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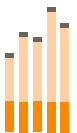
Economic Research Informing Tobacco Control Policy

Smokeless Tobacco Pricing Strategies and Policies

Frank J. Chaloupka, University of Illinois at Chicago
8th National Summit on Smokeless and Spit Tobacco
Albuquerque, New Mexico, April 20, 2016

Overview

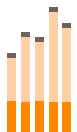
- State taxation of other tobacco products
- Impact of tax structure on price
- Impact of taxes and prices on smokeless tobacco product use



Disclosures

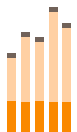
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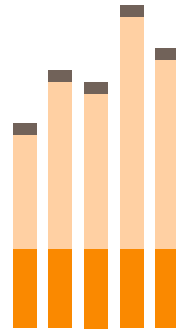
- National Cancer Institute, State and Community Tobacco Control Initiative, 5UO1-CA154248
- Centers for Disease Control and Prevention, Office on Smoking and Health
- Robert Wood Johnson Foundation



Collaborators

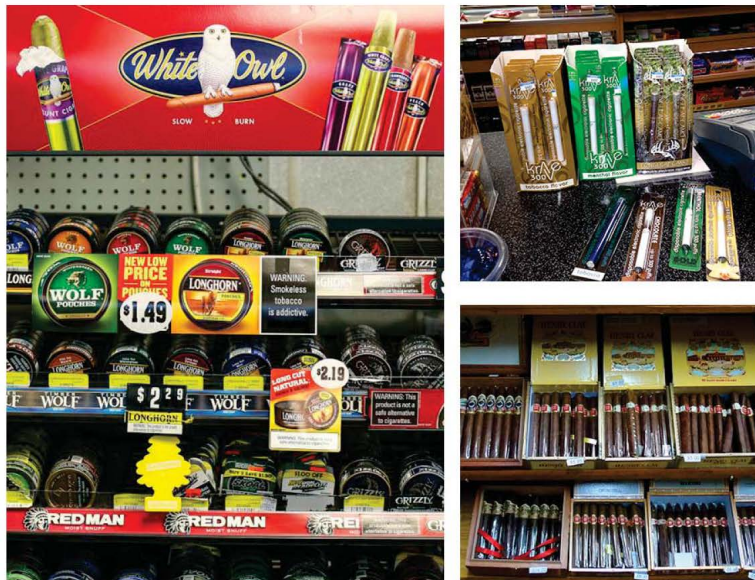
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State OTP Taxation

OTP Chartbook



Tobacco Product Taxation:

*An Analysis of State Tax Schemes Nationwide,
Selected Years, 2005-2014*

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August 2015

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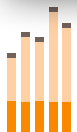
How to Read the State Profile Pages

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tobacconomics.org/research/otp-chartbook



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OTP State Data Profile Page Sample

California



Table 1: Other Tobacco Product Taxation

OTP Taxed? No Yes

If yes, which products are taxed as of January 1, 2014?

Yes Blank No -- Not Applicable/Addressed

Product	Taxed?	Type of Tax		How Defined?	How Taxed?	Rate Change Since 2005?
		Ad Valorem	Specific			
Cigars	✓	✓		With OTPs	With OTPs	↓
Cigarillos	✓	✓		With OTPs	With OTPs	↓
Little Cigars	✓		✓	With OTPs	Cigarette	Tax Type Changed
Pipe Tobacco	✓	✓		With OTPs	With OTPs	↓
Roll-Your-Own Tobacco	✓	✓		With OTPs	With OTPs	↓
Dry Snuff	✓	✓		With OTPs	With OTPs	↓
Moist Snuff	✓	✓		With OTPs	With OTPs	↓
Snus	✓	✓		With OTPs	With OTPs	↓
Smokeless Tobacco Generally	✓	✓		With OTPs	With OTPs	↓
Dissolvables	✓	✓		With OTPs	With OTPs	↓
E-cigarettes	No	--	--	--	--	Not applicable

↓ Rate Decreased ↑ Rate Increased ↔ No Change

Table 2: Summary of Cigarette and OTP Tax Rates, Selected Years, 2005-2014

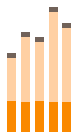
Product	2005	2008	2011	2014
Cigarettes	\$0.87/20 §	\$0.87/20 §	\$0.87/20 §	\$0.87/20 §
Cigars	46.76% WC Δ	46.76% WC Δ	33.02% WC Δ	29.82% WC Δ
Cigarillos	46.76% WC Δ	46.76% WC Δ	33.02% WC Δ	29.82% WC Δ
Little Cigars	46.76% WC Δ	\$0.87/20 §	\$0.87/20 §	\$0.87/20 §
Pipe Tobacco	46.76% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Roll-Your-Own Tobacco	46.76% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Dry Snuff	46.76% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Moist Snuff	46.76% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Snus	46.76% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Smokeless Tobacco Generally	48.89% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
Dissolvables	48.89% WC Δ	45.13% WC Δ	33.02% WC Δ	29.82% WC Δ
E-cigarettes	--	--	--	--

Δ Ad Valorem; § Specific; -- Not taxed; WC=Wholesale Cost.

WC

Wholesale Cost

"... the cost of tobacco products to the distributor prior to any discounts or trade allowances." (CAL. REV. & TAX CODE § 30017)



OTP Appendix Sample

Table A-2. State Cigar Taxation Laws, Selected Years 2005-2014

✓ Yes Blank No

W/ OTP (With other OTPs); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); DP (Distributor's Price); ea (each); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); PV (Product Value); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost); WCP (Wholesale Cost Price); WPP (Wholesale Purchase Price); WSP (Wholesale Sales Price); WP (Wholesale Price)

	Cigars Taxed	How Defined (2014)	How Taxed (2014)	2005		2008		2011		2014	
				Ad Valorem	Specific	Ad Valorem	Specific	Ad Valorem	Specific	Ad Valorem	Specific
AL	✓	Std. Al.	Std. Al.		\$0.006 ea		\$0.006 ea		\$0.006 ea		\$0.006 ea
AK	✓	W/ OTP	W/ OTP	75% WP		75% WP		75% WP		75% WP	
AZ	✓	W/ OTP	Std. Al.		\$0.13 ea		\$0.218 ea		\$0.218 ea		\$0.218 ea
AR	✓	W/ OTP	W/ OTP	32% MSP		32% MSP		68% MSP		68% MSP	
CA	✓	W/ OTP	W/ OTP	46.76% WC		46.76% WC		33.02% WC		29.82% WC	
CO	✓	W/ OTP	W/ OTP	40% MLP		40% MLP		40% MLP		40% MLP	
CT	✓	W/ OTP	W/ OTP	20% WSP		20% WSP		27.5% WSP		50% WSP	
DE	✓	W/ OTP	W/ OTP	15% WP		15% WP		15% WP		15% WP	
DC											
FL											
GA	✓	W/ OTP	Std. Al.	23% WCP		23% WCP		23% WCP		23% WCP	
HI	✓	W/ OTP	Std. Al.	40% WP		40% WP		50% WP		50% WP	
ID	✓	W/ OTP	W/ OTP	40% WSP		40% WSP		40% WSP		40% WSP	
IL	✓	W/ OTP	W/ OTP	18% WP		18% WP		18% WP		36% WP	
IN	✓	W/ OTP	W/ OTP	18% WP		24% WP		24% WP		24% WP	
IA	✓	W/ OTP	W/ OTP	22% WSP		50% WSP		50% WSP		50% WSP	
KS	✓	W/ OTP	W/ OTP	10% WSP		10% WSP		10% WSP		10% WSP	
KY	✓	W/ OTP	W/ OTP			7.5% WSP		15% WSP		15% DP	
LA	✓	Std. Al.	Std. Al.	20% MIP		20% MIP		20% MIP		20% MIP	
ME	✓	W/ OTP	W/ OTP	16% WSP		20% WSP		20% WSP		20% WSP	
MD	✓	W/ OTP	Std. Al.	15% WP		15% WP		15% WP		70% WP	
MA	✓	Std. Al.	W/ OTP	30% WP		30% WP		30% WP		40% WP	
MI	✓	W/ OTP	W/ OTP	32% WP		32% WP		32% WP		32% WP	
MN	✓	W/ OTP	W/ OTP	35% WSP		70% WSP		70% WSP		95% WSP	
MS	✓	W/ OTP	W/ OTP	15% MLP		15% MLP		15% MLP		15% MLP	
MO	✓	W/ OTP	W/ OTP	10% MIP		10% MIP		10% MIP		10% MIP	
MT	✓	W/ OTP	W/ OTP	25% WP		50% WP		50% WP		50% WP	

Table A-2. State Cigar Taxation Laws, Selected Years 2005-2014

✓ Yes Blank No

W/ OTP (With other OTPs); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); DP (Distributor's Price); ea (each); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); PV (Product Value); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost); WCP (Wholesale Cost Price); WPP (Wholesale Purchase Price); WSP (Wholesale Sales Price); WP (Wholesale Price)

	Cigars Taxed	How Defined (2014)	How Taxed (2014)	2005		2008		2011		2014	
				Ad Valorem	Specific	Ad Valorem	Specific	Ad Valorem	Specific	Ad Valorem	Specific
NE	✓	W/ OTP	W/ OTP	20% PP		20% PP		20% PP		20% PP	
NV	✓	W/ OTP	W/ OTP	30% WP		30% WP		30% WP		30% WP	
NH	✓	W/ OTP	W/ OTP					65.03% WSP		65.03% WSP	
NJ	✓	W/ OTP	W/ OTP	30% WP		30% WP		30% WP		30% WP	
NM	✓	W/ OTP	W/ OTP	25% PV		25% PV		25% PV		25% PV	
NY	✓	W/ OTP	W/ OTP	37% WP		37% WP		75% WP		75% WP	
NC	✓	W/ OTP	W/ OTP	2% CP		10% CP		12.8% CP		12.8% CP	
ND	✓	Std. Al.	Std. Al.	28% WPP		28% WPP		28% WPP		28% WPP	
OH	✓	W/ OTP	W/ OTP	17% WP		17% WP		17% WP		17% WP	
OK	✓	W/ OTP	Std. Al.		\$0.12 ea		\$0.12 ea		\$0.12 ea		\$0.12 ea
OR	✓	W/ OTP	W/ OTP	65% WSP		65% WSP		65% WSP		65% WSP	
PA											
RI	✓	Std. Al.	W/ OTP	30% WC		40% WC		80% WC		80% WC	
SC	✓	W/ OTP	W/ OTP	5% MP		5% MP		5% MP		5% MP	
SD	✓	W/ OTP	W/ OTP	10% WPP		35% WPP		35% WPP		35% WPP	
TN	✓	W/ OTP	W/ OTP	6.6% WCP		6.6% WCP		6.6% WCP		6.6% WCP	
TX	✓	W/ OTP	Std. Al.		\$0.011 ea		\$0.011 ea		\$0.011 ea		\$0.011 ea
UT	✓	W/ OTP	W/ OTP	35% MSP		35% MSP		86% MSP		86% MSP	
VT	✓	W/ OTP	Std. Al.	41% WP		41% WP		\$2.00 ea		\$2.00 ea	
VA	✓	W/ OTP	W/ OTP			10% MSP		10% MSP		10% MSP	
WA	✓	W/ OTP	W/ OTP	129.42% TSP		75% TSP		95% TSP		95% TSP	
WV	✓	W/ OTP	W/ OTP	7% WP		7% WP		7% WP		7% WP	
WI	✓	W/ OTP	W/ OTP	25% MLP		50% MLP		71% MLP		71% MLP	
WY	✓	Std. Al.	W/ OTP	20% WPP		20% WPP		20% WPP		20% WPP	

OTP Fact Sheets

State Dry Snuff Taxation Laws, Selected Years 2005-2014

W/ OTP (With other tobacco products); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); FLP (Factory List Price); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); as (assess); PPL (Price Paid by Licensee/Unclassified Acquirer); PV (Product Value); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost Price); WFL (Wholesale List Price); WFP (Wholesale Purchase Price); WSP (Wholesale Sales Price)

State	Taxed (Y/N) (2014)	How Defined (2014)	How Taxed (2014)
NE	✓	W/ OTP	Std
NH	✓	W/ OTP	Std
NJ	✓	W/ OTP	Std
NM	✓	W/ OTP	Std
NY	✓	W/ OTP	Std
NC	✓	W/ OTP	Std
ND	✓	W/ OTP	Std
OH	✓	W/ OTP	Std
OK	✓	W/ OTP	Std
OR	✓	W/ OTP	Std
PA	✓	Std Al.	Std
RI	✓	Std Al.	Std
SC	✓	W/ OTP	Std
SD	✓	W/ OTP	Std
TN	✓	W/ OTP	Std
TX	✓	W/ OTP	Std
UT	✓	W/ OTP	Std
VT	✓	Std Al.	Std
VA	✓	W/ OTP	Std
WA	✓	W/ OTP	Std
WI	✓	W/ OTP	Std
WV	✓	Std Al.	Std
WY	✓	Std Al.	Std

State Dry Snuff Taxation Laws, Selected Years 2005-2014

W/ OTP (With other tobacco products); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); FLP (Factory List Price); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); as (assess); PPL (Price Paid by Licensee/Unclassified Acquirer); PV (Product Value); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost Price); WFL (Wholesale List Price); WFP (Wholesale Purchase Price); WSP (Wholesale Sales Price)

State	Taxed (Y/N) (2014)	How Defined (2014)	How Taxed (2014)
AL	✓	Std Al.	Std
AK	✓	W/ OTP	Std
AZ	✓	W/ OTP	Std
AR	✓	W/ OTP	Std
CA	✓	W/ OTP	Std
CO	✓	W/ OTP	Std
CT	✓	W/ OTP	Std
DE	✓	W/ OTP	Std
DC	✓	W/ OTP	Std
FL	✓	W/ OTP	Std
GA	✓	Std Al.	Std
HI	✓	W/ OTP	Std
ID	✓	W/ OTP	Std
IL	✓	W/ OTP	Std
IN	✓	W/ OTP	Std
IA	✓	W/ OTP	Std
KS	✓	W/ OTP	Std
KY	✓	W/ OTP	Std
LA	✓	Std Al.	Std
ME	✓	W/ OTP	Std
MD	✓	W/ OTP	Std
MA	✓	W/ OTP	Std
MI	✓	W/ OTP	Std
MN	✓	W/ OTP	Std
MS	✓	W/ OTP	Std
MO	✓	W/ OTP	Std
MT	✓	W/ OTP	Std

Introduction

Dry snuff is ground or pulverized non-combustible tobacco that is meant to be ingested through the nose. It is sold in small tins or containers, and is available in a variety of flavors.

This fact sheet documents the variability in dry snuff tobacco taxation across the 50 states and the District of Columbia, as of January 1 for selected years between 2005 and 2014. Data on state dry snuff tax rates were compiled through primary legal research into each state's statutory and administrative codes, using the commercial legal research services, LexisNexis and Westlaw. The data were verified through secondary sources, and in some cases through telephone or email consultation with given state Department of Revenue officials.

A companion [chartbook](#) and complete data files listing the dry snuff tax rates from January 1, 2005 through January 1, 2014 in all 50 states and Washington, D.C. is available through the [Tobaccoconomics](#) website.

Key Findings

As of January 1, 2014, dry snuff was taxed in 49 states and Washington, D.C. (hereafter referred to as "states"). Thirty-seven states taxed dry snuff on an ad valorem basis, the remaining 13 states levied a specific tax on dry snuff on a per ounce basis.

Ad Valorem Excise Taxes on Dry Snuff

- As of January 1, 2014, the ad valorem tax rate on dry snuff ranged from 5% of the purchase price (in South Carolina) to 210% of the license price (in Massachusetts).
- The mean ad valorem dry snuff tax rate increased from 31.28% (in 43 states) in 2005 to 43.39% (in 37 states) in 2014.

Specific Excise Taxes on Dry Snuff

- As of January 1, 2014, the specific tax rate on dry snuff ranged from \$0.01 per ounce (in Alabama) to \$2.02 per ounce (in Maine).
- The mean specific dry snuff tax rate increased from \$0.29 per ounce (in 4 states) in 2005 to \$0.96 per ounce (in 13 states).

