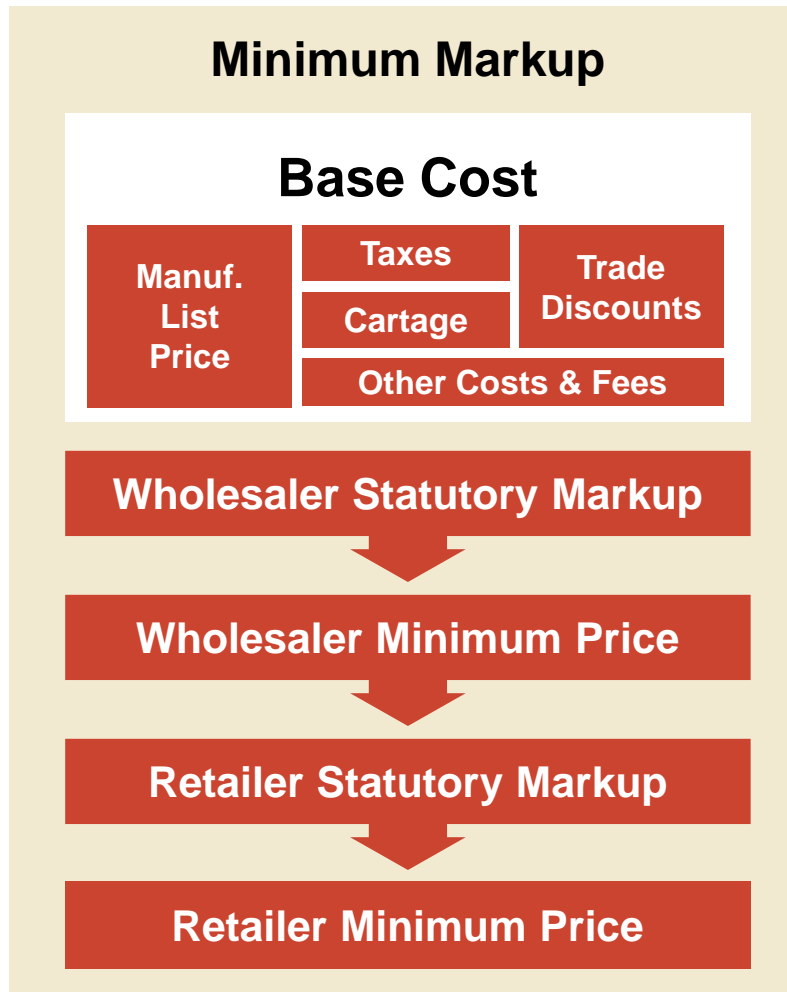


# Figure 1: Structure of Tobacco Pricing Formulas






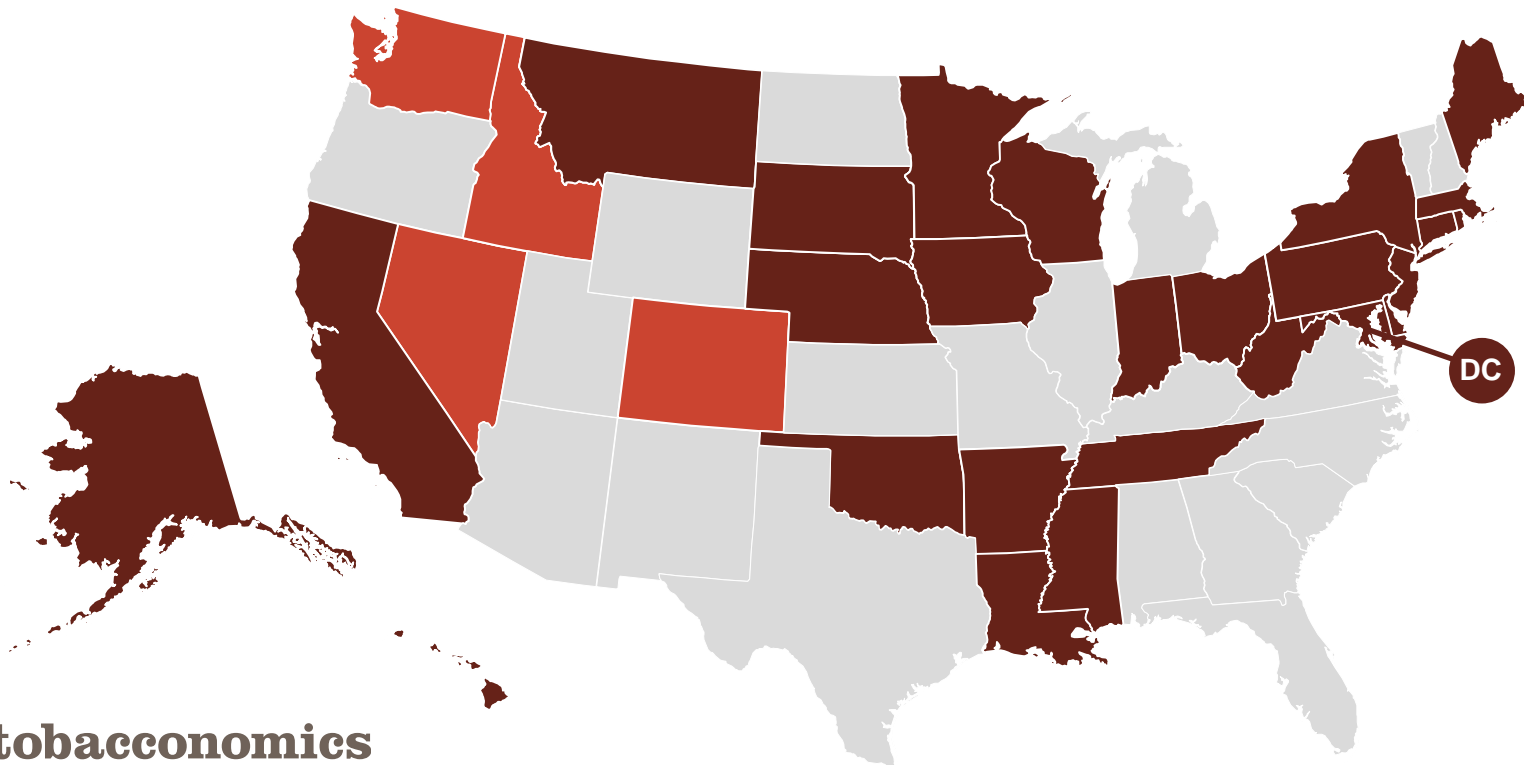
*Examples of minimum markup states include Iowa, New York, and Wisconsin.*



