion, to issue a new permit after such suspension, cancellation, or revocation, except when the person who would receive the permit is ineligible to receive a distributor's permit under this Act.

All permits issued by the Department under this Act shall be valid for not to exceed one year after issuance unless sooner revoked, canceled, or suspended as in this Act provided.

(Source: P.A. 79-387.)

(35 ILCS 135/24) (from Ch. 120, par. 453.54)

Sec. 24. Any duly authorized employee of the Department may arrest without warrant any person committing in his presence a violation of any of the provisions of this Act, and may without a search warrant seize any original packages of contraband

~~cigarettes not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with the provisions of this Act~~ and any vending device in which such packages may be found, and such original packages or vending devices so seized shall be subject to confiscation and forfeiture as hereinafter provided.

(Source: Laws 1953, p. 265.)

(35 ILCS 135/25) (from Ch. 120, par. 453.55)

Sec. 25. After seizing any original packages of cigarettes, or cigarette vending devices, as provided in Section 24 of this Act, the Department shall hold a hearing and shall determine whether such original packages of cigarettes, at the time of their seizure by the Department, were contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages in accordance with this Act,~~ or whether such cigarette vending devices, at the time of their seizure by the Department, contained original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act.~~ The Department shall give not less than 7 days' notice of the time and place of such hearing to the owner of such property if he is known, and also to the person in whose possession the property so taken was found, if such person is known and if such person in possession is not the owner of said property. In case neither the owner nor the

person in possession of such property is known, the Department shall cause publication of the time and place of such hearing to be made at least once in each week for 3 weeks successively in a newspaper of general circulation in the county where such hearing is to be held.

If, as the result of such hearing, the Department shall determine that the original packages of cigarettes seized were at the time of seizure contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act~~, or that any cigarette vending device at the time of its seizure contained original packages of contraband cigarettes ~~not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original packages as required by this Act~~, the Department shall enter an order declaring such original packages of cigarettes or such cigarette vending devices confiscated and forfeited to the State, and to be held by the Department for disposal by it as provided in Section 27 of this Act. The Department shall give notice of such order to the owner of such property if he is known, and also to the person in whose possession the property so taken was found, if such person is known and if such person in possession is not the owner of said property. In case neither the owner nor the person in possession of such property is known, the Department shall cause publication of such order to be made at least once in each week for 3 weeks successively in a newspaper of general circulation in the

county where such hearing was held.

(Source: P.A. 76-685.)

(35 ILCS 135/25a) (from Ch. 120, par. 453.55a)

Sec. 25a. Possession of more than 100 original packages of contraband cigarettes; penalty. With the exception of licensed distributors or transporters, as defined in Section 9c of the Cigarette Tax Act, possessing unstamped original packages of cigarettes, and licensed distributors possessing original packages of cigarettes that bear a tax stamp of another state or taxing jurisdiction, anyone possessing more than 100 packages of contraband cigarettes contained in original packages ~~is which are not tax stamped as required by this Act, or which are improperly tax stamped,~~ shall be liable to pay, to the Department for deposit into ~~in~~ the Tax Compliance and Administration Fund ~~State Treasury,~~ a penalty of \$25 ~~\$15~~ for each such package of cigarettes in excess of 100 packages, unless reasonable cause can be established by the person upon whom the penalty is imposed. Reasonable cause shall be determined in each situation in accordance with rules adopted by the Department. The provisions of the Uniform Penalty and Interest Act do not apply to this Section. ~~Such penalty may be recovered by the Department in a civil action.~~

(Source: P.A. 83-1428.)