Suggested Citation: Casillo-Gonzalez, Jamie F., Chitgopi, Julian, Linder, and Frank J., Chaloupka. *State Dry Snuff Taxation Laws, Selected Years 2005-2014 - Fact Sheet*. Chicago, IL: Tobaccoconomics Program, Institute for Health Research and Policy, School of Public Health, University of Illinois at Chicago, 2015. Available: www.tobaccoconomics.org

Funding for this study was provided under the National Cancer Institute's State and Community Tobacco Control Initiative (grant number 1U49CA154249).

Photo Credit: www.gettyimages.com; Mark Mathiasian via www.gettyimages.com; Doreen & Brad via www.gettyimages.com

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State Cigarillo Taxation Laws, Selected Years 2005-2014

W/ OTP (With other tobacco products); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); DP (Distributor's Price); as (assess); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost Price); WFL (Wholesale List Price); WFP (Wholesale Purchase Price); WSP (Wholesale Sales Price)

State	Taxed (Y/N) (2014)	How Defined (2014)	How Taxed (2014)
MT	✓	W/ OTP	WC
NE	✓	W/ OTP	WC
NY	✓	W/ OTP	WC
NH	✓	W/ OTP	WC
NJ	✓	W/ OTP	WC
NM	✓	W/ OTP	WC
NY	✓	W/ OTP	WC
NC	✓	W/ OTP	WC
ND	✓	Std Al.	Std
OH	✓	W/ OTP	WC
OK	✓	W/ OTP	WC
OR	✓	W/ OTP	WC
PA	✓	Std Al.	Std
RI	✓	Std Al.	Std
SC	✓	W/ OTP	WC
SD	✓	W/ OTP	WC
TN	✓	W/ OTP	WC
TX	✓	W/ OTP	WC
UT	✓	W/ OTP	WC
VA	✓	W/ OTP	WC
VT	✓	W/ OTP	WC
WA	✓	W/ OTP	WC
WV	✓	W/ OTP	WC
WI	✓	W/ OTP	WC
WY	✓	Std Al.	Std

State Cigarillo Taxation Laws, Selected Years 2005-2014

W/ OTP (With other tobacco products); Std. Al. (Stand-alone definition/taxation); CP (Cost Price); DP (Distributor's Price); as (assess); MIP (Manufacturer's Invoice Price); MLP (Manufacturer's List Price); MP (Manufacturer's Price); MSP (Manufacturer's Sales Price); PP (Purchase Price); TSP (Taxable Sales Price); WC (Wholesale Cost Price); WFL (Wholesale List Price); WFP (Wholesale Purchase Price); WSP (Wholesale Sales Price)

State	Taxed (Y/N) (2014)	How Defined (2014)	How Taxed (2014)
AL	✓	Std Al.	Std
AK	✓	W/ OTP	Std
AZ	✓	W/ OTP	Std
AR	✓	W/ OTP	Std
CA	✓	W/ OTP	Std
CO	✓	W/ OTP	Std
CT	✓	W/ OTP	Std
DC	✓	W/ OTP	Std
FL	✓	W/ OTP	Std
GA	✓	W/ OTP	Std
HI	✓	Std Al.	Std
ID	✓	W/ OTP	Std
IL	✓	W/ OTP	Std
IN	✓	W/ OTP	Std
IA	✓	W/ OTP	Std
KS	✓	W/ OTP	Std
KY	✓	W/ OTP	Std
LA	✓	Std Al.	Std
ME	✓	W/ OTP	Std
MD	✓	W/ OTP	Std
MA	✓	Std Al.	Std
MI	✓	W/ OTP	Std
MN	✓	W/ OTP	Std
MS	✓	W/ OTP	Std
MO	✓	W/ OTP	Std

Introduction

A cigarillo is a short (usually 3 to 4 inch) and narrow cigar that usually contains ~3 grams of tobacco and is typically unfiltered. Cigarillos typically weigh more than 3 pounds per 1000 and are classified as "large" cigars by the federal tax code.² They sometimes contain lower-quality tobacco, and are therefore sold at lower prices than cigars.

This fact sheet documents the variability in cigarillo taxation across the 50 states and the District of Columbia, as of January 1 for selected years between 2005 and 2014. Data on state cigarillo tax rates were compiled through primary legal research into each state's statutory and administrative codes, using the commercial legal research services, LexisNexis and Westlaw. The data were verified through secondary sources, and in some cases through telephone or email consultation with given state Department of Revenue officials.

A companion [chartbook](#) and complete data files listing the cigarillo tax rates from January 1, 2005 through January 1, 2014 in all 50 states and Washington, D.C. is available through the [Tobaccoconomics](#) website.

Key Findings

As of January 1, 2014, cigarillos were taxed in 48 states. The majority of these states taxed cigarillos on an ad valorem basis (44 states); the remaining 4 states levied a specific tax on cigarillos.

Ad Valorem Excise Taxes on Cigarillos

- As of January 1, 2014, the ad valorem tax rate on cigarillos ranged from 5% of manufacturer's price (in South Carolina) to 95% of the taxable sales price (in Washington) and 95% of the wholesale sales price (in Minnesota).
- The mean ad valorem cigarillo tax rate increased from 28.31% (in 41 states) in 2005 to 39.85% (in 44 states) in 2014.

Specific Excise Taxes on Cigarillos

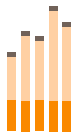
- As of January 1, 2014, the specific tax rate on cigarillos ranged from \$0.003 each (in Alabama) to \$0.10 each (in Oklahoma).
- The mean specific cigarillo tax rate increased from \$0.04 each in 2005 (in 4 states) to \$0.05 each in 2014 (in 4 states).

Suggested Citation: Casillo-Gonzalez, Jamie F., Chitgopi, Julian, Linder, and Frank J., Chaloupka. *State Cigarillo Taxation Laws, Selected Years 2005-2014 - Fact Sheet*. Chicago, IL: Tobaccoconomics Program, Institute for Health Research and Policy, School of Public Health, University of Illinois at Chicago, 2015. Available: www.tobaccoconomics.org

Funding for this study was provided under the National Cancer Institute's State and Community Tobacco Control Initiative (grant number 1U49CA154249).

Photo Credit: www.gettyimages.com; Mark Mathiasian via www.gettyimages.com; Doreen & Brad via www.gettyimages.com

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OTP State Profiles Sheets

New York

Table 1: Other Tobacco Product Taxation

OTP Taxed? No Yes

If yes, which products are taxed as of January 1, 2014? Yes Blank No Not Applicable/Addressed

Product	Taxed?	Type of Tax Ad Valorem Specific	How Defined?	How Taxed?	Rate Change Since 2005?
Cigars	✓	✓	With OTPs	With OTPs	↑
Cigarillos	✓	✓	With OTPs	With OTPs	↑
Little Cigars	✓	✓	Cigarette	Cigarette	Tax Type Changed
Pipe Tobacco	✓	✓	With OTPs	With OTPs	↑
Roll-Your-Own Tobacco	✓	✓	With OTPs	With OTPs	↑
Dry Snuff	✓	✓	With OTPs	Stand-alone	Tax Type Changed
Moist Snuff	✓	✓	With OTPs	Stand-alone	Tax Type Changed
Snus	✓	✓	With OTPs	Stand-alone	Tax Type Changed
Smokeless Tobacco Generally	✓	✓	With OTPs	With OTPs	↑
Dissolvables	✓	✓	---	---	Not applicable
E-cigarettes	---	---	---	---	Not applicable

↑ Rate Decreased ↓ Rate Increased ↔ No Change

Massachusetts

Table 1: Other Tobacco Product Taxation

OTP Taxed? No Yes

If yes, which products are taxed as of January 1, 2014? Yes Blank No Not Applicable/Addressed

Product	Taxed?	Type of Tax Ad Valorem Specific	How Defined?	How Taxed?	Rate Change Since 2005?
Cigars	✓	✓	Stand-alone	With OTPs	↑
Cigarillos	✓	✓	Cigarette	With OTPs	↑
Little Cigars	✓	✓	Cigarette	Cigarette	↑
Pipe Tobacco	✓	✓	With OTPs	With OTPs	↑
Roll-Your-Own Tobacco	✓	✓	With OTPs	With OTPs	↑
Dry Snuff	✓	✓	With OTPs	With OTPs	↑
Moist Snuff	✓	✓	With OTPs	Smokeless	↑
Snus	✓	✓	With OTPs	Smokeless	↑
Smokeless Tobacco Generally	✓	✓	With OTPs	Smokeless	↑
Dissolvables	No	---	---	---	Not applicable
E-cigarettes	No	---	---	---	Not applicable

↑ Rate Decreased ↓ Rate Increased ↔ No Change

Table 2: Summary of Cigarette and OTP Tax Rates, Selected Years, 2005-2014

Product	2005	2008	2011	2014
Cigarettes	\$1.51/20 \$	\$1.51/20 \$	\$2.51/20 \$	\$3.51/20 \$
Cigars	30% WP Δ	30% WP Δ	30% WP Δ	40% WP Δ
Cigarillos	30% WP Δ	30% WP Δ	30% WP Δ	40% WP Δ
Little Cigars	\$1.51/20 \$	\$1.51/20 \$	\$2.51/20 \$	\$3.51/20 \$
Pipe Tobacco	30% WP Δ	30% WP Δ	30% WP Δ	40% WP Δ
Roll-Your-Own Tobacco	30% WP Δ	30% WP Δ	30% WP Δ	40% WP Δ
Dry Snuff	90% PPL Δ	90% PPL Δ	90% PPL Δ	210% PPL Δ
Moist Snuff	90% PPL Δ	90% PPL Δ	90% PPL Δ	210% PPL Δ
Snus	90% PPL Δ	90% PPL Δ	90% PPL Δ	210% PPL Δ
Smokeless Tobacco Generally	90% PPL Δ	90% PPL Δ	90% PPL Δ	210% PPL Δ
Dissolvables	---	---	---	---
E-cigarettes	---	---	---	---

Δ Ad Valorem; § Specific; -- Not taxed; WP=Wholesale Price; PPL=Price Paid by Licensee/Unclassified Acquirer.

WP	Wholesale Price	PPL	Price Paid by Licensee
WP	"... the price set for such products or ... the wholesale value of these products." (MASS. GEN. LAWS ANN. ch. 64C, § 7b)	PPL	"... the excise imposed by this section shall equal 160 per cent of the price paid by such licensee or unclassified acquirer to purchase smokeless tobacco." (MASS. GEN. LAWS ANN. ch. 64C, § 6)

*Underlined language indicates the unit of analysis

Tobacco Product Taxation Across the States | www.tobaccoeconomics.org | Twitter: @tobaccoeconomics

California

Table 1: Other Tobacco Product Taxation

OTP Taxed? No Yes

If yes, which products are taxed as of January 1, 2014? Yes Blank No Not Applicable/Addressed

Product	Taxed?	Type of Tax Ad Valorem Specific	How Defined?	How Taxed?	Rate Change Since 2005?
Cigars	✓	✓	With OTPs	With OTPs	↓
Cigarillos	✓	✓	With OTPs	With OTPs	↓
Little Cigars	✓	✓	With OTPs	Cigarette	Tax Type Changed
Pipe Tobacco	✓	✓	With OTPs	With OTPs	↓
Roll-Your-Own Tobacco	✓	✓	With OTPs	With OTPs	↓
Dry Snuff	✓	✓	---	---	---
Moist Snuff	✓	✓	---	---	---
Snus	✓	✓	---	---	---
Smokeless Tobacco Generally	✓	✓	---	---	---
Dissolvables	✓	✓	---	---	---
E-cigarettes	---	---	---	---	---

↑ Rate Decreased ↓ Rate Increased ↔ No Change

Table 2: Summary of Cigarette and OTP Tax Rates, Selected Years, 2005-2014

Product	2005	2008	2011	2014
Cigarettes	\$1.425/20 \$	\$2.025/20 \$	\$3.025/20 \$	\$3.025/20 \$
Cigars	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Cigarillos	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Little Cigars	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Pipe Tobacco	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Roll-Your-Own Tobacco	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Dry Snuff	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Moist Snuff	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Snus	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Smokeless Tobacco Generally	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Dissolvables	---	---	---	---
E-cigarettes	---	---	---	---

Δ Ad Valorem; § Specific; -- Not taxed; WC=Wholesale Cost

WC Wholesale Cost
"... the cost of tobacco products to a distributor, before the allowance of any discount, trade allowance, or other reduction." (WASH. REV. CODE § 82.26.010)

Table 2: Summary of Cigarette and OTP Tax Rates, Selected Years, 2005-2014

Product	2005	2008	2011	2014
Cigarettes	\$1.425/20 \$	\$2.025/20 \$	\$3.025/20 \$	\$3.025/20 \$
Cigars	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Cigarillos	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Little Cigars	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Pipe Tobacco	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Roll-Your-Own Tobacco	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Dry Snuff	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Moist Snuff	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Snus	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Smokeless Tobacco Generally	129.42% TSP Δ	75% TSP Δ	95% TSP Δ	95% TSP Δ
Dissolvables	---	---	---	---
E-cigarettes	---	---	---	---

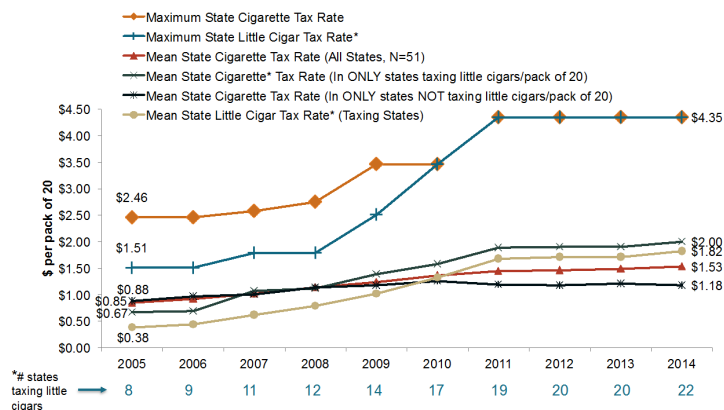
Δ Ad Valorem; § Specific; -- Not taxed; TSP=Taxable Sales Price, ea=each, oz=ounce. *On each single unit consumer-sized can or package whose net weight is one and two-thirds ounces or less, a rate per single unit that is equal to the greater of a 25¢ dollar or eighty-three and one-half percent of the cigarette tax under chapter 82.24 RCW multiplied by twenty. (WASH. REV. CODE § 82.26.010) (Last/Next 2014)

TSP	Taxable Sales Price
TSP	"... the actual price for which the taxpayer purchased the tobacco products" (WASH. REV. CODE ANN. § 82.26.010)

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Add'l Chartbook Companion Materials

Figure 10. Comparison of State Cigarette and Little Cigar Specific Excise Tax Rates per Pack of 20 by Year



Additional resources released alongside the OTP chartbook

Those resources include:

- Slide deck to accompany the chartbook focused on slides from the national overview section
- Full Dataset (2005-2014)
- Codebook

Figure 11. Comparison of Federal and Mean State Specific Tobacco Product Excise Taxes, 2014

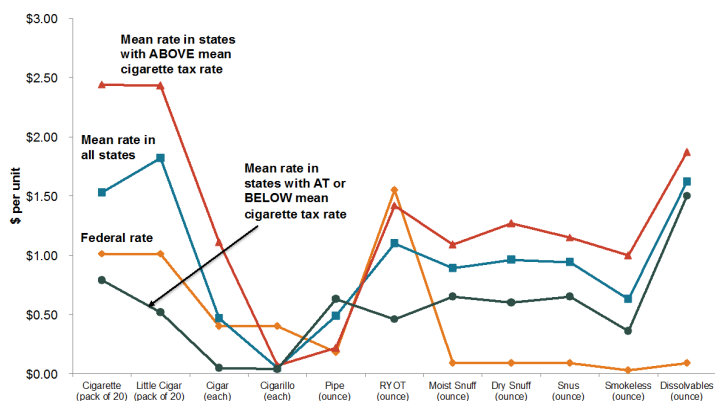


Figure 1. Number of States Taxing Each of the 11 OTPs (January 1, 2005 and 2014)

