

**ATTORNEY GENERAL
DEPARTMENT OF JUSTICE**

33 CAPITOL STREET
CONCORD, NEW HAMPSHIRE 03301-6397

GORDON J. MACDONALD
ATTORNEY GENERAL



JANE E. YOUNG
DEPUTY ATTORNEY GENERAL

November 29, 2018

Governor Christopher T. Sununu
State of New Hampshire
State House
Concord, New Hampshire 03301

Executive Councilor Andru Volinsky
State of New Hampshire
State House
Concord, New Hampshire 03301

Re: Liquor Commission Inquiry

Dear Governor Sununu and Executive Councilor Volinsky:

By letter dated April 12, 2018, Attorney General Gordon J. MacDonald provided you information regarding the Department of Justice's ("DOJ") efforts in responding to Councilor Volinsky's February 13, 2018 letter that raised questions regarding certain business practices of the State Liquor Commission ("SLC"). As detailed in that letter, DOJ has been engaged in an inquiry into the SLC and its employees' conduct to ensure conformity to the applicable laws and policies. This inquiry has proceeded under the Attorney General's authority over state departments, commissions, boards, bureaus and officers "to the end that they perform their duties according to law." RSA 7:8. The purpose of this letter is to provide you with an update of the status of that inquiry.

The DOJ inquiry has focused on the SLC's administration of policies and procedures regarding large volume cash sales ("LVCS"). One specific area of the inquiry has focused upon the SLC's policy regarding the use of IRS Form 8300. Effective as of March 23, 2015, the SLC implemented Policy and Procedure F-112 (referred to as the "LVCS Policy"), which requires in relevant part (emphasis in original):

All customers that purchase a volume of product totaling \$10,000 or more in cash, either through one or multiple related transactions, must complete IRS Form 8300 in its entirety before the sale is processed through the cash register, using one of

Governor Christopher T. Sununu
Executive Councilor Andru Volinsky
November 29, 2018
Page 2 of 3

the forms of identification for the customer that is a currently acceptable form of identification for the purchase of product in our stores (valid driver's license, passport, military ID). The Store Manager or the person in charge will complete Part I through Part III of the IRS form 8300.

For purposes of its inquiry, the DOJ has completed a series of interviews and meetings with SLC employees and others, including Executive Councilor Volinsky. Further, the DOJ has reviewed such documents and records as it has determined necessary and appropriate. As of the date of this letter, and subject to completion of the final report described below, the DOJ's review of relevant information is substantially complete.

Based upon our inquiry, we have advised the SLC that its practices and procedures regarding LVCS transactions, including its performance and enforcement of the LVCS Policy by the SLC and its employees, are consistent with applicable state and federal laws.

The scope of the DOJ inquiry has included reaching the following conclusions. First, we note that the purpose of the LVCS Policy as expressly stated in the policy ("to promote a culture of honesty, and prevention of fraud, criminal conduct and loss prevention") is entirely appropriate and consistent with New Hampshire law. Second, guidance and rulings issued by the Internal Revenue Service support the conclusion that the SLC, as an agency and governmental unit of the State of New Hampshire, is not subject to the cash transaction reporting requirements under federal statute 26 U.S.C. §6050I. Third, New Hampshire law does not impose any limit on the amount of cash that the SLC may accept as part of a purchase transaction, or upon the amount of product that a person or business may purchase in a single transaction. Fourth, the SLC has neither the authority nor a legal obligation to enforce the laws imposed by other states in regard to alcohol sales or purchases, and accordingly neither the SLC nor any of its employees are subject to prosecution under the laws of other states. Fifth, DOJ's inquiry found no credible evidence that the SLC has discouraged compliance with its LVCS Policy. Sixth, DOJ has found no credible evidence that the cash received by SLC stores from LVCS transactions is derived from any sort of illegal trafficking.

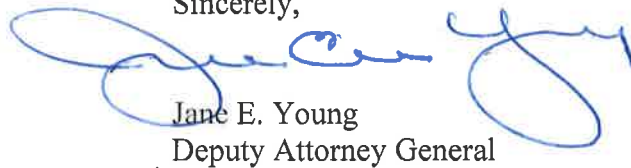
It is also clear that there is a long overdue need for finality and certainty with respect to certain issues presented by LVCS. To that end, we are engaging with the Internal Revenue Service to confirm the appropriateness of SLC's policies and procedures under section 6050I of the Internal Revenue Code. When that process is concluded, we will provide the details as well as the complete results of the review we have conducted.

Pending completion of this final report, DOJ has advised SLC to continue enforcing its LVCS Policy consistent with its past practice. DOJ has further advised SLC to continue to conduct appropriate training for employees regarding their obligations under the LVCS Policy.

Governor Christopher T. Sununu
Executive Councilor Andru Volinsky
November 29, 2018
Page 3 of 3

If you have any questions, please contact Attorney General MacDonald or Associate Attorney General James C. Vara who is leading DOJ's effort in response to the February 13, 2018 letter.

Sincerely,



Jane E. Young
Deputy Attorney General

cc: Senate President
House Speaker
The Executive Council
Chairman Joseph Mollica