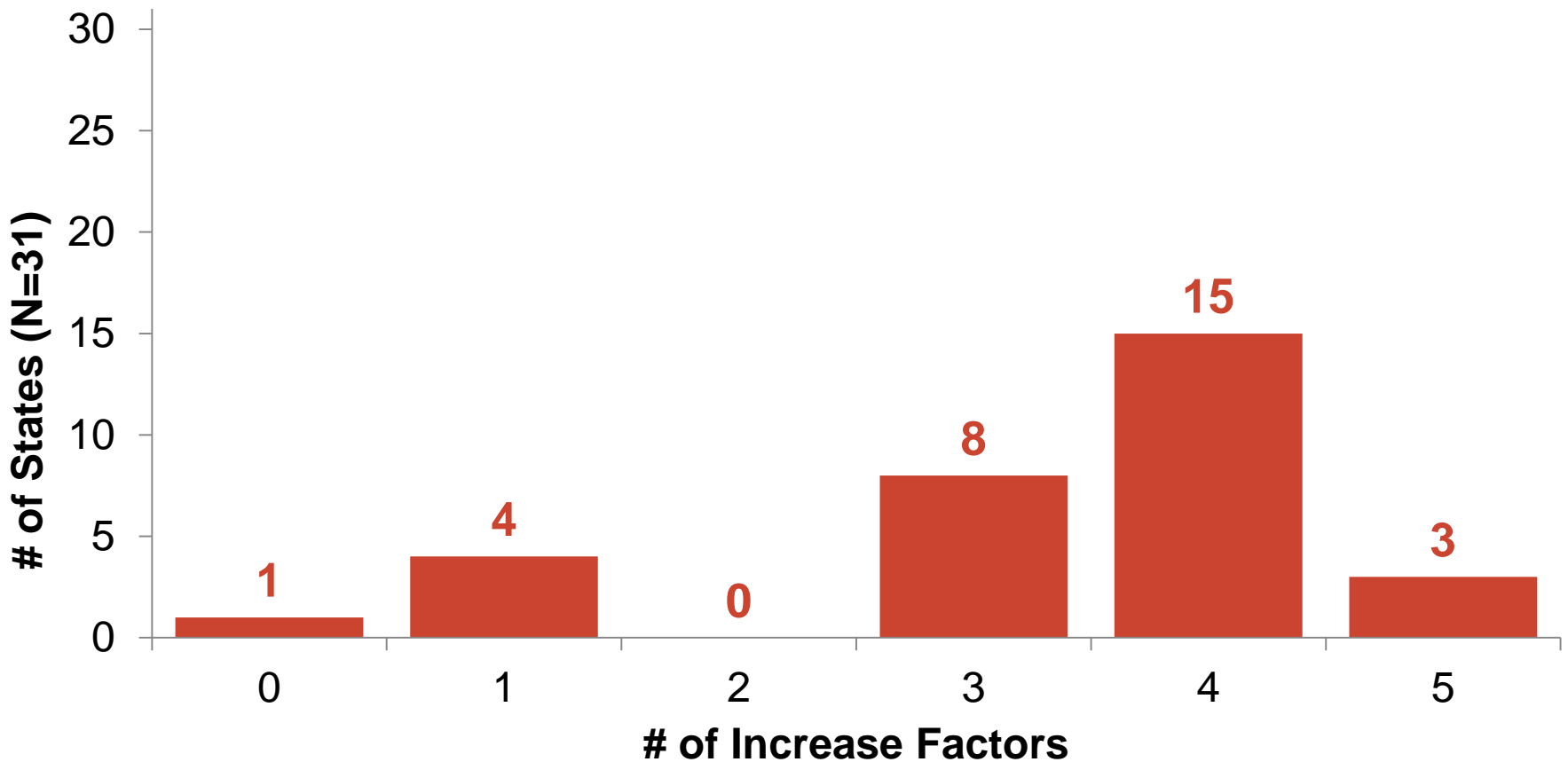
*Examples of minimum pricing states include Colorado and Washington.*