(35 ILCS 135/25b)

Sec. 25b. Possession of not less than 10 and not more than 100 original packages not tax stamped or improperly tax stamped; penalty. With the exception of licensed distributors and transporters, as defined in Section 9c of the Cigarette Tax Act, possessing unstamped packages of cigarettes, and licensed distributors possessing original packages of cigarettes that bear a tax stamp of another state or taxing jurisdiction, anyone possessing not less than 10 and not more than 100 packages of contraband cigarettes contained in original packages ~~that are not tax stamped as required by this Act, or that are improperly tax stamped,~~ is liable to pay to the Department, for deposit into the Tax Compliance and Administration Fund, a penalty of \$20 ~~\$10~~ for each such package of cigarettes, unless reasonable cause can be established by the person upon whom the penalty is imposed. Reasonable cause shall be determined in each situation in accordance with rules adopted by the Department. Any person who purchases and possesses a total of 9 or fewer original packages of unstamped cigarettes per month is exempt from the penalties of this Section. The provisions of the Uniform Penalty and Interest Act do not apply to this Section.

(Source: P.A. 92-322, eff. 1-1-02.)

(35 ILCS 135/30) (from Ch. 120, par. 453.60)

Sec. 30. Punishment for sale or possession of unstamped packages of cigarettes, other than by a licensed distributor or

transporter.

(a) Possession or sale of more than 9 but less than 101 unstamped packages of cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of the Cigarette Tax Act, any person who has in his or her possession or sells more than 9 but less than 101 original packages of contraband cigarettes is guilty of a Class A misdemeanor.

(b) Possession or sale of more than 100 but less than 251 unstamped packages of cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of the Cigarette Tax Act, any person who has in his or her possession or sells more than 100 but less than 251 original packages of contraband cigarettes is guilty of a Class A misdemeanor for the first offense and a Class 4 felony for each subsequent offense.

(c) Possession or sale of more than 250 but less than 1,001 unstamped packages of cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of the Cigarette Tax Act, any person who has in his or her possession or sells more than 250 but less than 1,001 original packages of contraband cigarettes is guilty of a Class 4 felony.

(d) Possession or sale of more than 1,000 contraband packages of cigarettes. With the exception of licensed distributors or transporters, as defined in Section 9c of the



Cigarette Tax Act, any person who has in his or her possession or sells, more than 1,000 original packages of contraband cigarettes is guilty of a Class 3 felony.

(e) Any person licensed as a distributor or transporter, as defined in Section 9c of the Cigarette Tax Act, who has in his or her possession or sells 100 or less original packages of contraband cigarettes is guilty of a Class A misdemeanor.

(f) Any person licensed as a distributor or transporter, as defined in Section 9c of the Cigarette Tax Act, who has in his or her possession or sells more than 100 original packages of contraband cigarettes is guilty of a Class 4 felony.

(g) Notwithstanding subsections (e) through (f), licensed distributors and transporters, as defined in Section 9c of the Cigarette Tax Act, may possess unstamped packages of cigarettes. Notwithstanding subsections (e) through (f), licensed distributors may possess cigarettes that bear a tax stamp of another state or taxing jurisdiction. Notwithstanding subsections (e) through (f), a licensed distributor may possess contraband cigarettes returned to the distributor by a retailer if the distributor immediately conducts an inventory of the cigarettes being returned, the distributor and the retailer returning the contraband cigarettes sign the inventory, the distributor provides a copy of the signed inventory to the retailer, and the distributor retains the inventory in its books and records and promptly notifies the Department of Revenue.

(h) Notwithstanding subsections (a) through (d) of this Section, a retailer unknowingly possessing contraband cigarettes obtained from a licensed distributor or knowingly possessing contraband cigarettes obtained from a licensed distributor is not subject to penalties under this Section if the retailer, within 48 hours after discovering that the cigarettes are contraband cigarettes, excluding Saturdays, Sundays, and holidays: (i) notifies the Department and the licensed distributor from whom the cigarettes were obtained, orally and in writing, that he or she possesses contraband cigarettes obtained from a licensed distributor; (ii) places the contraband cigarettes in one or more containers and seals those containers; and (iii) places on the containers the following or similar language: "Contraband Cigarettes. Not For Sale." All contraband cigarettes in the possession of a retailer remain subject to forfeiture under the provisions of this Act.

