

Court stops NYC suit vs. online cigarette vendor

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(AP) -- The Supreme Court has ruled against New York City in its effort to use federal racketeering law to sue Internet cigarette sellers for lost tax revenue.

By a 5-3 vote Monday, the court ended the city's lawsuit against Hemi Group, a New Mexico-based company that sells cigarettes online.

New York taxes the possession of cigarettes but finds it difficult to collect those taxes from Internet sales. The city says it loses millions of dollars in [tax revenues](#) from online sales.

Sellers like Hemi are not required to charge or collect the taxes, but they are supposed to provide information about their customers to states.

New York's lawsuit under the Racketeer Influenced and Corrupt Organizations Act accused Hemi of fraud for failing to provide the customer information.

The court said Monday that the city cannot use the racketeering law to collect tobacco taxes from Hemi.

Chief Justice John Roberts and Justices Samuel Alito, Ruth Bader Ginsburg, Antonin Scalia and Clarence Thomas formed the majority.

Justice Sonia Sotomayor did not take part in the case because it came from the [federal appeals court](#) in New York on which she served before

her elevation to the high court.

The case is Hemi Group v. City of New York, 08-969.

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