# Figure 2: U.S. Minimum Cigarette Pricing Scheme Types (2015)

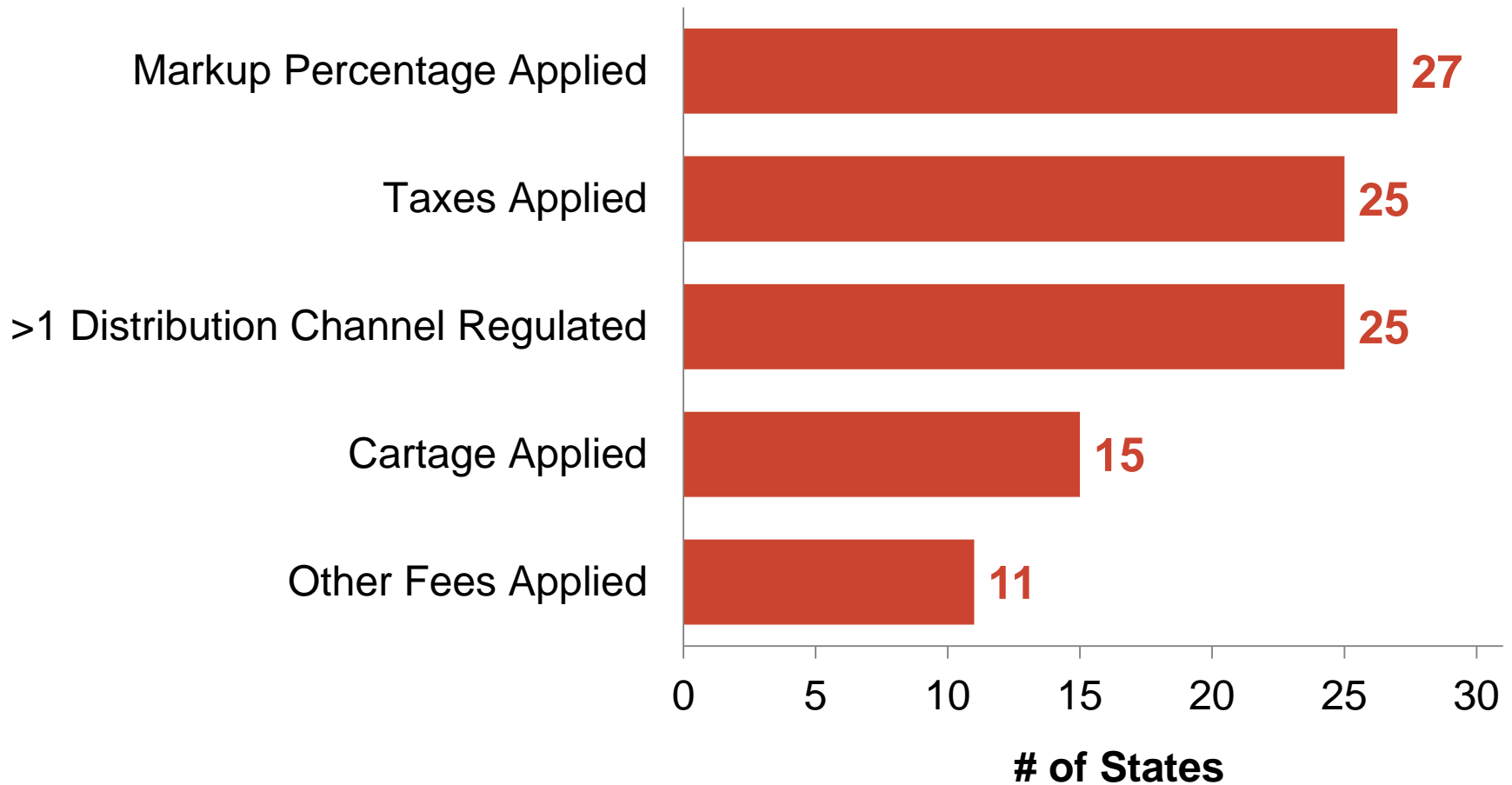
-  **Minimum Markup:** Parties must add a statutory markup (percentage) to the base cost of cigarettes, which represents an assumed cost of doing business. [27 States]
-  **Minimum Pricing:** Parties are prohibited from selling cigarettes below that party's respective cost. No statutory markup (percentage) is applied. [4 States]
-  **No minimum pricing laws** [20 States]