~~Any person other than a licensed distributor who sells, offers for sale, or has in his possession with intent to sell or offer for sale, more than 100 original packages, not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original package in accordance with this Act, shall be guilty of a Class 4 felony.~~

~~Any person other than a licensed distributor who sells, offers for sale, or has in his possession with intent to sell or offer for sale, 100 or fewer original packages, not tax~~

~~stamped or tax imprinted underneath the sealed transparent wrapper of the original package in accordance with this Act, is guilty of a Class A misdemeanor for the first offense and a Class 4 felony for each subsequent offense.~~

~~Any distributor who sells an original package of cigarettes, not tax stamped or tax imprinted underneath the sealed transparent wrapper of such original package in accordance with this Act, except when the sale is made under such circumstances that the tax imposed by this Act may not legally be levied because of the Constitution or laws of the United States, shall be guilty of a Class 3 felony.~~

(Source: P.A. 92-322, eff. 1-1-02.)

(35 ILCS 135/3-15 rep.)

Section 20. The Cigarette Use Tax Act is amended by repealing Section 3-15.

Section 25. The Prevention of Cigarette Sales to Minors Act is amended by changing Sections 2, 5, 6, 7, 8, and 10 and by adding Section 33 as follows:

(720 ILCS 678/2)

(This Section may contain text from a Public Act with a delayed effective date)

Sec. 2. Definitions. For the purpose of this Act:

"Cigarette", when used in this Act, means any roll for

smoking made wholly or in part of tobacco irrespective of size or shape and whether or not the tobacco is flavored, adulterated, or mixed with any other ingredient, and the wrapper or cover of which is made of paper or any other substance or material except whole leaf tobacco.

"Clear and conspicuous statement" means the statement is of sufficient type size to be clearly readable by the recipient of the communication.

"Consumer" means an individual who acquires or seeks to acquire cigarettes for personal use.

"Delivery sale" means any sale of cigarettes to a consumer if:

(a) the consumer submits the order for such sale by means of a telephone or other method of voice transmission, the mails, or the Internet or other online service, or the seller is otherwise not in the physical presence of the buyer when the request for purchase or order is made; or

(b) the cigarettes are delivered by use of a common carrier, private delivery service, or the mails, or the seller is not in the physical presence of the buyer when the buyer obtains possession of the cigarettes.

"Delivery service" means any person (other than a person that makes a delivery sale) who delivers to the consumer the cigarettes sold in a delivery sale.

"Department" means the Department of Revenue.

"Government-issued identification" means a State driver's

license, State identification card, passport, a military identification or an official naturalization or immigration document, such as an alien registration recipient card (commonly known as a "green card") or an immigrant visa.

~~"Legal minimum age" means the minimum age at which an individual may legally purchase cigarettes within this State, as determined by either State or local government.~~

"Mails" or "mailing" mean the shipment of cigarettes through the United States Postal Service.

"Out-of-state sale" means a sale of cigarettes to a consumer located outside of this State where the consumer submits the order for such sale by means of a telephonic or other method of voice transmission, the mails or any other delivery service, facsimile transmission, or the Internet or other online service and where the cigarettes are delivered by use of the mails or other delivery service.

"Person" means any individual, corporation, partnership, limited liability company, association, or other organization that engages in any for-profit or not-for-profit activities.

"Shipping package" means a container in which packs or cartons of cigarettes are shipped in connection with a delivery sale.

"Shipping documents" means bills of lading, air bills, or any other documents used to evidence the undertaking by a delivery service to deliver letters, packages, or other containers.

~~"Within this State" means within the exterior limits of the State of Illinois and includes all territory within these limits owned by or ceded to the United States of America.~~

(Source: P.A. 95-1053, eff. 1-1-10.)

(720 ILCS 678/5)

Sec. 5. Unlawful shipment or transportation of cigarettes.