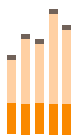
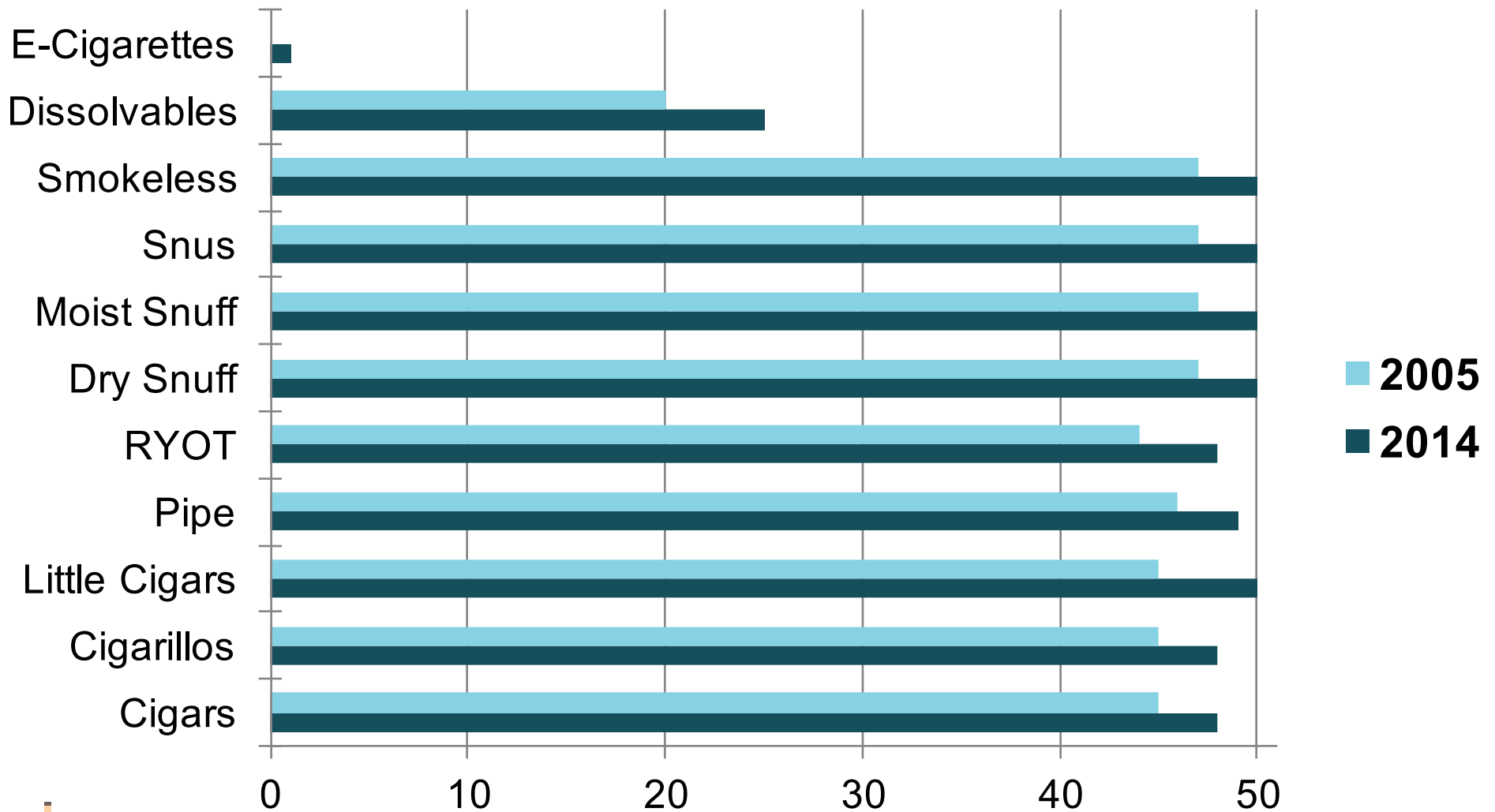


Figure 2. OTP Tax Categorizations (as of January 1, 2014)

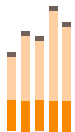
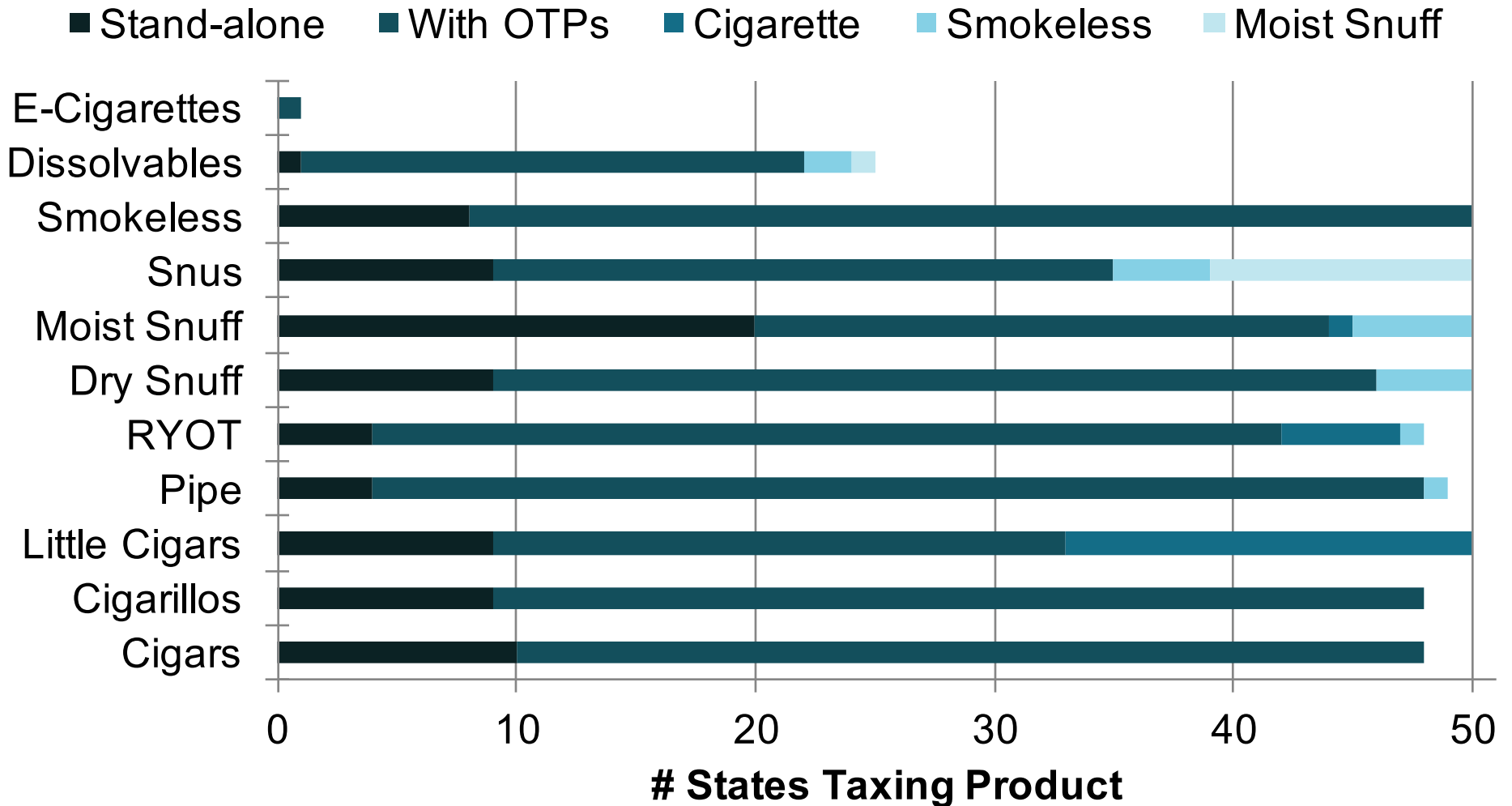


Figure 3. States Applying Ad Valorem vs. Specific Taxes by Product (January 1, 2005)

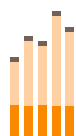
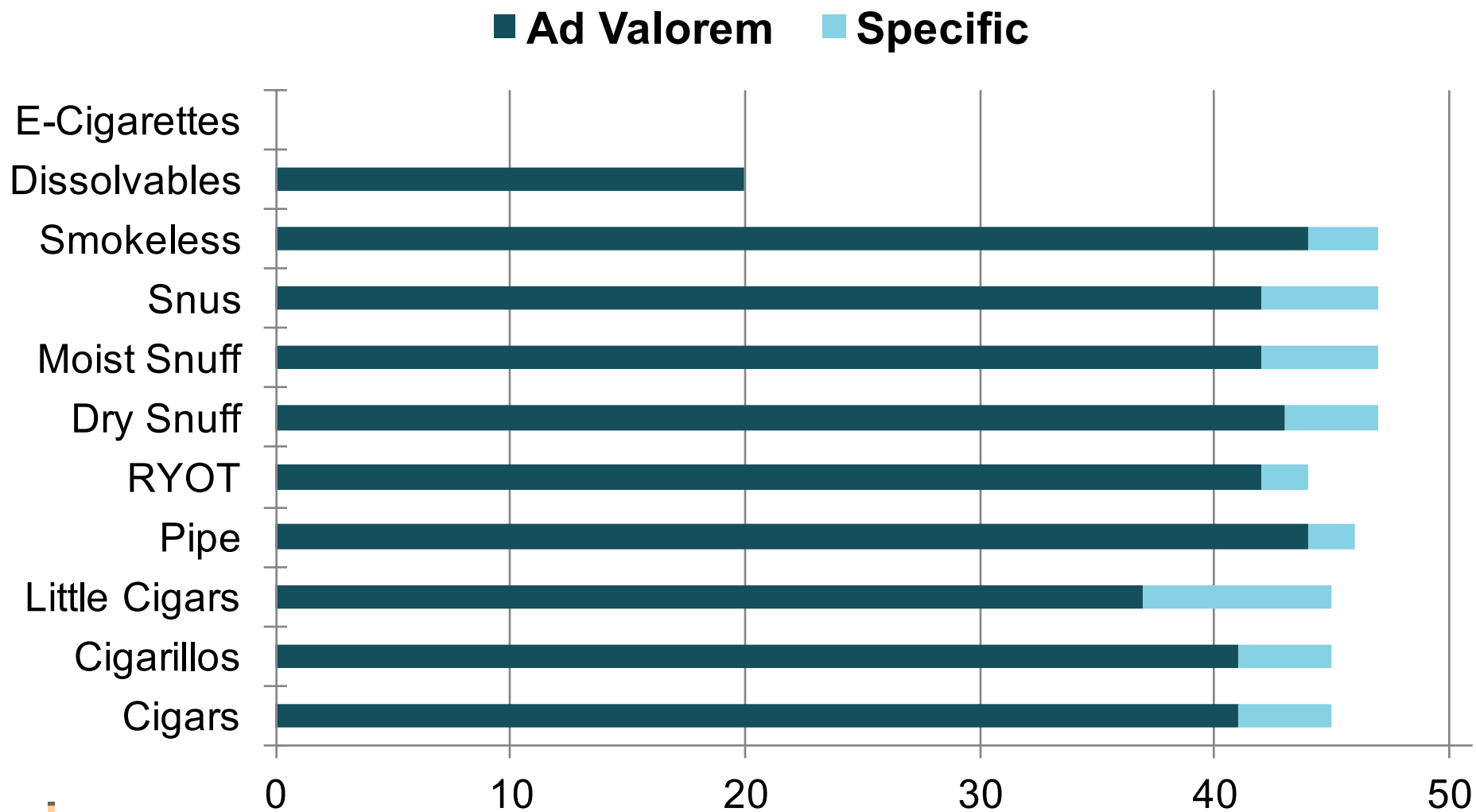


Figure 4. States Applying Ad Valorem vs. Specific Taxes by Product (January 1, 2014)

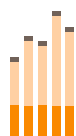
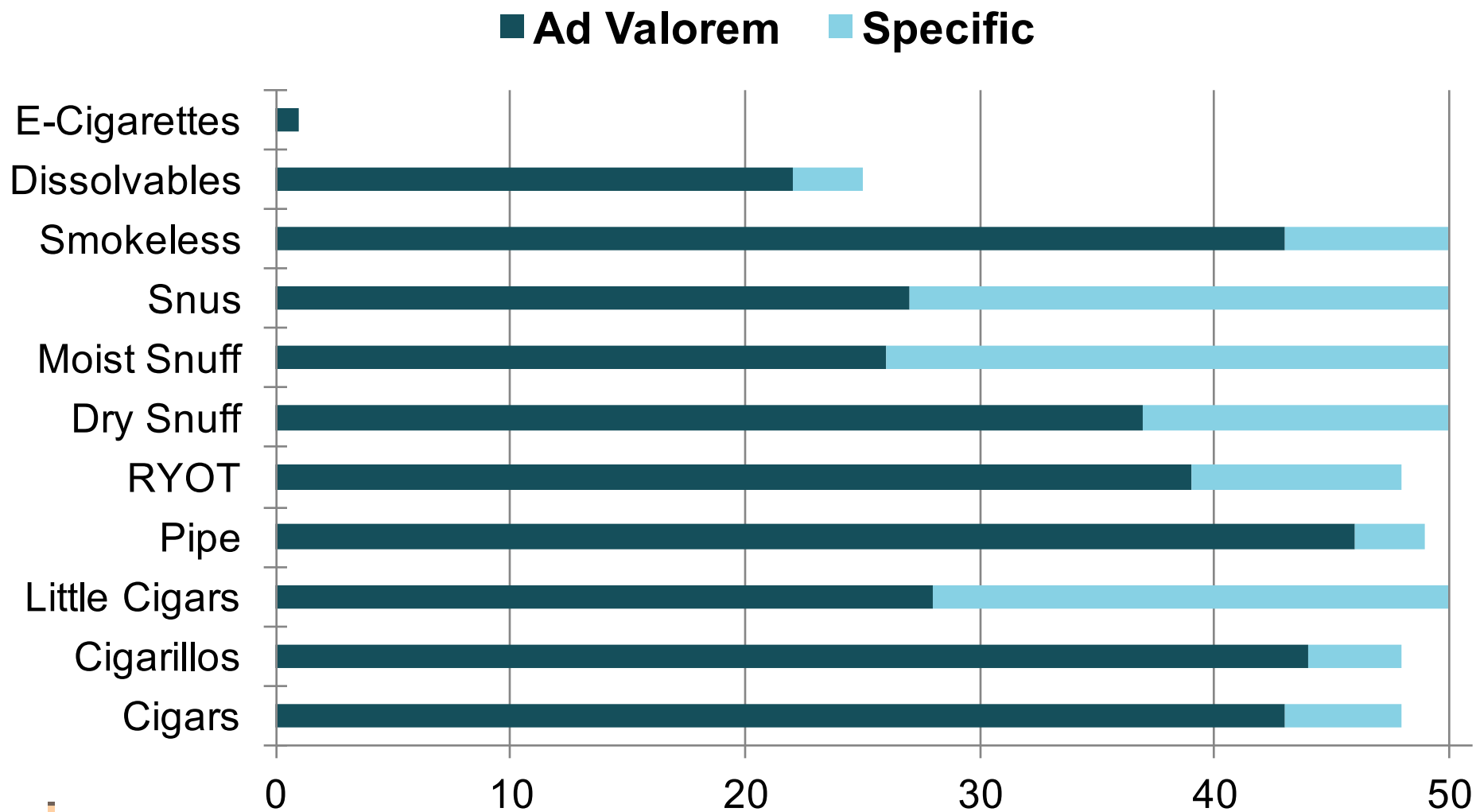


Figure 5. Number of OTPs Taxed Ad Valorem by State (January 1, 2005)