# Figure 3: Number of States Including Factors that Would Increase Price in their Minimum Pricing Laws (2015)

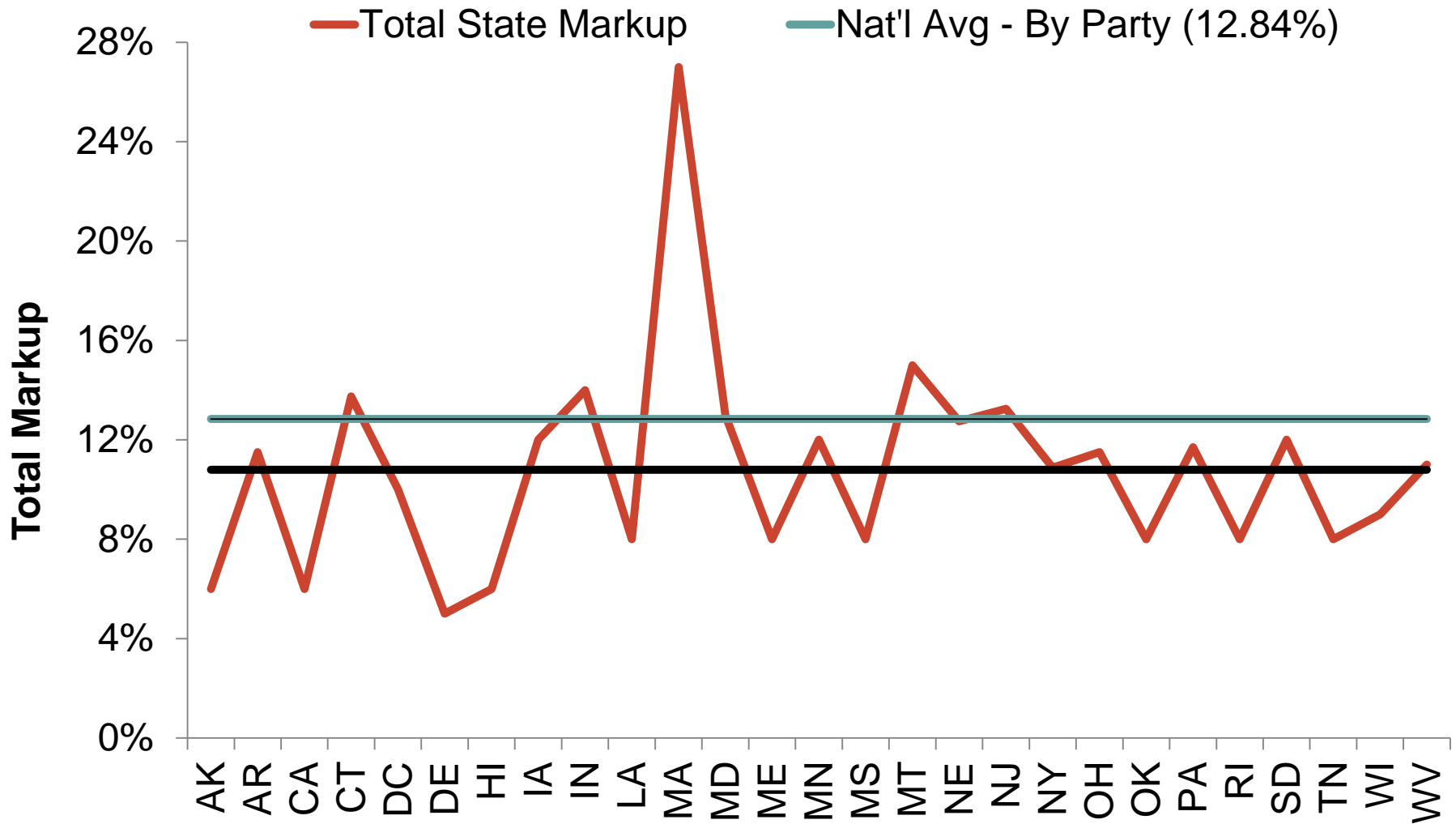


# Figure 4: Frequency of Factors That Increase the Base Cost of Cigarettes (2015)



*N=31 states with Minimum Pricing Laws  
(Data are not mutually exclusive)*

# Figure 5: Total State Markup Percentages (2015)



# Table 1: Average Markup Rates Across Distributing Parties in Minimum Markup States (2015) (N=27)

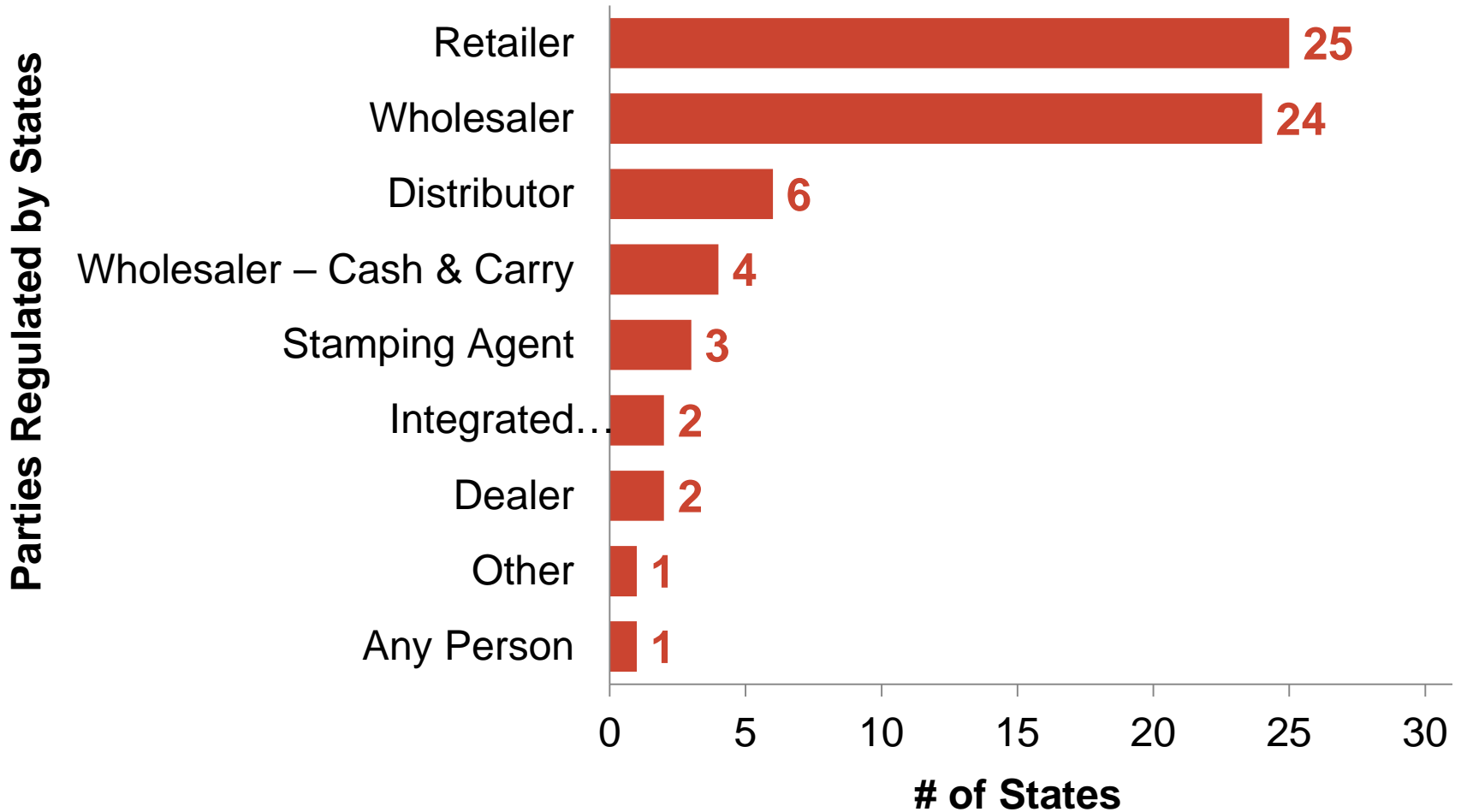
Distribution Level	# of States	Lowest Total Markup	Highest Total Markup	Average Markup – Regulated Parties Only	Average Markup – All MPL States
Stamping Agent	3	0.875%	1.70%	1.15%	0.128%
Wholesaler	21	2%	5.25%	3.452%	2.685%
Distributor	5	3%	6%	4.775%	0.884%
Retailer	22	4%	25%	8.114%	6.611%
Dealer	1	8%	8%	8%	0.296%
Int. Manufacturer	2	6%	9%	7.5%	0.556%
Other*	1	9%	9%	9%	0.333%

*“Other” party was only coded for one state (ME), and represents “Multiple Retailer.”*

## Table 2: States with Statutory Markup Rate Changes Between 2005 and 2015

State	Party	2005	2015
Alaska	Wholesaler	4.5%	2%
	Retailer	6%	4%
Indiana	Retailer	8%	10%
Iowa	Wholesaler	3%	4%
Nebraska	Wholesaler	4%	4.75%