(a) It is unlawful for any person engaged in the business of selling cigarettes to ship or cause to be shipped any cigarettes unless the person shipping the cigarettes:

(1) is licensed as a distributor under either the Cigarette Tax Act, or the Cigarette Use Tax Act; or delivers the cigarettes to a distributor licensed under either the Cigarette Tax Act or the Cigarette Use Tax Act; or

(2) ships them to an export warehouse proprietor pursuant to Chapter 52 of the Internal Revenue Code, or an operator of a customs bonded warehouse pursuant to Section 1311 or 1555 of Title 19 of the United States Code.

For purposes of this subsection (a), a person is a licensed distributor if the person's name appears on a list of licensed distributors published by the Illinois Department of Revenue. The term cigarette has the same meaning as defined in Section 1 of the Cigarette Tax Act and Section 1 of the Cigarette Use Tax Act. Nothing in this Act prohibits a person licensed as a distributor under the Cigarette Tax Act or the Cigarette Use

Tax Act from shipping or causing to be shipped any cigarettes to a registered retailer under the Retailers' Occupation Tax Act ~~and the Cigarette Tax Act~~ provided the cigarette tax or cigarette use tax has been paid.

(b) A common or contract carrier may transport cigarettes to any individual person in this State only if the carrier reasonably believes such cigarettes have been received from a person described in paragraph (a)(1). Common or contract carriers may make deliveries of cigarettes to licensed distributors described in paragraph (a)(1) of this Section. Nothing in this subsection (b) shall be construed to prohibit a person other than a common or contract carrier from transporting not more than 1,000 cigarettes at any one time to any person in this State.

(c) A common or contract carrier may not complete the delivery of any cigarettes to persons other than those described in paragraph (a)(1) of this Section without first obtaining from the purchaser an official written identification from any state or federal agency that displays the person's date of birth or a birth certificate that includes a reliable confirmation that the purchaser is at least 18 years of age; that the cigarettes purchased are not intended for consumption by an individual who is younger than 18 years of age; and a written statement signed by the purchaser that certifies the purchaser's address and that the purchaser is at least 18 years of age. The statement shall also confirm: (1)

that the purchaser understands that signing another person's name to the certification is illegal; (2) that the sale of cigarettes to individuals under 18 years of age is illegal; and (3) that the purchase of cigarettes by individuals under 18 years of age is illegal under the laws of Illinois.

(d) When a person engaged in the business of selling cigarettes ships or causes to be shipped any cigarettes to any person in this State, other than in the cigarette manufacturer's or tobacco products manufacturer's original container or wrapping, the container or wrapping must be plainly and visibly marked with the word "cigarettes".

(e) When a peace officer of this State or any duly authorized officer or employee of the Illinois Department of Public Health or Department of Revenue discovers any cigarettes which have been or which are being shipped or transported in violation of this Section, he or she shall seize and take possession of the cigarettes, and the cigarettes shall be subject to a forfeiture action pursuant to the procedures provided under the Cigarette Tax Act or Cigarette Use Tax Act.

(Source: P.A. 95-1053, eff. 1-1-10.)

(720 ILCS 678/6)

(This Section may contain text from a Public Act with a delayed effective date)

Sec. 6. Prevention of delivery sales to minors.

(a) No person shall make a delivery sale of cigarettes to



any individual who is under 18 years of ~~the legal minimum~~ age.

(b) Each person accepting a purchase order for a delivery sale shall comply with the provisions of this Act and all other laws of this State generally applicable to sales of cigarettes that occur entirely within this State, ~~including, but not limited to, those laws imposing: (i) excise taxes; (ii) sales taxes; (iii) license and revenue stamping requirements; and (iv) escrow payment obligations.~~

(Source: P.A. 95-1053, eff. 1-1-10.)

(720 ILCS 678/7)

(This Section may contain text from a Public Act with a delayed effective date)

Sec. 7. Age verification and shipping requirements to prevent delivery sales to minors.