Maximum Number of OTPs is 11

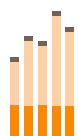
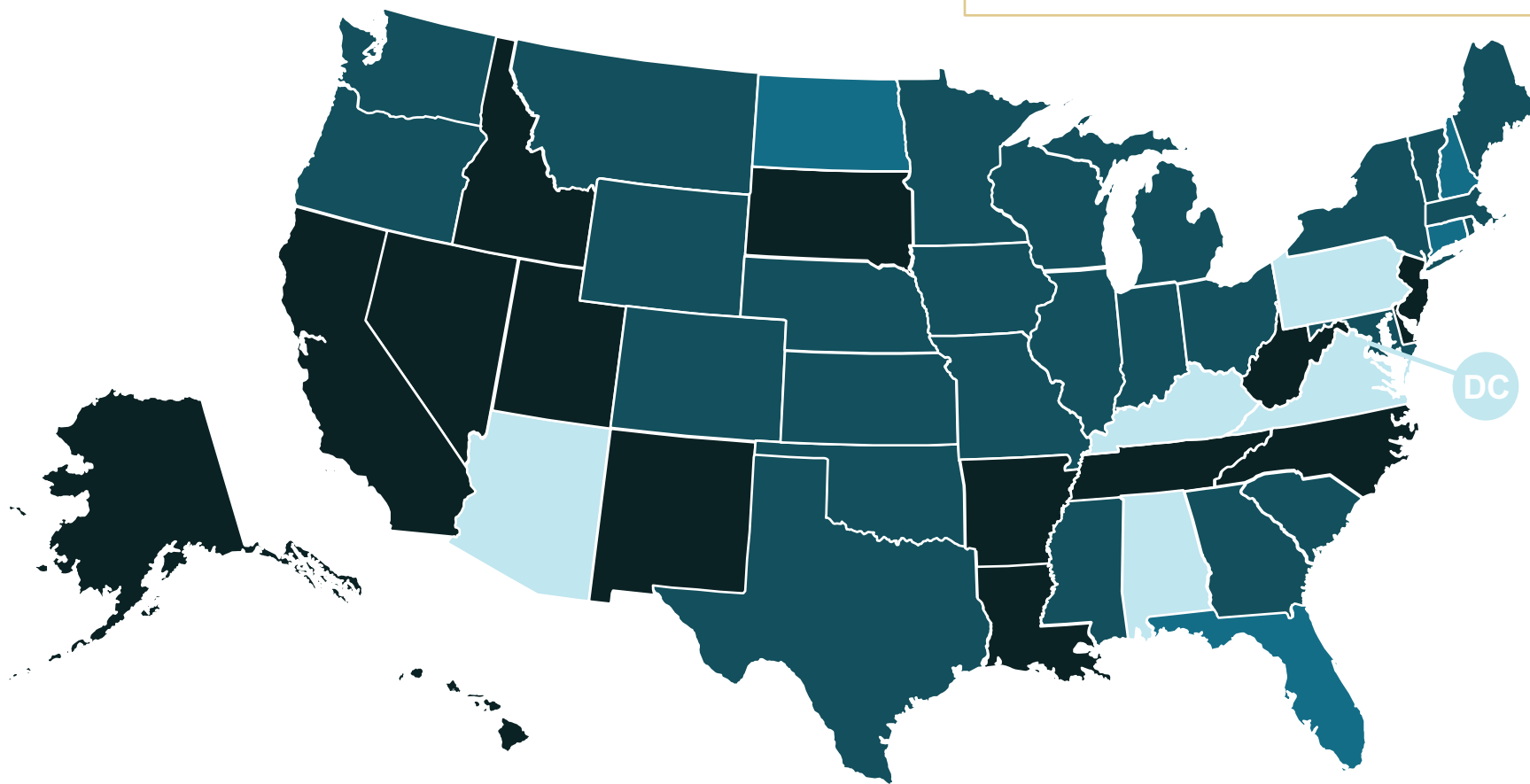


Figure 6. Number of OTPs Taxed Ad Valorem by State (January 1, 2014)

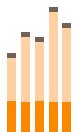
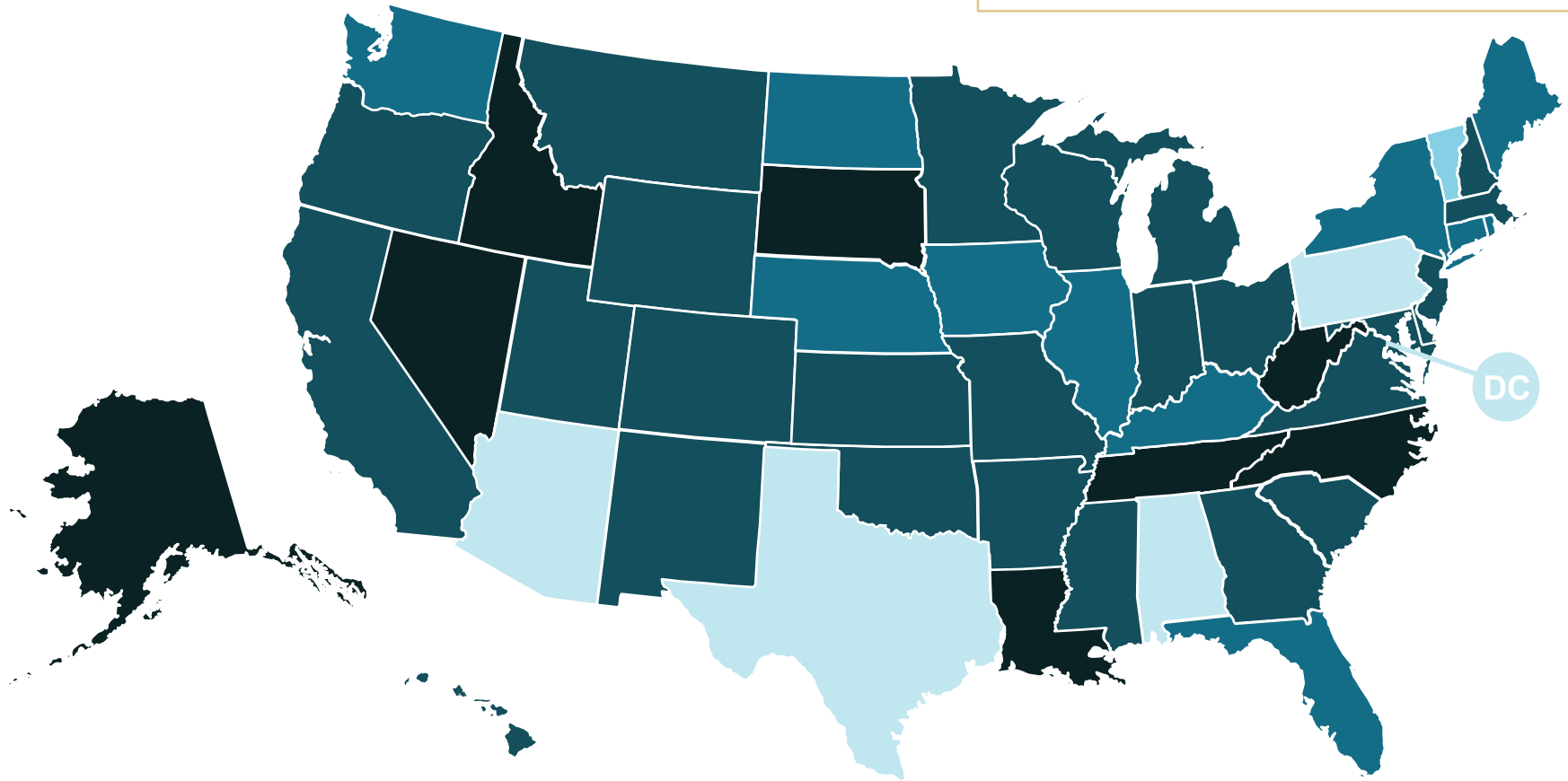
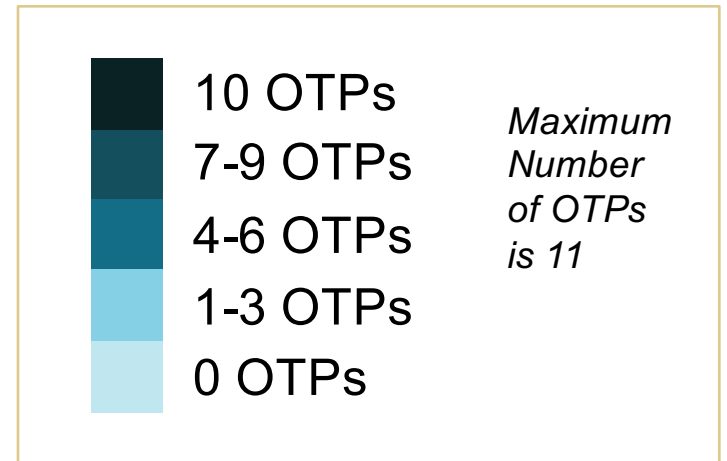


Figure 7. Number of OTPs Taxed with Specific Taxes by State (January 1, 2005)

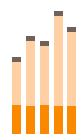
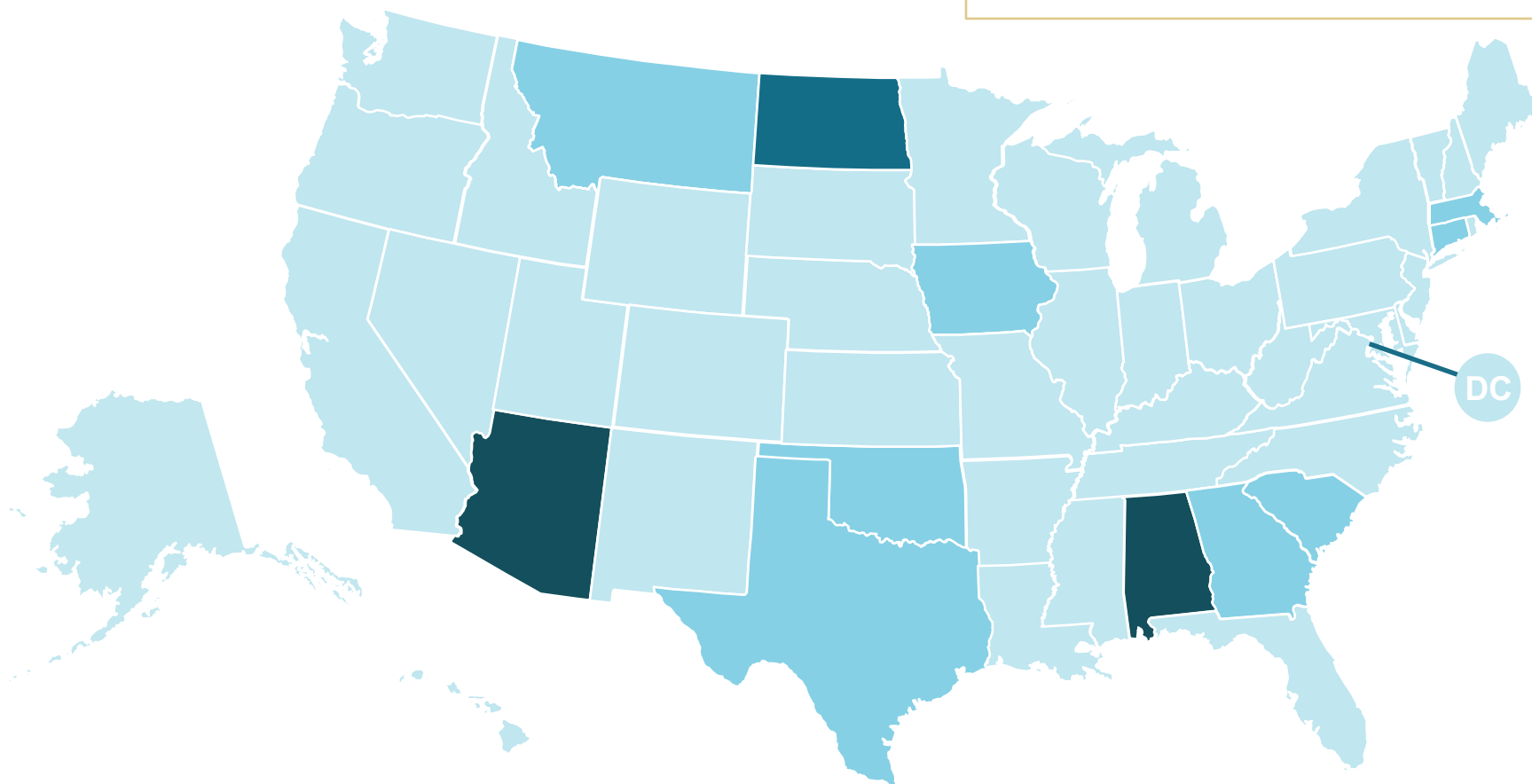
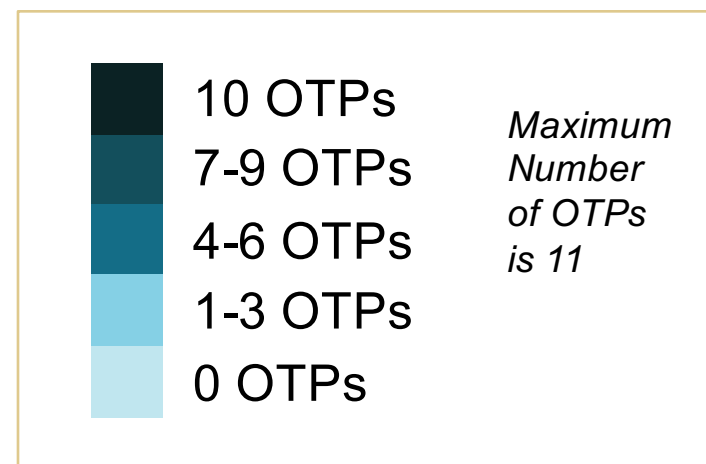


Figure 8. Number of OTPs Taxed with Specific Taxes by State (January 1, 2014)

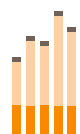
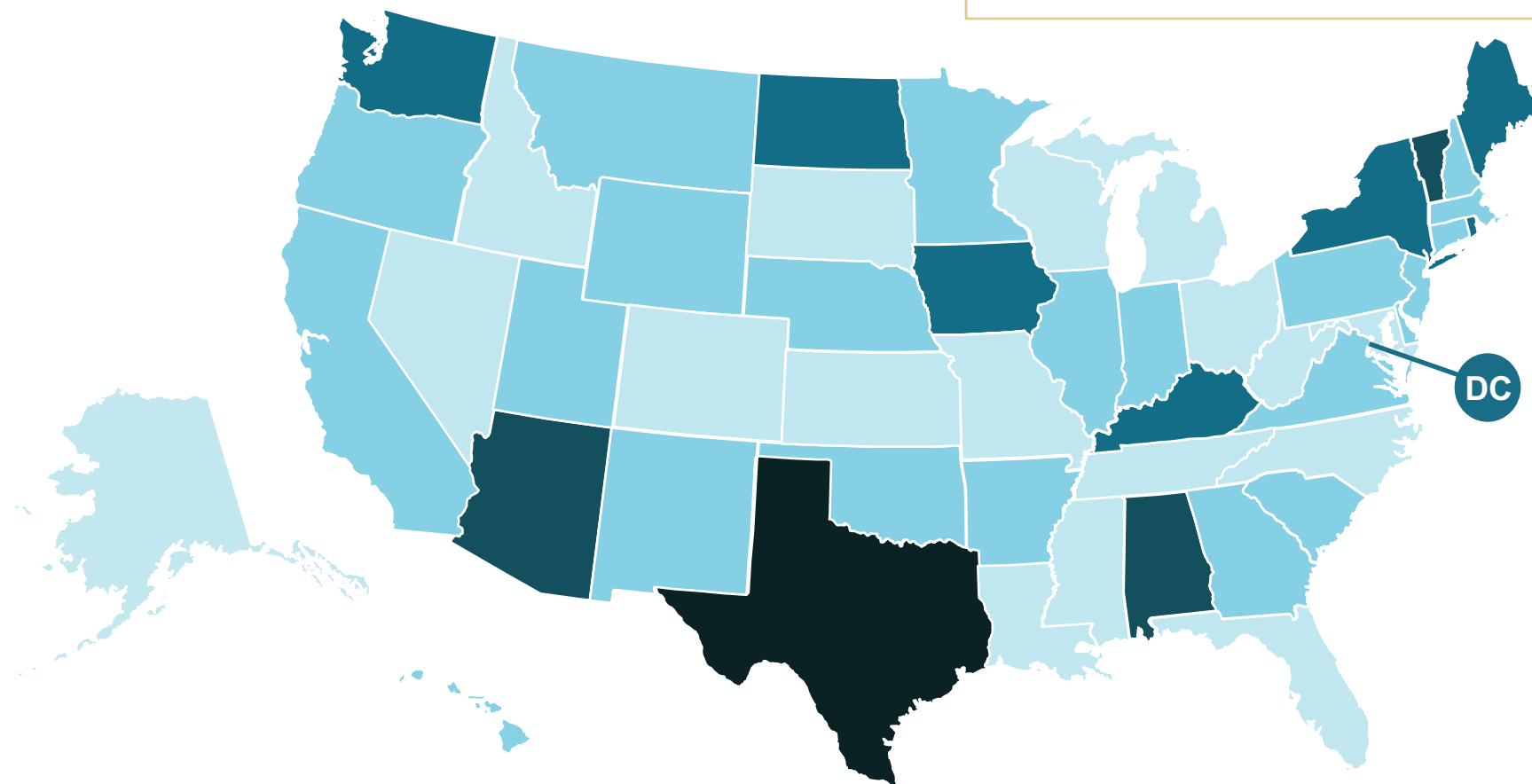
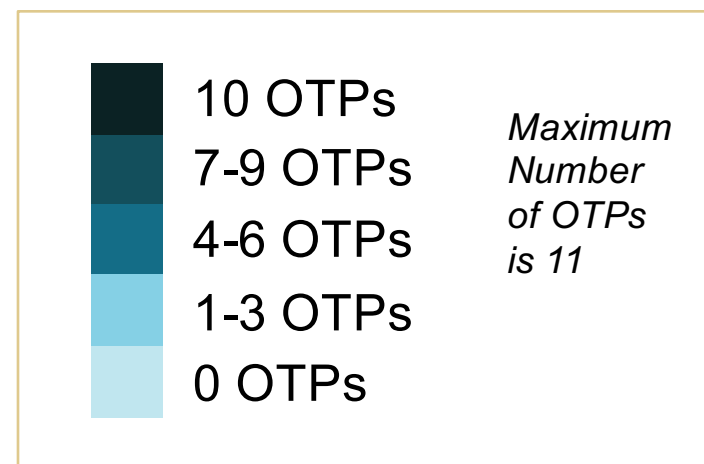