# Figure 6: Number of States Regulating Minimum Pricing by Party Type (2015)



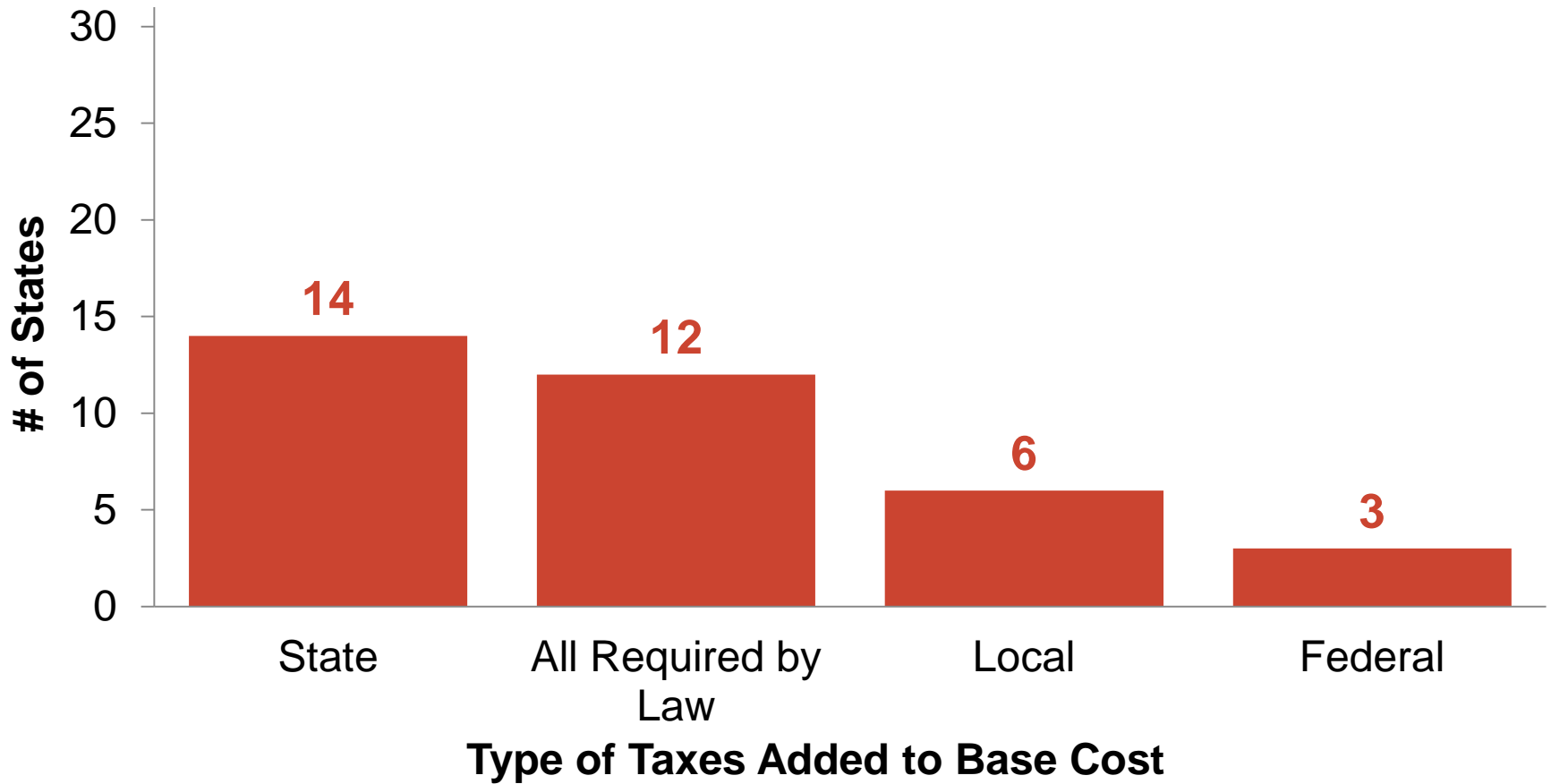


# Table 3: Markup Rate Differences with Increased Distribution Level Regulation (2015)

Distribution Levels Regulated	# of States	Lowest Total Markup	Highest Total Markup	Average * Total Markup
One Level	4	5% (DE)	8% (TN)	6%
Two Levels	20	8% (Multiple)	27% (MA)	11.79%
Three Levels	3	10.875% (NY)	13.75% (CT)	12.11%

*\* Average of parties regulating that respective level of distribution.*

# Figure 7: Number of States Requiring Taxes to be Included in or Added to Base Cost of Cigarettes (2015)



# Table 4: Minimum Pricing States with Specified Cartage Amounts (2015)

State	Distributing Parties				
	Stamping Agent	Wholesaler	Distributor	Retailer	Int. Manuf.
Nat'l Avg	0.75%	0.775%	0.625%	0.75%	0.75%
CT	0.75%		0.75%		
IN			0.50%		
LA		0.75%		0.75%	
ME		0.75%		0.75%	0.75%
MA		0.75%			
MN		0.50%			
MS		0.50%			
MT		0.75%			
NE				0.75%	
NJ		0.75%			
OH				0.75%	
OK		0.75%		0.75%	
RI		0.75%		0.75%	
SD		1.50%			

*No states specify cartage amounts for cash and carry wholesalers, dealers, any person, or "other" parties.*

