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THE CITY OF NEW YORK  
LAW DEPARTMENT

April 28, 2026

**Via U.S. Mail and Email**

Bimal Patel  
Executive Vice President & Chief Legal Officer  
PayPal Holdings, Inc.  
2211 North First Street  
San Jose, CA 95131  
bimal@paypal.com

Re: Working to Stop Illegal E-cigarette Sales Transactions

Dear Mr. Patel:

We are writing on behalf of the States of **Arizona, California, Connecticut, Delaware, Hawaii, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington, Wisconsin, the Commonwealth of Puerto Rico, and the City of New York** to express concerns about the widespread and ongoing illegal sales of electronic cigarettes and other vaping products (collectively, “e-cigarettes”) facilitated through the use of credit cards and payment processing services, including PayPal Holdings, Inc.’s (“PayPal”) services. Over twenty years ago, the states similarly reached out to credit card companies to work collaboratively on solutions to reduce youth access to conventional cigarettes sold online.<sup>1</sup> We are reaching out again, but now concerning illegal sales of e-cigarettes and

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<sup>1</sup> See B. Tedeschi, Trouble for Online Vendors of Cigarettes, N.Y. Times (Apr. 4, 2005), available at <http://nytimes.com/2005/04/04/technology/trouble-for-online-vendors-of-cigarettes.html>;

requesting your assistance in addressing these illicit transactions online and at brick-and-mortar stores. Our outreach is grounded in the recognition that combating illegal e-cigarette sales requires proactive efforts between government entities and credit card and payment processing companies to stop these unlawful transactions.

By way of additional background, illegal sales of conventional cigarettes, particularly sales to youth, were prevalent in the early 2000s. Addressing this serious issue required not only robust government actions but also cooperation from the companies that enabled illegal transactions through their services such as credit card and payment processing. While important progress has been made since then to halt unlawful sales of tobacco products, particularly sales of conventional cigarettes to youth, significant work remains, largely caused by the popularity among youth of e-cigarettes that emerged in the United States market in the last fifteen years. E-cigarettes are highly addictive and pose significant health risks, particularly to youth.

Federal, state, and local governments across the nation have been working on accelerating policies and programs to reduce e-cigarette use among youth. On the federal regulatory level, every new tobacco product must receive an order from the federal Food and Drug Administration (“FDA”) authorizing its marketing and sale in the United States. *See* 21 U.S.C. § 387j(a)(2)(A). To date, the FDA has authorized only 41 e-cigarette products, none in any flavor other than tobacco and menthol.<sup>2</sup> E-cigarettes that have not received authorization from the FDA, which constitute nearly all e-cigarettes offered by online sellers, are deemed “adulterated.” 21 U.S.C. § 387b(6)(A). Federal law prohibits the receipt or delivery in interstate commerce of any adulterated tobacco product, 21 U.S.C. § 331(c), and delivery or proffered delivery of adulterated tobacco products is accordingly unlawful under United States law. Of equal weight, the federal Prevent All Cigarette Trafficking Act of 2009 (“PACT Act”), 15 U.S.C. §§ 375–378 and 18 U.S.C. § 1716E, regulates online e-cigarette sales, imposing stringent requirements on online sellers that include use of age verification practices, labeling and weight requirements, and compliance with “*all* State, local, tribal, and other laws generally applicable to sales [of e-cigarettes]”. 15 U.S.C. §§ 376a, (a), (a)(3) (emphasis added). E-cigarette sellers are also subject to compliance with laws imposed by state and local governments such as, for example, age verification, licensing, and tax payment requirements. In addition, “flavor bans” have been enacted in jurisdictions such as California, the District of Columbia, Massachusetts, New York, and New York City deeming the sale of a flavored e-cigarette in their jurisdictions a violation of state or local laws, and hence a violation of the PACT Act as well. Some states such as Connecticut, Oregon, Ohio, Maine, and Vermont completely ban online e-cigarette sales to consumers.

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<https://ag.ny.gov/press-release/2005/state-ags-and-atf-announce-initiative-credit-card-companies-prevent-illegal>.

<sup>2</sup> *See* U.S. Food & Drug Administration, “E-Cigarettes, ‘Vapes’ and Other Electronic Nicotine Delivery Systems (ENDS) Authorized by the FDA,” (Apr. 1, 2026, at 11:50 ET), <https://www.fda.gov/tobacco-products/market-and-distribute-tobacco-product/e-cigarettes-vapes-and-other-electronic-nicotine-delivery-systems-ends-authorized-fda>.

The pervasiveness of illegal e-cigarette sales and its consequent harm to public health necessitates a more comprehensive solution. The states and New York City have been working diligently to identify noncompliant sellers and have found that the vast majority of online merchants violate the PACT Act in virtually every regard. Independent studies of online merchants of vaping products report the same widespread noncompliance with the PACT Act requirements.<sup>3</sup> The states have been taking actions against illegal online sellers, including litigation and referrals of these sellers to the federal Bureau of Alcohol, Tobacco, Firearms, and Explosives (“ATF”) for inclusion on the Noncompliance List (“NCL”) established under the PACT Act, *see* 15 U.S.C. § 376a(e)(1). Recently, as part of our efforts to engage e-commerce platforms about the illegal activity enabled through their services, the states and New York City sent a letter to Shopify Inc. on November 24, 2025, highlighting the pervasive unlawful conduct by merchants selling e-cigarettes on its platform.<sup>4</sup> Likewise, our aim in this letter is to discuss the current scope of illegal e-cigarette trafficking and to work with you to halt the use of your services for unlawful transactions.

We request a meeting with PayPal to discuss a comprehensive solution to address unlawful sales of vaping products regulated under federal, state, and local laws, with the goal of PayPal prohibiting e-commerce service providers and merchants from using its services for unlawful purposes. Please provide a response outlining your availability within **15 days** of this letter. PayPal’s response should be directed to Lesya Kinnamon at Lesya.Kinnamon@doj.ca.gov, Edmund “Tad” Berger at eberger@attorneygeneral.gov, Leslieann Cachola at lesieann.cachola@ag.ny.gov, and Eric Proshansky at eproshan@law.nyc.gov.

Sincerely,

**/s/ Lesya N. Kinnamon**

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**/s/ Edmund “Tad” Berger**

Edmund “Tad” Berger  
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<sup>3</sup> See Harati RM, Ellis SE, Satybaldiyeva N, Meorado T, Benitez G, Henriksen L, Leas EC. *Online Retailer Nonadherence to Age Verification, Shipping, and Flavor Restrictions on E-Cigarettes*. JAMA. 2024 Dec 24;332(24):2113-2114. doi: 10.1001/jama.2024.21597. PMID: 39527068; PMCID: PMC11555574.

<sup>4</sup> See Letter from various states to Shopify Inc. (Nov. 24, 2025), available at [https://oag.ca.gov/system/files/attachments/press-docs/CA\\_NYC%20Letter%20to%20Shopify\\_FINAL.pdf](https://oag.ca.gov/system/files/attachments/press-docs/CA_NYC%20Letter%20to%20Shopify_FINAL.pdf).

**/s/ Leslieann E. Cachola**

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PayPal Holdings, Inc.

April 28, 2026

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