Table 1. National Averages*: Ad Valorem Taxes (%age) by OTP Type

OTP	January 1, 2005					January 1, 2014				
	# states	Mean	SD	Min	Max	# states	Mean	SD	Min	Max
Little Cigars	37	28.89	23.06	2.00	129.42	28	30.87	21.69	6.60	75.00
Cigars	41	28.31	22.04	2.00	129.42	43	38.63	26.11	5.00	95.00
Cigarillos	41	28.31	22.04	2.00	129.42	44	39.85	27.03	5.00	95.00
Pipe	44	29.57	22.80	2.00	129.42	46	41.27	27.98	5.00	95.00
RYOT	42	29.60	23.35	2.00	129.42	39	37.06	26.08	5.00	95.00
Moist Snuff	42	31.43	24.79	2.00	129.42	26	42.63	43.51	5.00	210.00
Dry Snuff	43	31.28	24.51	2.00	129.42	37	43.39	39.31	5.00	210.00
Snus	42	31.43	24.79	2.00	129.42	27	44.56	43.84	5.00	210.00
Smokeless	44	31.07	24.32	2.00	129.42	43	45.87	38.02	5.00	210.00
Dissolvables	20	29.29	18.19	2.00	75.00	22	45.92	29.42	6.60	95.00
E-Cigarettes	0	--	--	--	--	1	95.00	--	95.00	95.00

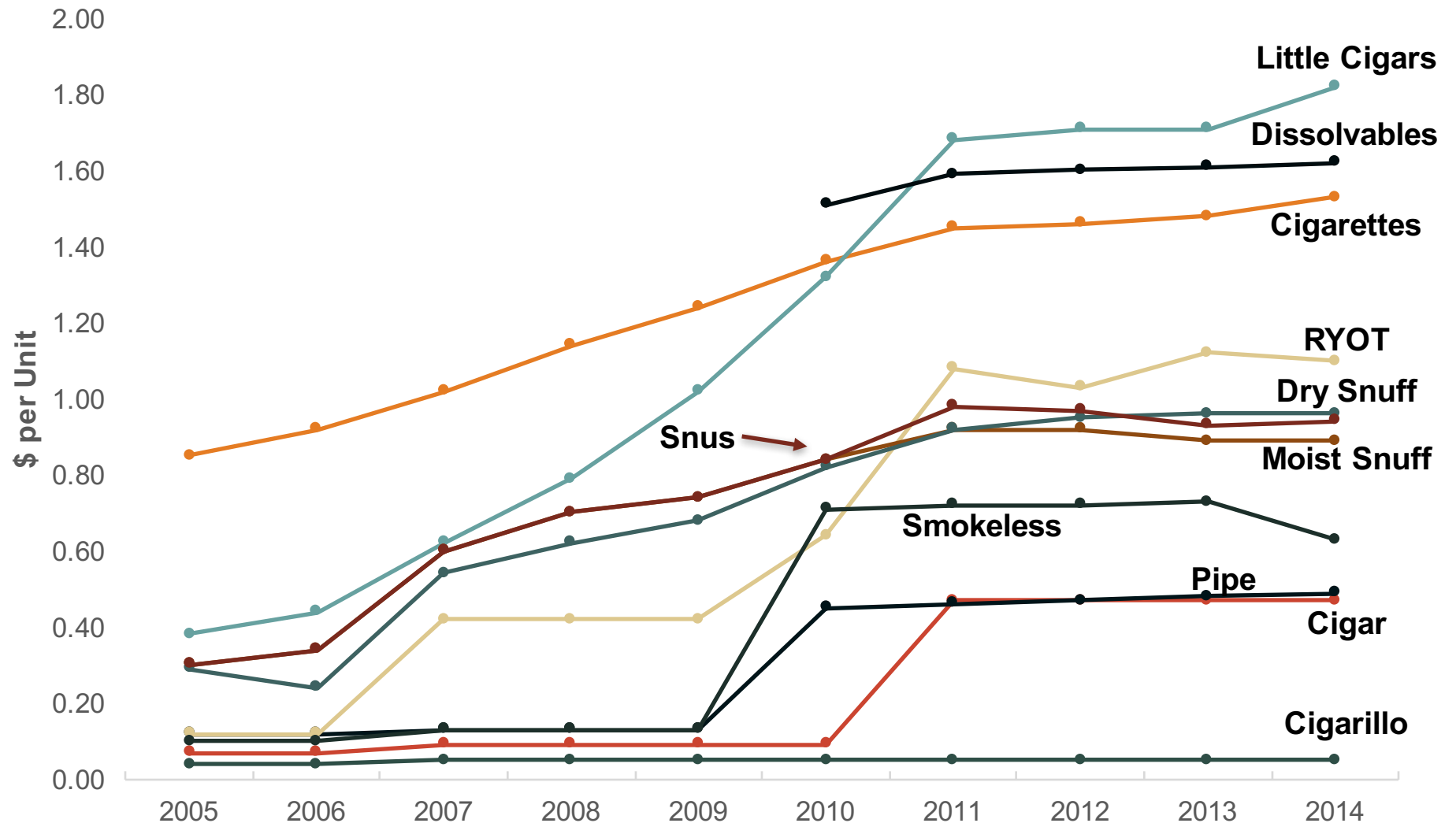


Table 2. National Averages*: Specific Taxes (\$) by OTP Type

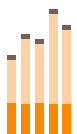
OTP	January 1, 2005					January 1, 2014				
	# states	Mean	SD	Min	Max	# states	Mean	SD	Min	Max
Cigarettes (pack of 20)	51	0.85	0.56	0.05	2.46	51	1.53	1.01	0.17	4.35
Little Cigars (pack of 20)	8	0.38	0.51	0.02	1.51	22	1.82	1.25	0.02	4.35
Cigars (each)	4	0.07	0.07	0.01	0.13	5	0.47	0.86	0.01	2.00
Cigarillo (each)	4	0.04	0.05	0.00	0.10	4	0.05	0.05	0.00	0.10
Pipe (ounce)	2	0.12	0.11	0.04	0.20	3	0.49	0.64	0.04	1.22
RYOT (ounce)	2	0.12	0.11	0.04	0.20	9	1.10	1.22	0.04	4.03
Moist Snuff (ounce)	5	0.30	0.23	0.01	0.60	24**	0.89	0.65	0.01	2.02
Dry Snuff (ounce)	4	0.29	0.27	0.01	0.60	13	0.96	0.69	0.01	2.02
Snus (ounce)	5	0.30	0.23	0.01	0.60	23	0.94	0.69	0.01	2.11
Smokeless (ounce)	3	0.10	0.08	0.02	0.16	7	0.63	0.75	0.02	2.02
Dissolvables (ounce)	0	--	--	--	--	3	1.62	0.35	1.22	1.87



Figure 9. Trends in Average State Specific Tobacco Product Taxes*, All States (As of January 1 each year, 2005-2014)

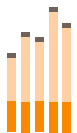


*Number of states applying specific taxes varies by product and year and the taxable unit varies by product (see Table 2 and Appendices).



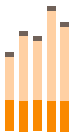
Key Findings

- States' definitions of 'tobacco products' play a critical role in determining which OTPs are taxed and at what rate.
- States have been shifting from ad valorem to specific taxes on many OTPs
- States are increasingly taxing emerging OTPs (e.g. dissolvables and e-cigarettes)
 - But many states do not tax
- From 2005 to 2014, OTP tax rates increased or stayed the same in all states except California and Washington



Key Findings

- Many states raised their taxes on little cigars, RYOT, and smokeless tobacco products following the 2009 federal tobacco tax increases
- States with higher cigarette taxes also tend to tax OTPs at higher rates
- State taxes are generally higher on average than federal taxes, and make up a larger portion of the tax burden on OTPs.



Coming soon.....



State Regulation of Tribal Tobacco Sales:

A Historical State-by-State Analysis, 2005-2014

DeLong H, Chriqui JF, Gourdet C, Leider J, Chaloupka FJ,
University of Illinois at Chicago

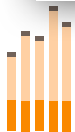


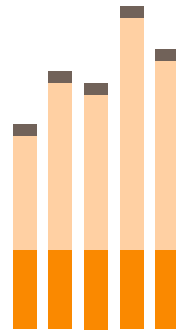
Tobacco Product Pricing Laws:

A State-by-State Analysis, 2014

DeLong H, Chriqui JF, Gourdet CG, Leider J, Chaloupka FJ.,
University of Illinois at Chicago

Fall 2015

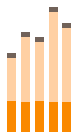




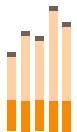
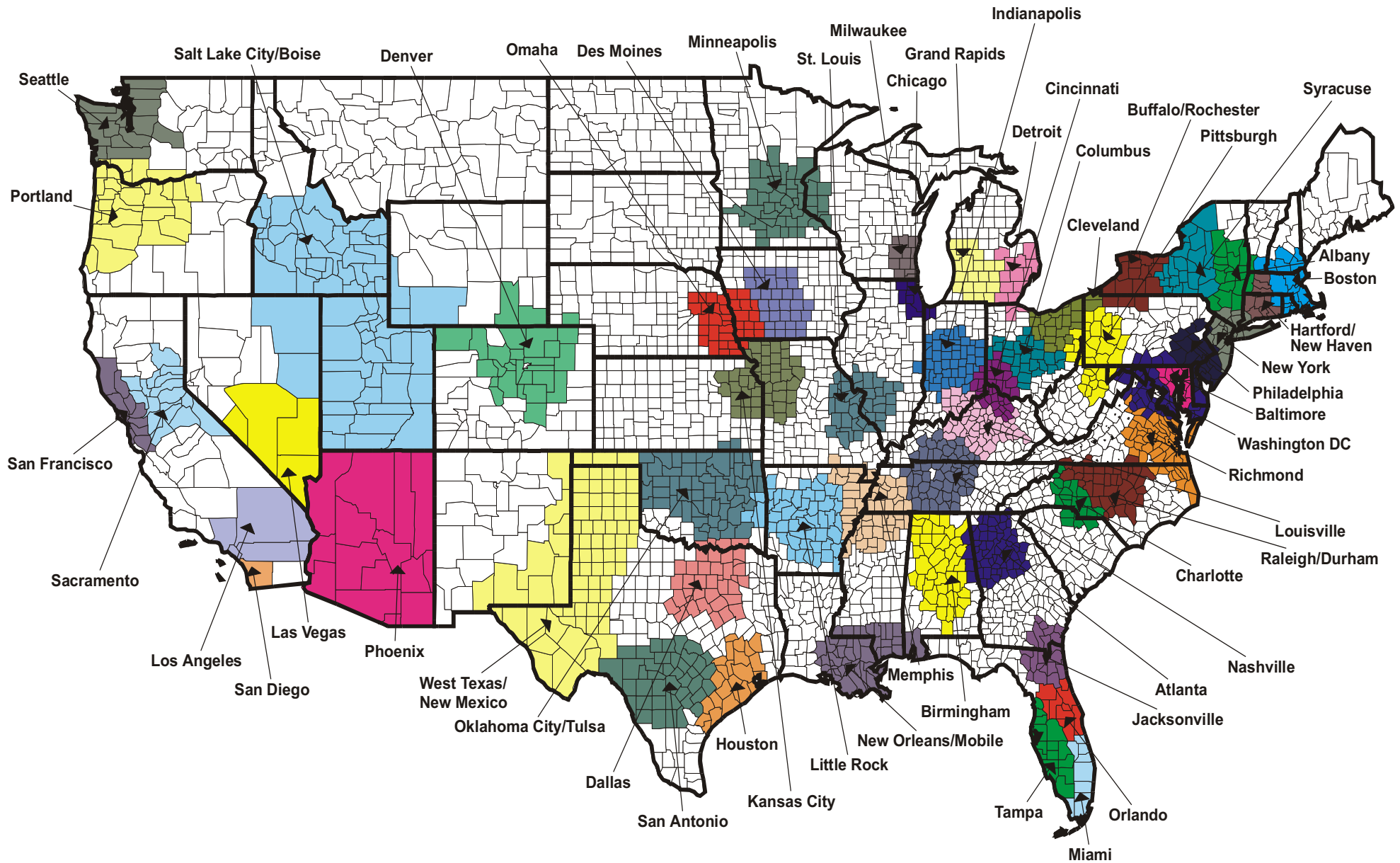
Tax Structure and Price

Tax Structure and Price

- Tax Structure Data
 - OTP tax structure data from original legal research
- Price Data
 - OTP prices from Nielsen store scanner data
 - 52 designated Nielsen markets
 - Quarterly market-level prices at the Universal Product Code (UPC) level
 - Years 2007 to 2013



Nielsen Store Scanner Data



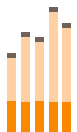
Tax Structure and Price

- Empirical Approach

- Linear regression analysis was used to estimate the association between prices and tax structure.
- Analytical Model:

$$Price_{jt} = NoTax_{jt} + AdValTax_{jt} + Efftax_{jt} + \delta_t + \gamma_j + \varepsilon_{jt}$$

- *NoTax* – indicator for states that don't have any tax
- *AdValTax* - indicator for states with Ad Valorem Tax
- *Efftax* – effective tax rate (total tax as a percent of price)
- $\delta_t + \gamma_j$ - year and quarter indicators

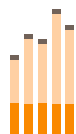


Tax Structure and Price

Table 1: Regression Estimates for Price (contd)

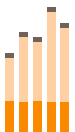
	Dry Snuff		Moist Snuff		Snus	
	(1)	(2)	(1)	(2)	(1)	(2)
No Tax	-2.099*** (0.1300)	-1.915*** (0.1350)	-1.534*** (0.0572)	-1.396*** (0.0779)	-1.936*** (0.0744)	-1.712*** (0.0952)
Advalorem Tax	-0.782*** (0.1360)	-0.774*** (0.1370)	-0.353*** (0.0679)	-0.313*** (0.0724)	-0.218* (0.0899)	-0.210* (0.0911)
Effective Tax Rate		0.00682** (0.0021)		0.00286** (0.0009)		0.00623*** (0.0014)
Constant	2.441*** (0.1640)	2.272*** (0.1650)	2.072*** (0.1140)	1.957*** (0.1230)	2.839*** (0.1520)	2.665*** (0.1570)
N	1020	1020	1408	1408	1408	1408
adj. R-sq	0.093	0.105	0.044	0.05	0.03	0.044

Standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$



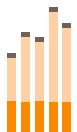
Tax Structure and Price

- Conclusions:
 - Taxes increase prices for other tobacco products
 - Prices are higher under a specific tax structure than under an ad valorem tax structure