(a) No person, other than a delivery service, shall mail, ship, or otherwise cause to be delivered a shipping package in connection with a delivery sale unless the person:

(1) prior to the first delivery sale to the prospective consumer, obtains from the prospective consumer a written certification which includes a statement signed by the prospective consumer that certifies:

(A) the prospective consumer's current address;

and

(B) that the prospective consumer is at least the legal minimum age;

(2) informs, in writing, such prospective consumer that:

(A) the signing of another person's name to the certification described in this Section is illegal;

(B) sales of cigarettes to individuals under 18 years of ~~the legal minimum~~ age are illegal;

(C) the purchase of cigarettes by individuals under 18 years of ~~the legal minimum~~ age is illegal; and

(D) the name and identity of the prospective consumer may be reported to the state of the consumer's current address under the Act of October 19, 1949 (15 U.S.C. § 375, et seq.), commonly known as the Jenkins Act;

(3) makes a good faith effort to verify the date of birth of the prospective consumer provided pursuant to this Section by:

(A) comparing the date of birth against a commercially available database; or

(B) obtaining a photocopy or other image of a valid, government-issued identification stating the date of birth or age of the prospective consumer;

(4) provides to the prospective consumer a notice that meets the requirements of subsection (b);

(5) receives payment for the delivery sale from the prospective consumer by a credit or debit card that has been issued in such consumer's name, or by a check or other

written instrument in such consumer's name; and

(6) ensures that the shipping package is delivered to the same address as is shown on the government-issued identification or contained in the commercially available database.

(b) The notice required under this Section shall include:

(1) a statement that cigarette sales to consumers below 18 years of ~~the legal minimum~~ age are illegal;

(2) a statement that sales of cigarettes are restricted to those consumers who provide verifiable proof of age in accordance with subsection (a);

(3) a statement that cigarette sales are subject to tax under Section 2 of the Cigarette Tax Act (35 ILCS 130/2), Section 2 of the Cigarette Use Tax Act, and Section 3 of the Use Tax Act and an explanation of how the correct ~~such~~ tax has been, or is to be, paid with respect to such delivery sale.

(c) A statement meets the requirement of this Section if:

(1) the statement is clear and conspicuous;

(2) the statement is contained in a printed box set apart from the other contents of the communication;

(3) the statement is printed in bold, capital letters;

(4) the statement is printed with a degree of color contrast between the background and the printed statement that is no less than the color contrast between the background and the largest text used in the communication;

and

(5) for any printed material delivered by electronic means, the statement appears at both the top and the bottom of the electronic mail message or both the top and the bottom of the Internet website homepage.

(d) Each person, other than a delivery service, who mails, ships, or otherwise causes to be delivered a shipping package in connection with a delivery sale shall:

(1) include as part of the shipping documents a clear and conspicuous statement stating: "Cigarettes: Illinois Law Prohibits Shipping to Individuals Under 18 and Requires the Payment of All Applicable Taxes";

(2) use a method of mailing, shipping, or delivery that requires a signature before the shipping package is released to the consumer; and

(3) ensure that the shipping package is not delivered to any post office box.

(Source: P.A. 95-1053, eff. 1-1-10; revised 4-17-09.)

(720 ILCS 678/8)

(This Section may contain text from a Public Act with a delayed effective date)

Sec. 8. Registration and reporting requirements to prevent delivery sales to minors.