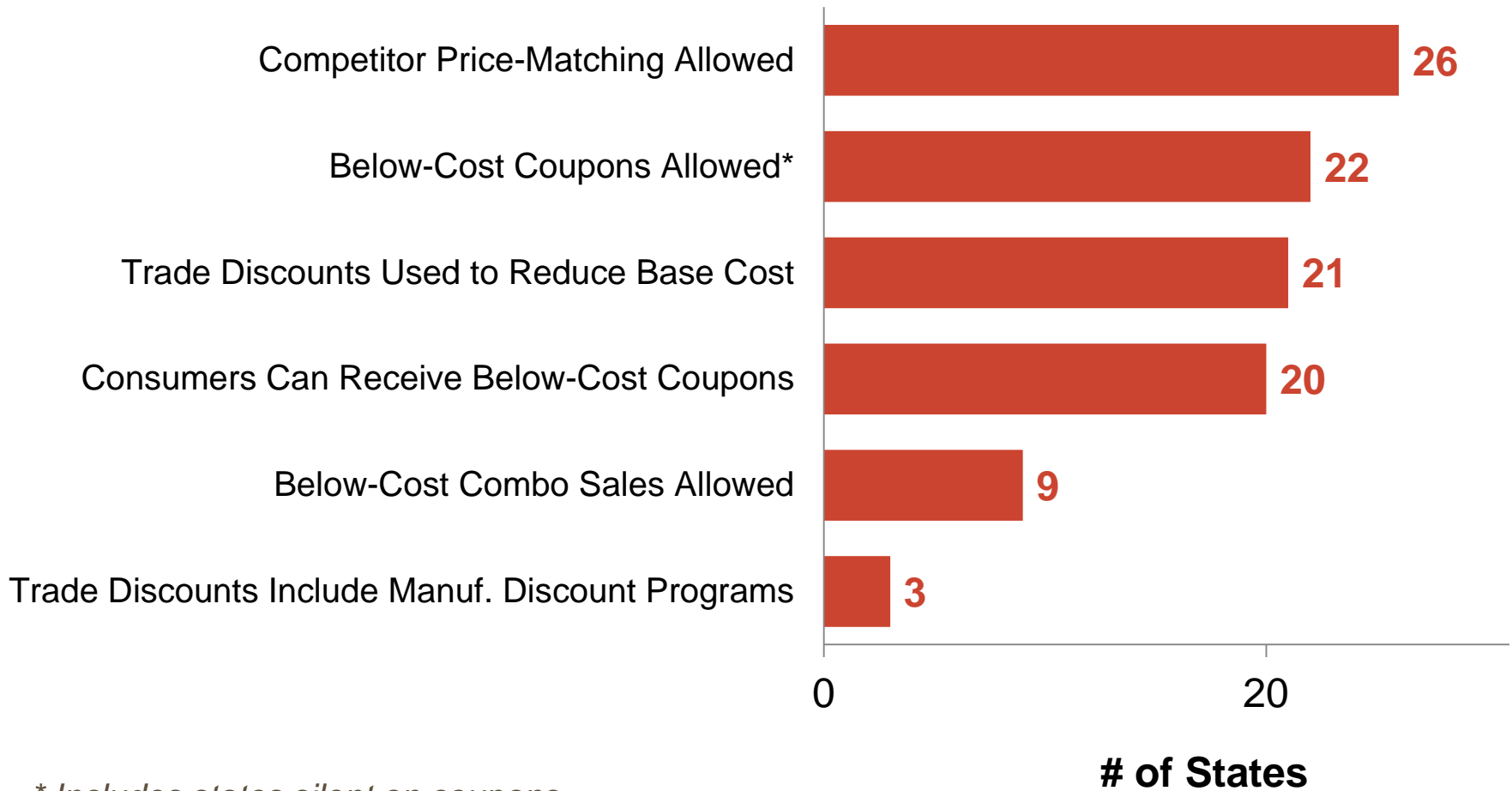
# Table 5: Minimum Pricing States with “Other” Costs Added to the Base Cost of Cigarettes (2015)

State	Freight Charges	Other Costs
DE	✓	
HI	✓	
LA	✓	
ME	✓	
MD	✓	
MN		Other Fees
PA	✓	
RI	✓	
TN		Taxes/Fees
WV	✓	
WI		Transportation Charges

## Figure 8: Number of States Applying Decrease Factors (2015)



# Figure 9: Frequency of Factors That Decrease the Base Cost of Cigarettes (2015)



\* Includes states silent on coupons

## Table 6: States that Address Parties Who Can Distribute Below-Cost Coupons to Consumers (2015)

State	Manufacturer	Wholesaler	Retailer	Silent
AR	✓			
CT				✓
DE				✓
IA	✓			
MD	✓	✓	✓	
NE	✓			
PA	✓			
TN	✓			
WV	✓			

*No states explicitly permit dealers, distributors, stamping agents, or “other” parties to distribute coupons to consumers.*