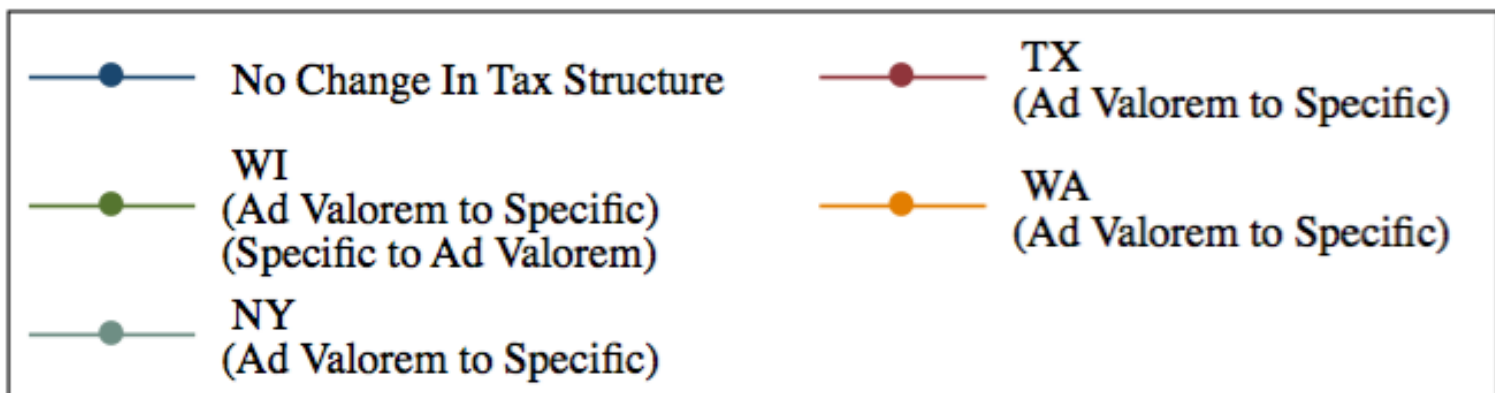
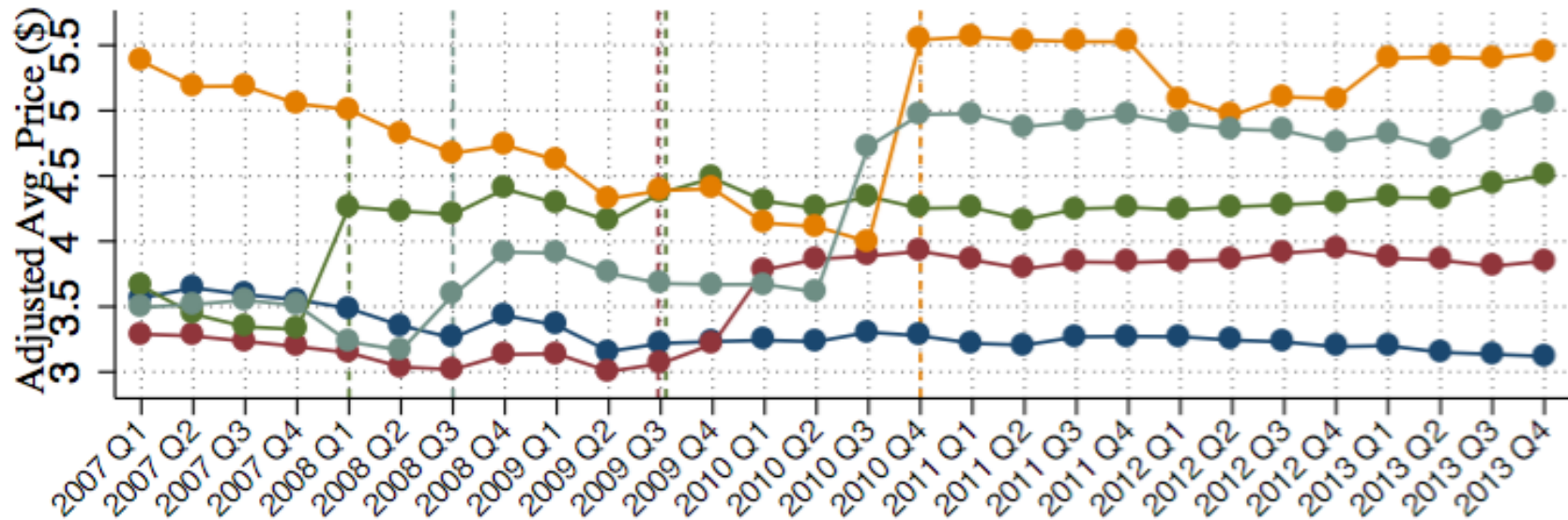
Tax Structure and Price

- Case studies:
 - Tried to assess changes in prices in states where tax structure switched from ad valorem to specific
 - Nielsen data less than ideal given that many markets cross state lines
 - Limited to New York, Texas, Wisconsin, and Washington for moist snuff
 - New York and Washington for little cigars

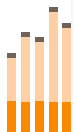


Tax Structure and Price

MOIST_SNUFF, Average Price: NON-OVERLAPPING MARKETS, 2007-2013

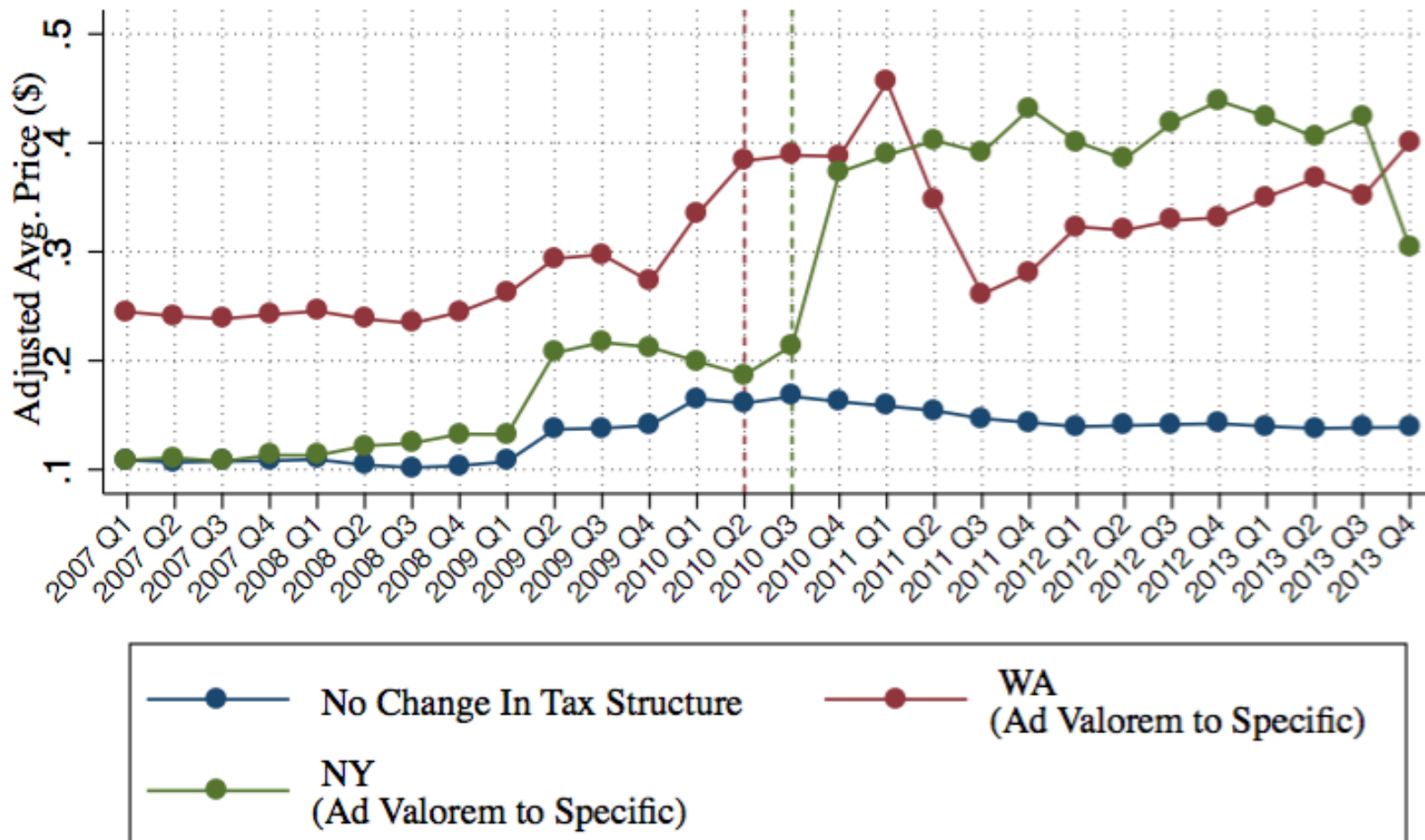


Note:
1. Average Price Calculated Per Unit.



Tax Structure and Price

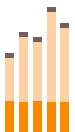
LITTLE_CIGAR, Average Price: NON-OVERLAPPING MARKETS, 2007-2013

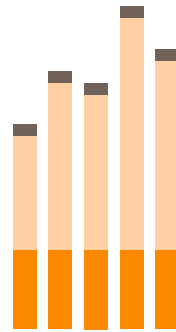


Note:
1. Average Price Calculated Per Unit.

Tax Structure and Price

- Conclusions:
 - Switch from ad valorem to specific tax appears to result in higher prices
 - Increase in effective tax rate as part of the switch?



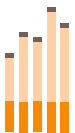


OTP Taxes and OTP Use

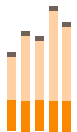
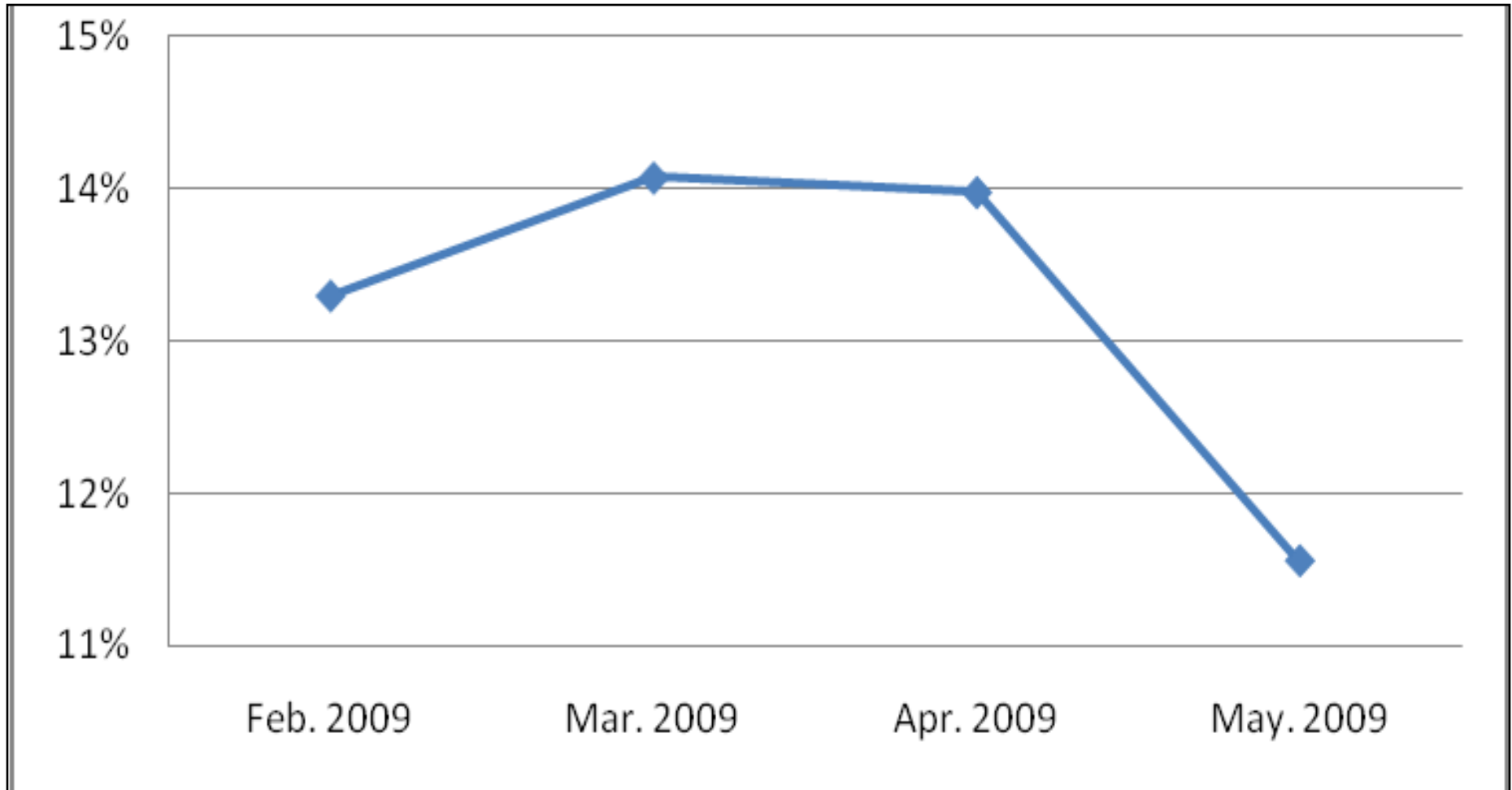
Impact of 2009 Federal Tobacco Tax Increases

- 2008 & 2009 Monitoring the Future Surveys
 - compare within 2009
 - compare same schools 2008-2009
 - alternative cut points
 - cigarette smoking & smokeless tobacco use
 - control for variety of individual, school, state factors
 - alternative estimation strategies

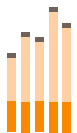
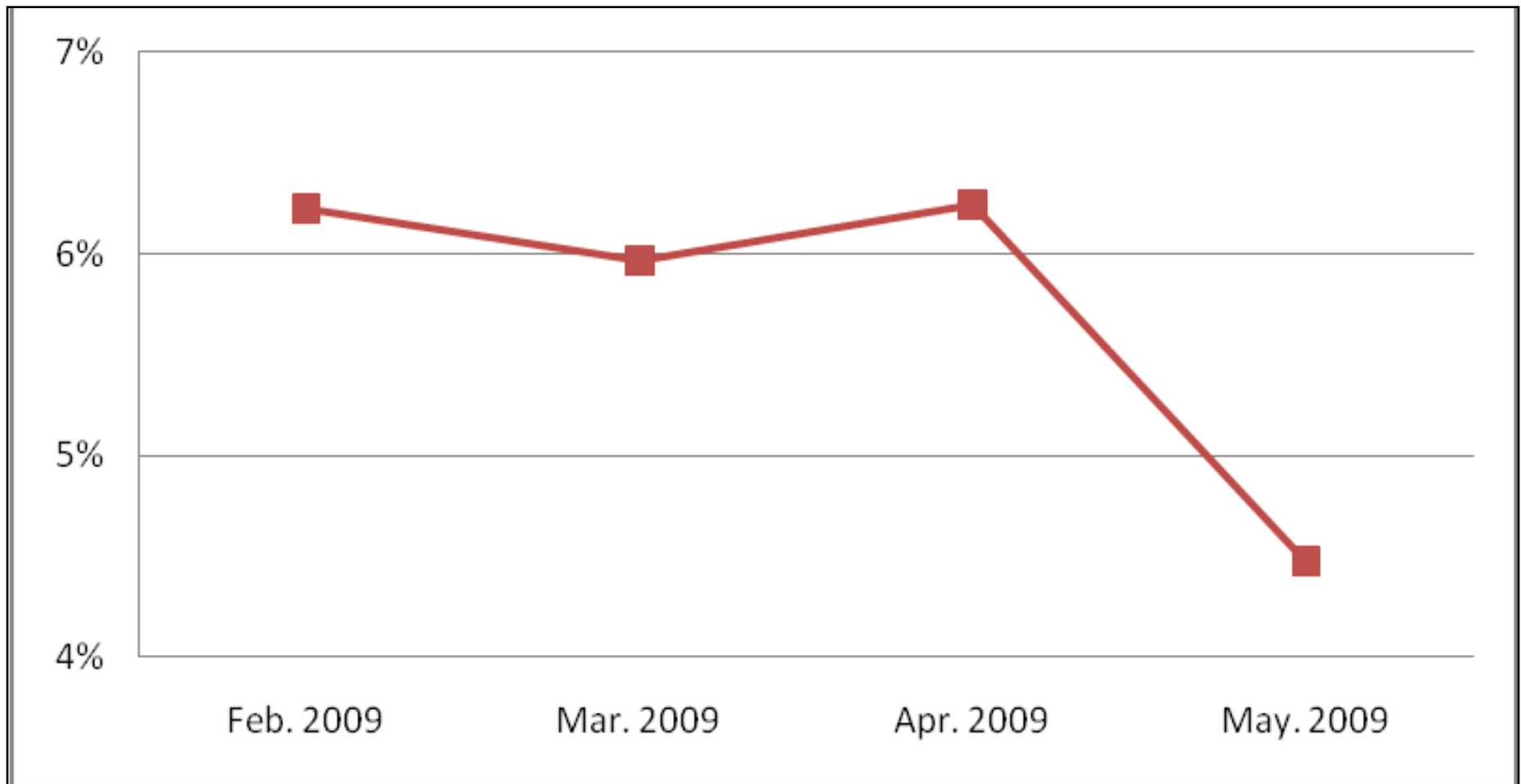
Sources: Huang and Chaloupka, 2013