(a) Not later than the 15th day of each month, each person making a delivery sale during the previous calendar month shall

file a report with the Department containing the following information: ~~Each person who makes a delivery sale of cigarettes to a consumer located within this State shall file with the Department for each individual sale:~~

(1) the seller's ~~a statement setting forth such person's~~ name, trade name, and the address of such person's principal place of business and any other place of business; ~~and~~

~~(2) not later than the tenth day of each calendar month, a memorandum or copy of the invoice for each and every such delivery sale made during the previous calendar month, which includes the following information:~~

(2) ~~(A)~~ the name and address of the consumer to whom such delivery sale was made;

(3) ~~(B)~~ the brand style or brand styles of the cigarettes that were sold in such delivery sale;

(4) ~~(C)~~ the quantity of cigarettes that were sold in such delivery sale; ~~and~~

(5) ~~(D)~~ an indication of whether or not the cigarettes sold in the delivery sale bore a tax stamp evidencing payment of the tax under Section 2 of the Cigarette Tax Act (35 ILCS 130/2); ~~and~~

(6) such other information the Department may require.

(b) Each person engaged in business within this State who makes an out-of-state sale shall, for each individual sale, submit to the appropriate tax official of the state in which

the consumer is located the information required in subsection (a).

(c) Any person that satisfies the requirements of 15 U.S.C. Section 376 shall be deemed to satisfy the requirements of subsections (a) and (b).

(d) The Department is authorized to disclose to the Attorney General any information received under this title and requested by the Attorney General. The Department and the Attorney General shall share with each other the information received under this title and may share the information with other federal, State, or local agencies for purposes of enforcement of this title or the laws of the federal government or of other states.

(e) This Section shall not be construed to impose liability upon any delivery service, or officers or employees thereof, when acting within the scope of business of the delivery service.

(f) The Department may establish procedures requiring electronic transmission of the information required by this Section directly to the Department on forms prescribed and furnished by the Department.

(Source: P.A. 95-1053, eff. 1-1-10.)

(720 ILCS 678/10)

Sec. 10. Violation.

(a) A person who violates subsection (a), (b), or (c) of

Section 5 or Section 6, 7, 8, or 9 is guilty of a Class A misdemeanor. A second or subsequent violation of subsection (a), (b), or (c) of Section 5 or Section 6, 7, 8, or 9 is a Class 4 felony.

(b) The Department of Revenue shall impose a civil penalty not to exceed \$5,000 on any person who violates subsection (a), (b), or (c) of Section 5 or Section 6, 7, 8, or 9. The Department of Revenue shall impose a civil penalty not to exceed \$5,000 on any person engaged in the business of selling cigarettes who ships or causes to be shipped any such cigarettes to any person in this State in violation of subsection (d) of Section 5. Civil penalties imposed and collected by the Department shall be deposited into the Tax Compliance and Administration Fund.

(c) All cigarettes sold or attempted to be sold in a delivery sale that does not meet the requirements of this Act shall be forfeited to the State. All cigarettes forfeited to this State under this Act shall be destroyed or maintained and used in an undercover capacity. The Department may, prior to any destruction of cigarettes, permit the true holder of the trademark rights in the cigarette brand to inspect such contraband cigarettes, in order to assist the Department in any investigation regarding such cigarettes.

(d) Any person aggrieved by any decision of the Department of Revenue may, within 60 days after notice of that decision, protest in writing and request a hearing. The Department of

Revenue shall give notice to the person of the time and place for the hearing and shall hold a hearing before it issues a final administrative decision. Absent a written protest within 60 days, the Department's decision shall become final without any further determination made or notice given.

(e) The penalties provided for in this Section are in addition to any other penalties provided for by law.

(Source: P.A. 95-1053, eff. 1-1-10.)

(720 ILCS 678/33 new)

Sec. 33. Rulemaking. The Department may adopt rules to implement and administer this Act.

Section 90. "An Act concerning revenue", approved April 10, 2009, Public Act 95-1053, is amended by changing Section 10 as follows:

(P.A. 95-1053, Sec. 10)

Sec. 10. The Cigarette Tax Act is amended by repealing Section ~~Sections 9e and~~ 28.

(Source: P.A. 95-1053, eff. 1-1-10.)

Section 99. Effective date. This Act takes effect January 1, 2010, except that Sections 90 and 99 take effect upon becoming law.