8th, 10th & 12th Grade Prevalence of Cigarette Smoking in Past 30 Days



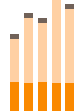
8th, 10th & 12th Grade Prevalence of Smokeless Use in Past 30 Days



Results - Summary

Cigarette Smoking (Pre-tax: before April 1, 2009; Post-tax: on or after May 1, 2009)	2009 MTF Model 2	2008 and 2009 MTF Model 2	DD Model 2
Pre Tax Increase Mean (%)	13.4%	12.8%	12.8%
Estimated Percentage Point Decrease after Tax Increase	-1.3	-1.4	-1.7
Estimated Percent Decrease in Smoking after Tax Increase	-9.7%	-11.0%	-13.3%
Estimated Price Elasticity	-0.44	-0.50	-0.60
Number of FEWER Students (age 14 - 18) Smoking in the Past 30 Days Due to the Tax Increase (in 1,000)	220	237	287
Smokeless Tobacco (Pre-tax: before April 1, 2009; Post-tax: on or after May 1, 2009)	2009 MTF Model 2	2008 and 2009 MTF Model2	DD Model 2
Pre Tax Increase Mean (%)	6.1%	5.0%	5.0%
Estimated Percentage Point Decrease after Tax Increase	-1.2 ¹	-1.2	-0.8 ¹
Estimated Percent Decrease in Use of Smokeless Tobacco after Tax Increase	-19.8%	-24.0%	-16.0%
Estimated Price Elasticity ²	-1.46	-1.84	-1.23
Number of FEWER Students (age 14 - 18) Using Smokeless Tobacco in the Past 30 Days Due to the Tax Increase (in 1,000)	203	203	135

Sources: Huang and Chaloupka, 2013



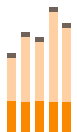
Prices and OTP Sales

- Price and Sales Data
 - Prices/sales from Nielsen store scanner data for 15 nicotine products
 - 52 Nielsen Food, Drug, Mass Merchandise store (FDM) markets, 2007-2014
 - 30 Nielsen Convenience store markets, 2010-2014

- Basic models:

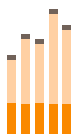
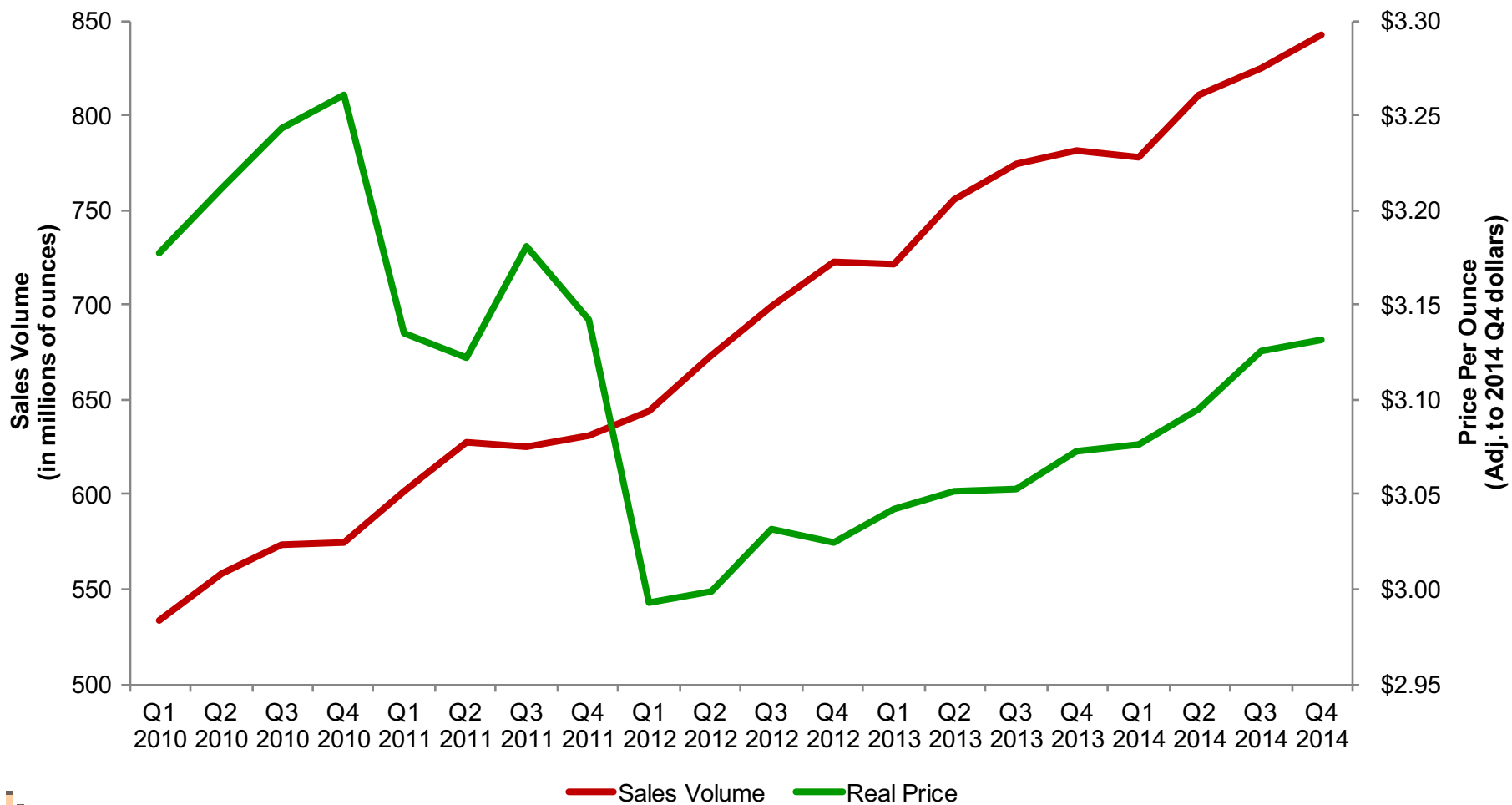
$$\begin{aligned} \ln(\text{ProductSalesVolume})_{\text{market/quarter/storetype}} &= \text{intercept} \\ &+ \beta_1 \ln(\text{ProductPrice})_{\text{market/quarter/storetype}} + \beta_2 \text{Year} + \beta_3 \text{Quarter} \\ &+ \beta_4 (\text{Market-StoreDummy}) + \beta_5 (\text{SFA and TC Funding}) + \text{error} \end{aligned}$$

- Also ran models with cigarette prices in addition to own price



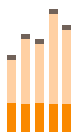
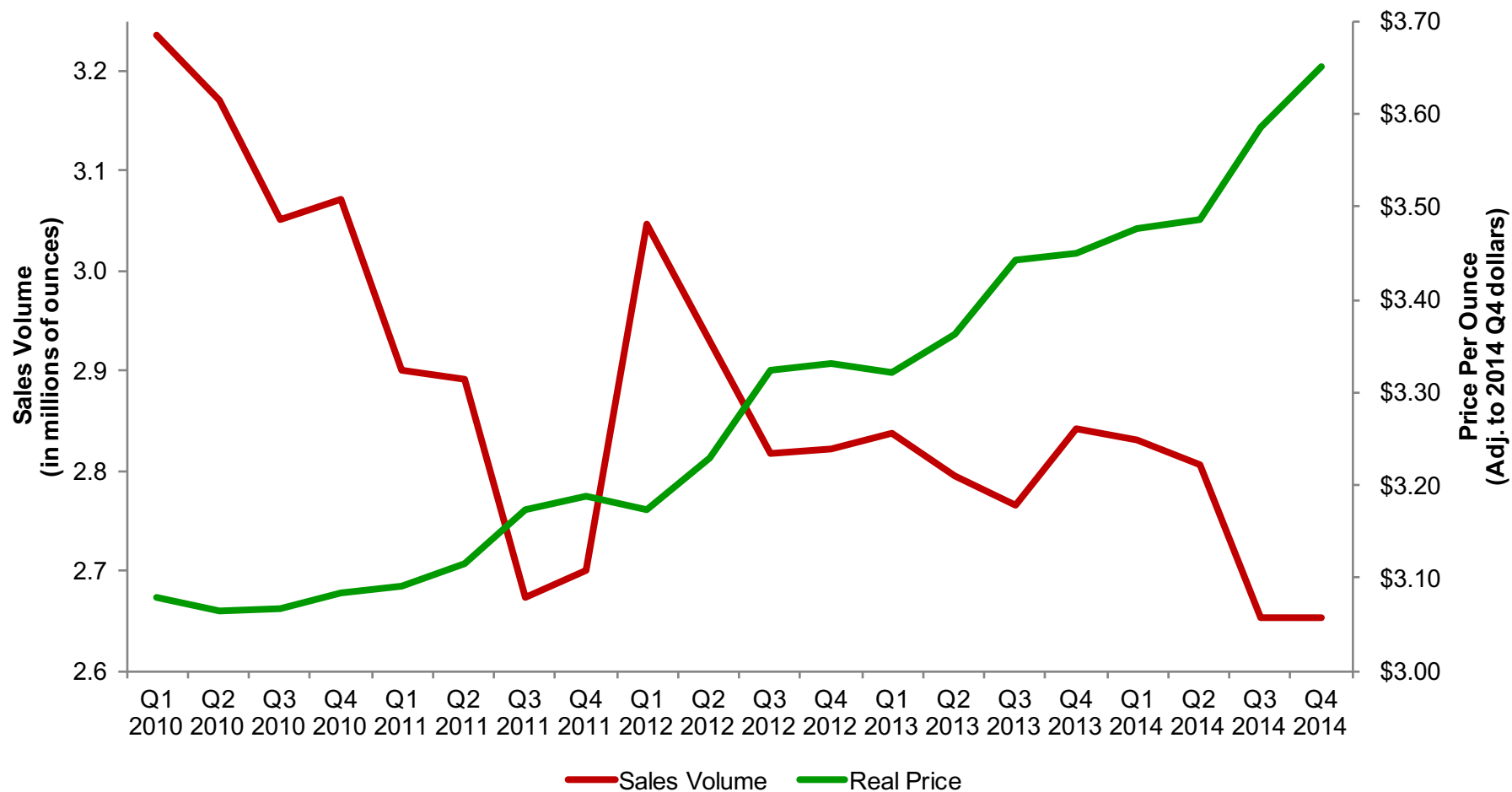
Trends: Moist Snuff

Moist Snuff Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



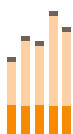
Trends: Dry Snuff

Dry Snuff Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



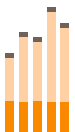
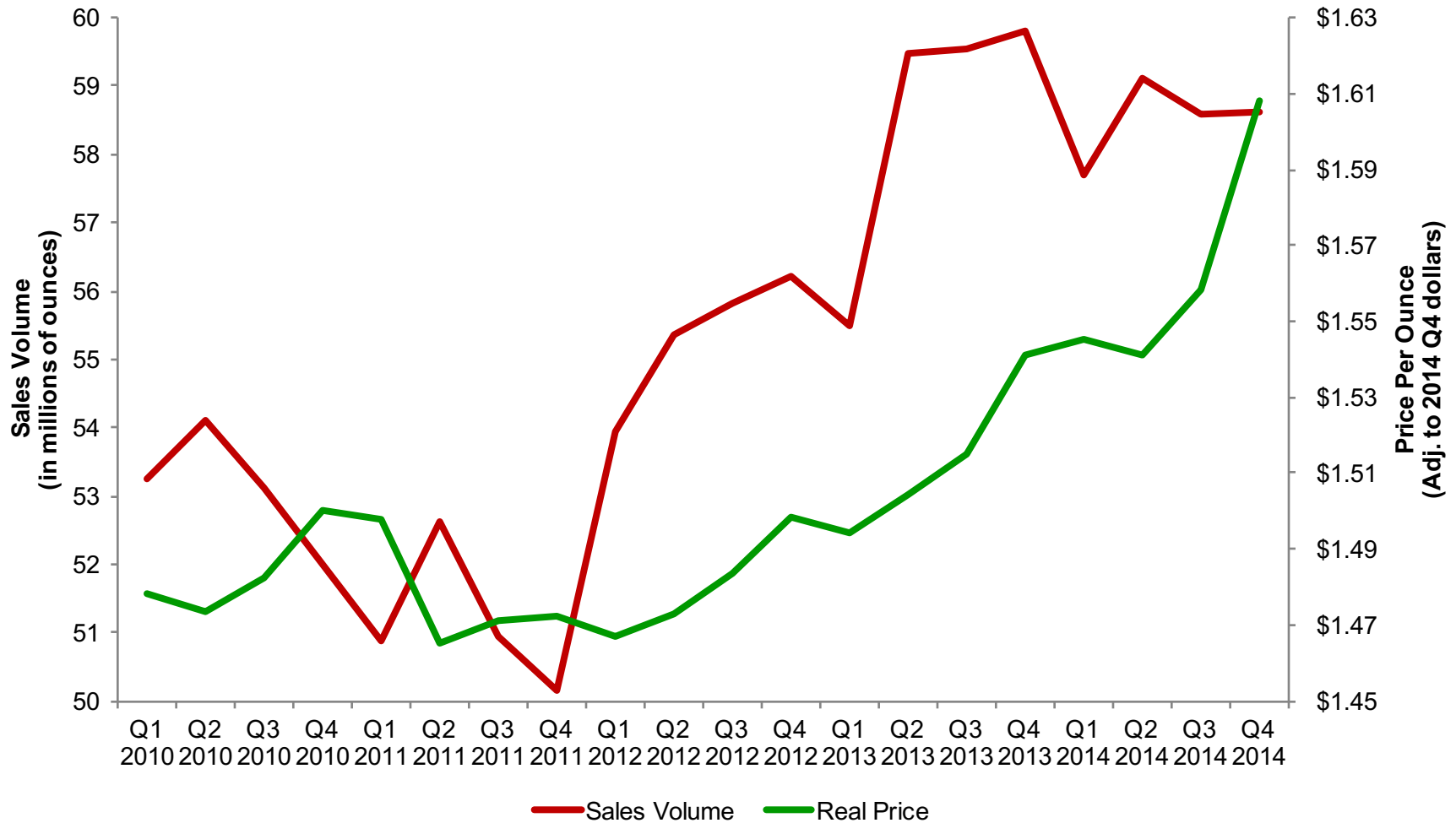
Trends: Snus

Snus Sales Volume and Price per Ounce Total US Market - Combined Convenience and FDM Stores



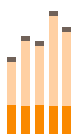
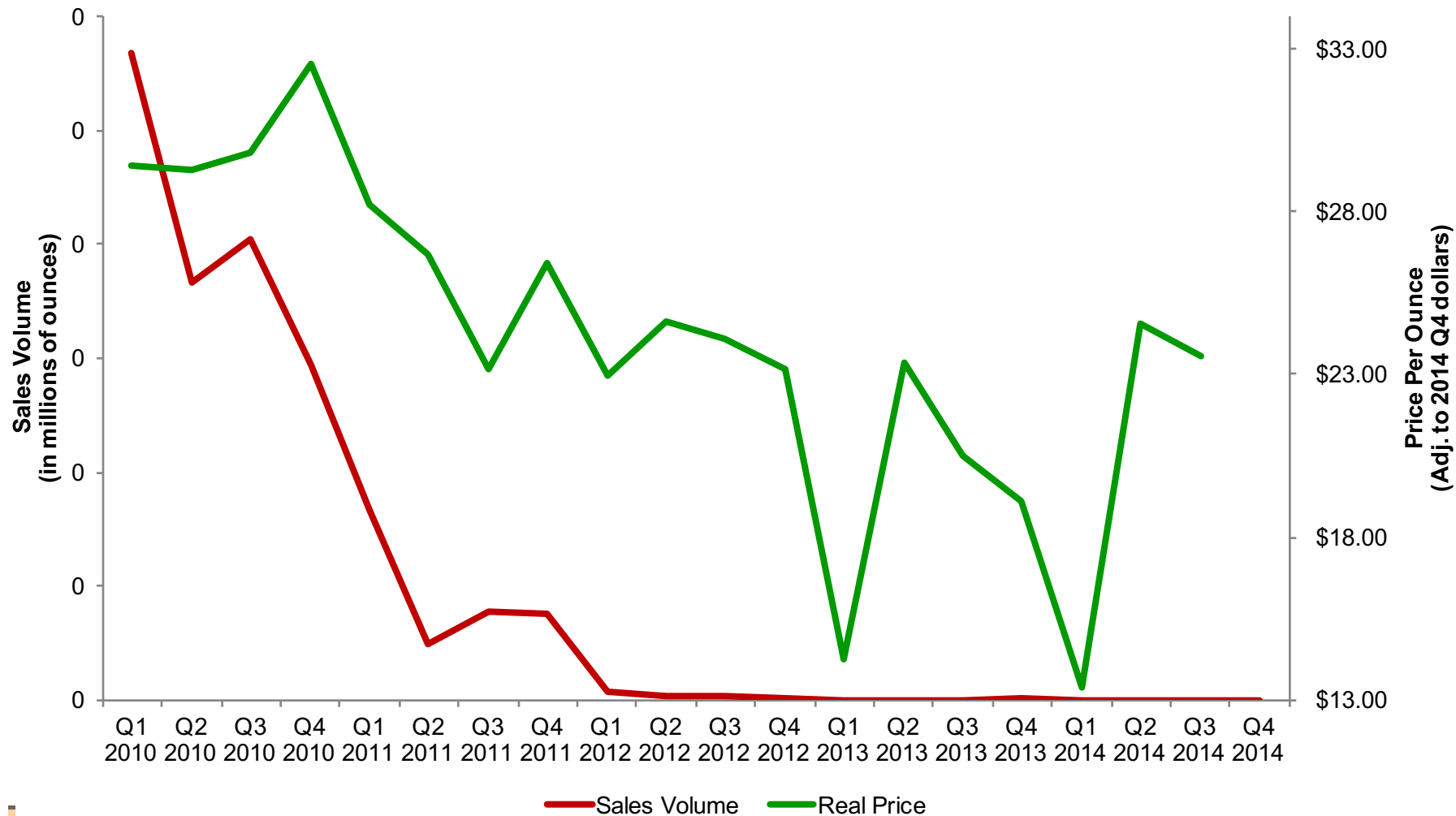
Trends: Looseleaf Chewing Tobacco

Chewing Looseleaf Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



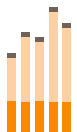
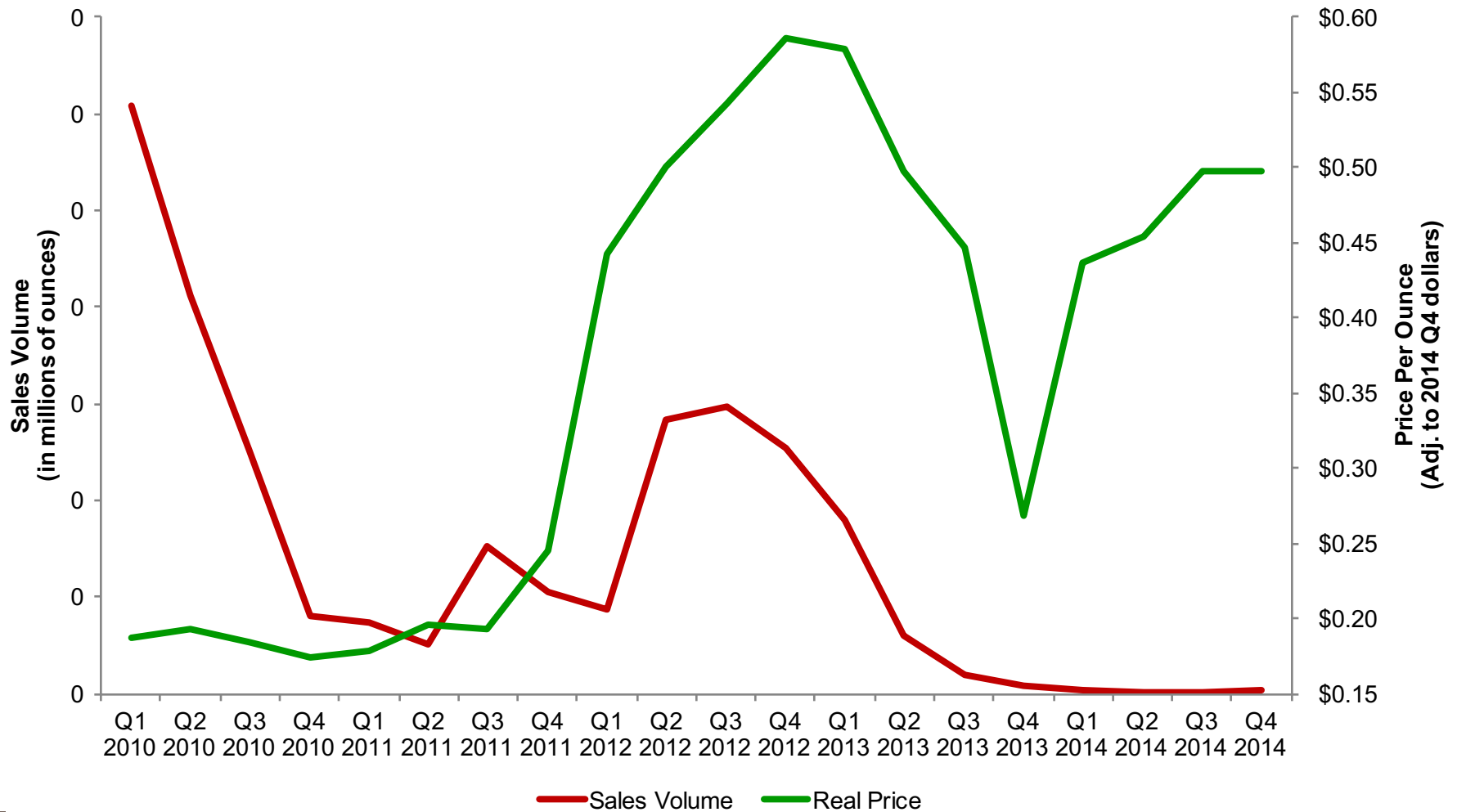
Trends: Orbs

Dissolvable Orbs Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



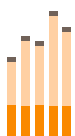
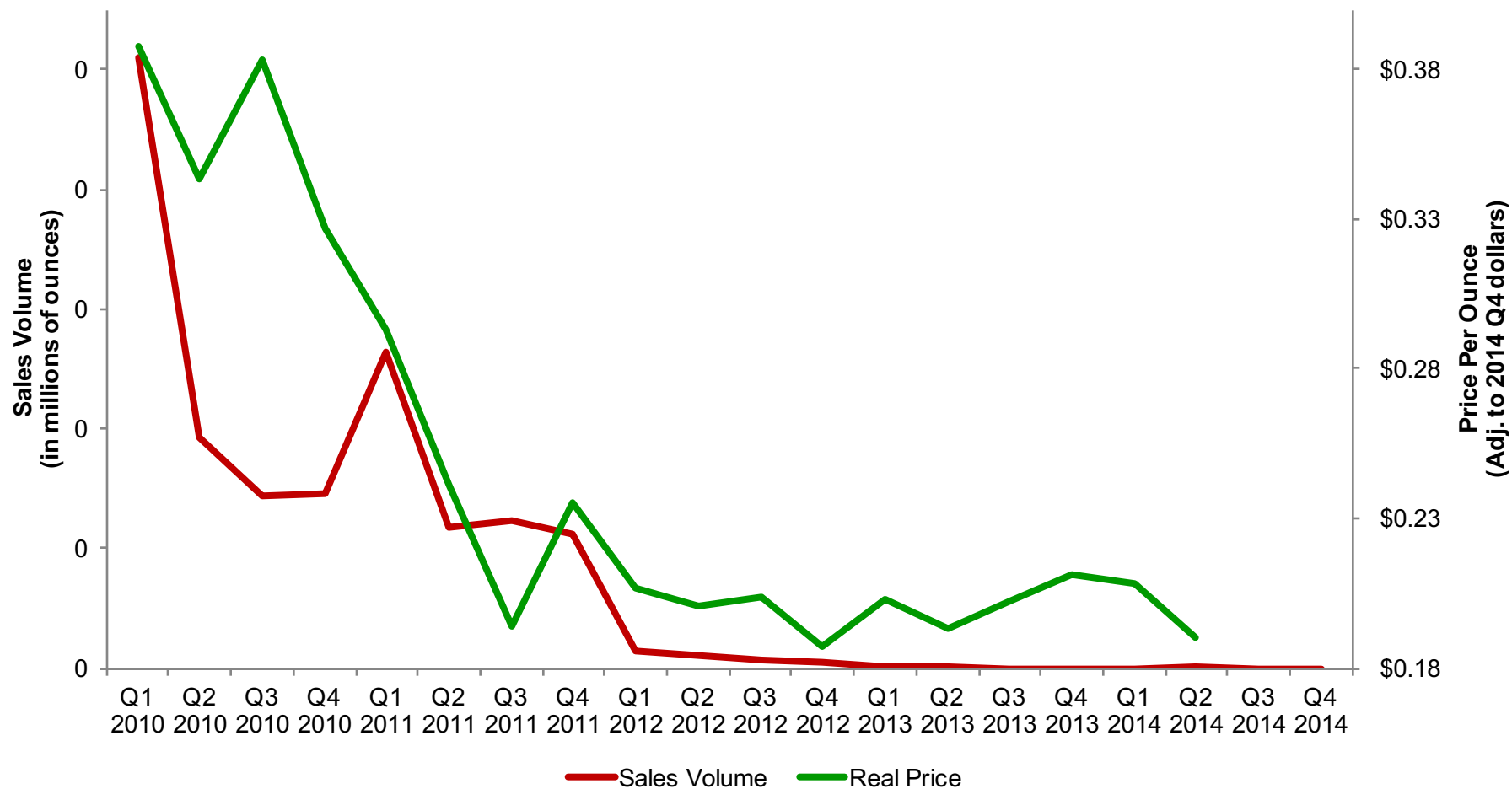
Trends: Strips

Dissolvable Strips Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



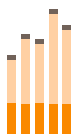
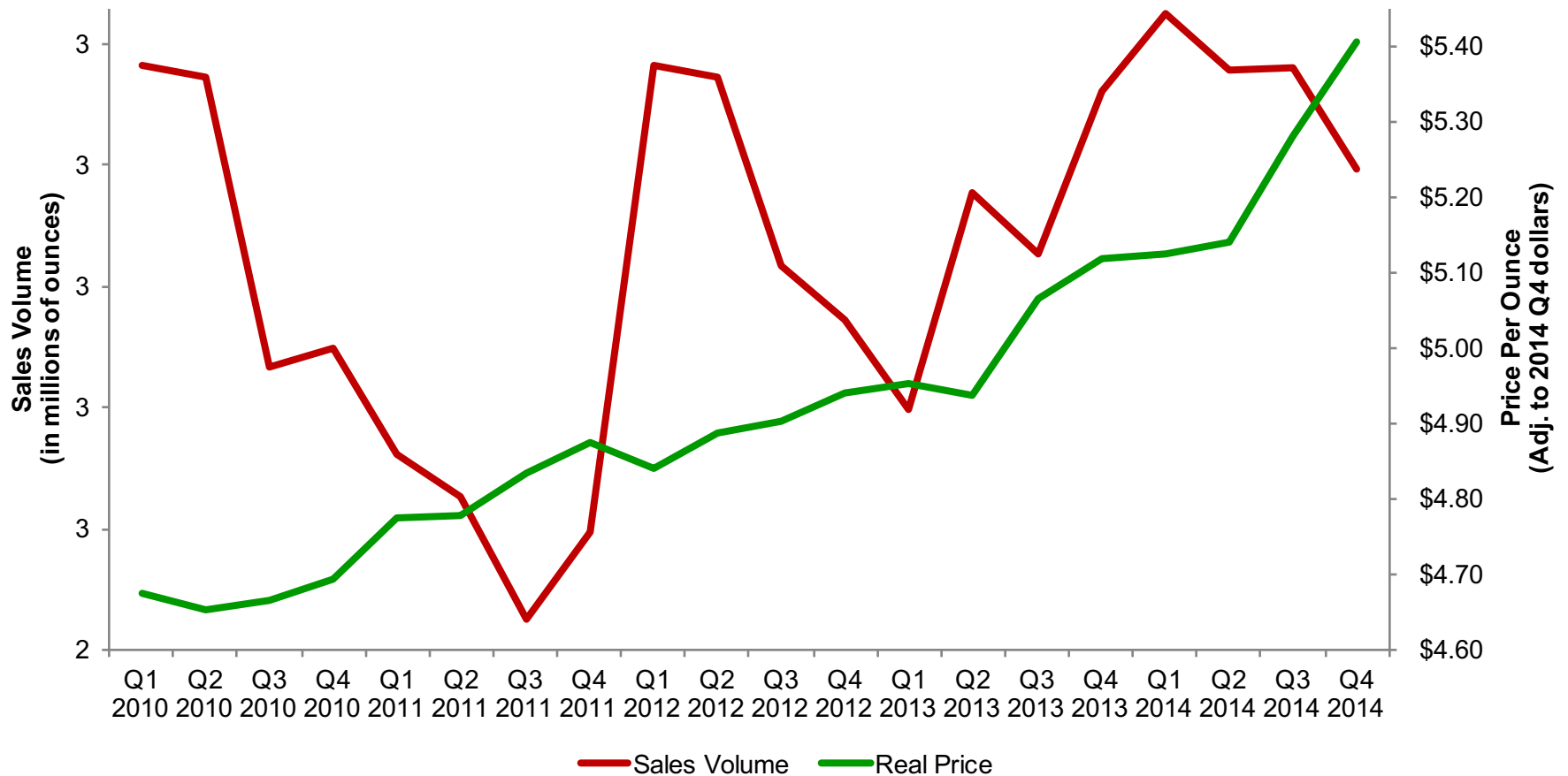
Trends: Sticks

Dissolvable Sticks Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



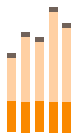
Trends: Plugtwist Chewing Tobacco

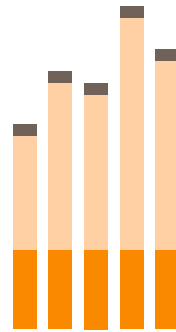
Chewing Plugtwist Sales Volume and Price per Ounce
Total US Market - Combined Convenience and FDM Stores



Results:

- Generally negative and significant effects of own-prices on sales of various products
- Estimated own-price elasticities vary considerably by product and across samples:
 - Moist snuff: -0.55 to -1.11
 - Dry snuff: -3.2 to -9.2
 - Chewing tobacco: -2.1 to -2.5
 - Snus: -0.42 to -1.28
- No evidence of substitution between smoked and smokeless products
 - Generally negative, but insignificant effects suggesting economic complementarity between cigarettes and smokeless products

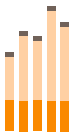




Summary

Summary

- Considerable variability in state taxation of smokeless tobacco products
 - Generally rising over time
 - Increasingly using specific taxes
 - Slow to tax emerging products
- Specific taxes generally result in higher retail prices
 - But need to be regularly increased to keep up with inflation
- Increases in smokeless tax/prices lead to significant reductions in use
 - Generally more responsive to price than is cigarette demand
 - No evidence of substitution between smoked, smokeless products
 - Youth use particularly sensitive to price



For more information:

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