# Table 7: Combination Sales by Type (2015)

State	Buy One, Get One or Multi-Pack Sales		Tobacco + Coupon, Concession, or Rebate		Tobacco + Non-Tobacco Product	
	Addressed	Below-Cost	Addressed	Below-Cost	Addressed	Below-Cost
AK			✓		✓	
AR	✓		✓	✓	✓	
CO	✓		✓		✓	
CT	✓	✓	✓	✓	✓	✓
DE	✓		✓	✓	✓	
IA	✓	✓	✓	✓	✓	✓
IN	✓		✓		✓	
LA	✓				✓	
MA	✓		✓		✓	
MD	✓	✓	✓	✓	✓	✓
ME	✓				✓	
MN	✓		✓		✓	
MS	✓		✓		✓	
MT	✓	✓			✓	✓
NE	✓		✓	✓	✓	
NJ	✓		✓		✓	
NV	✓		✓		✓	
NY	✓		✓		✓	
OH	✓		✓		✓	
OK	✓		✓		✓	
PA	✓		✓	✓	✓	
RI	✓				✓	
SD	✓		✓		✓	
TN	✓		✓		✓	
WI	✓				✓	
WV			✓	✓		
<b>Total</b>	<b>25</b>	<b>4</b>	<b>21</b>	<b>8</b>	<b>25</b>	<b>4</b>

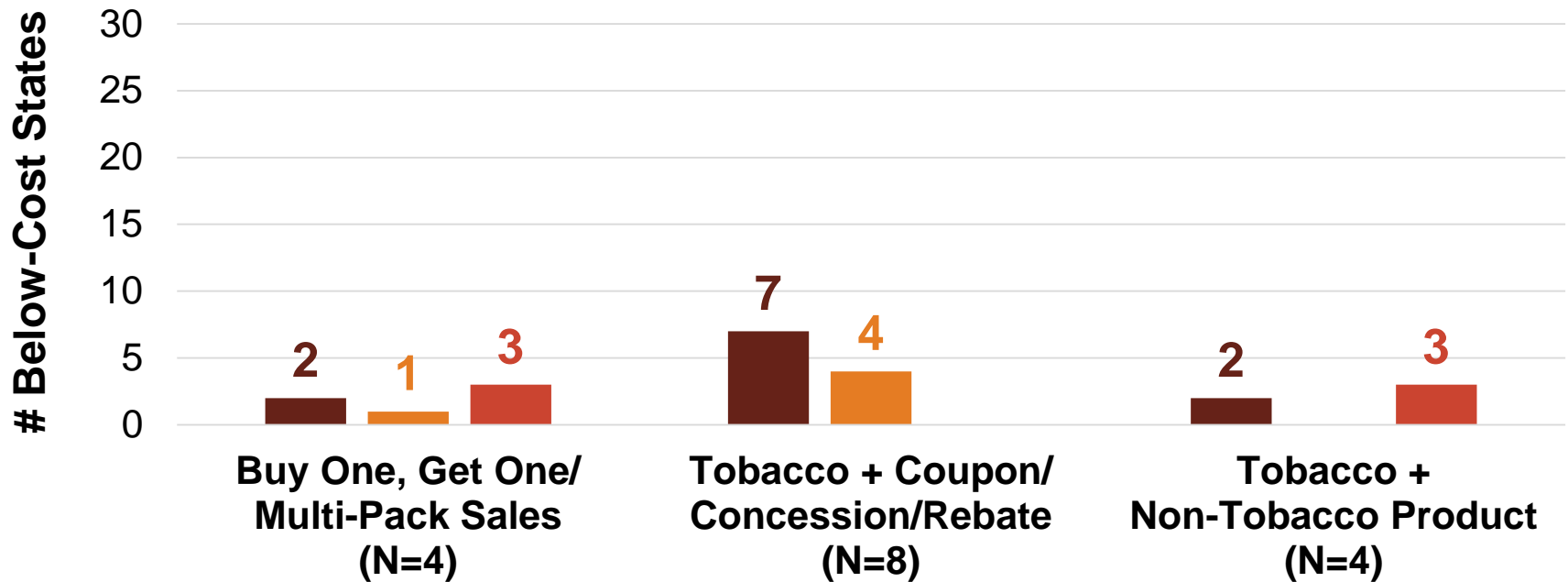


## Table 8: States with Restrictions Placed on Below-Cost Combination Sales (2015)

State	When Using Manufacturer Coupons/ Concessions	Where Manufacturer or Other Distributing Party Provides Seller the Difference in Sale Price vs. Actual Cost	Where Manufacturer Supplies a Gratis Product Being Bundled with the Sale
AR	✓	✓	
CT	✓		✓
DE	✓		
IA	✓	✓	✓
MD	✓		
MT			✓
NE	✓		
PA	✓	✓	
WV		✓	
<b>Totals</b>	<b>7</b>	<b>4</b>	<b>3</b>

# Figure 10: Restrictions Placed on Below-Cost Combination Sales by Type (2015)

- When using manufacturers' coupon
- When distributor compensates seller for difference in cost/price
- When manufacturer provides dealer with gratis product



*N=31 states with Minimum Pricing Laws*

*Note: As many states utilize multiple restriction types in tandem, data within each type are not mutually exclusive.*

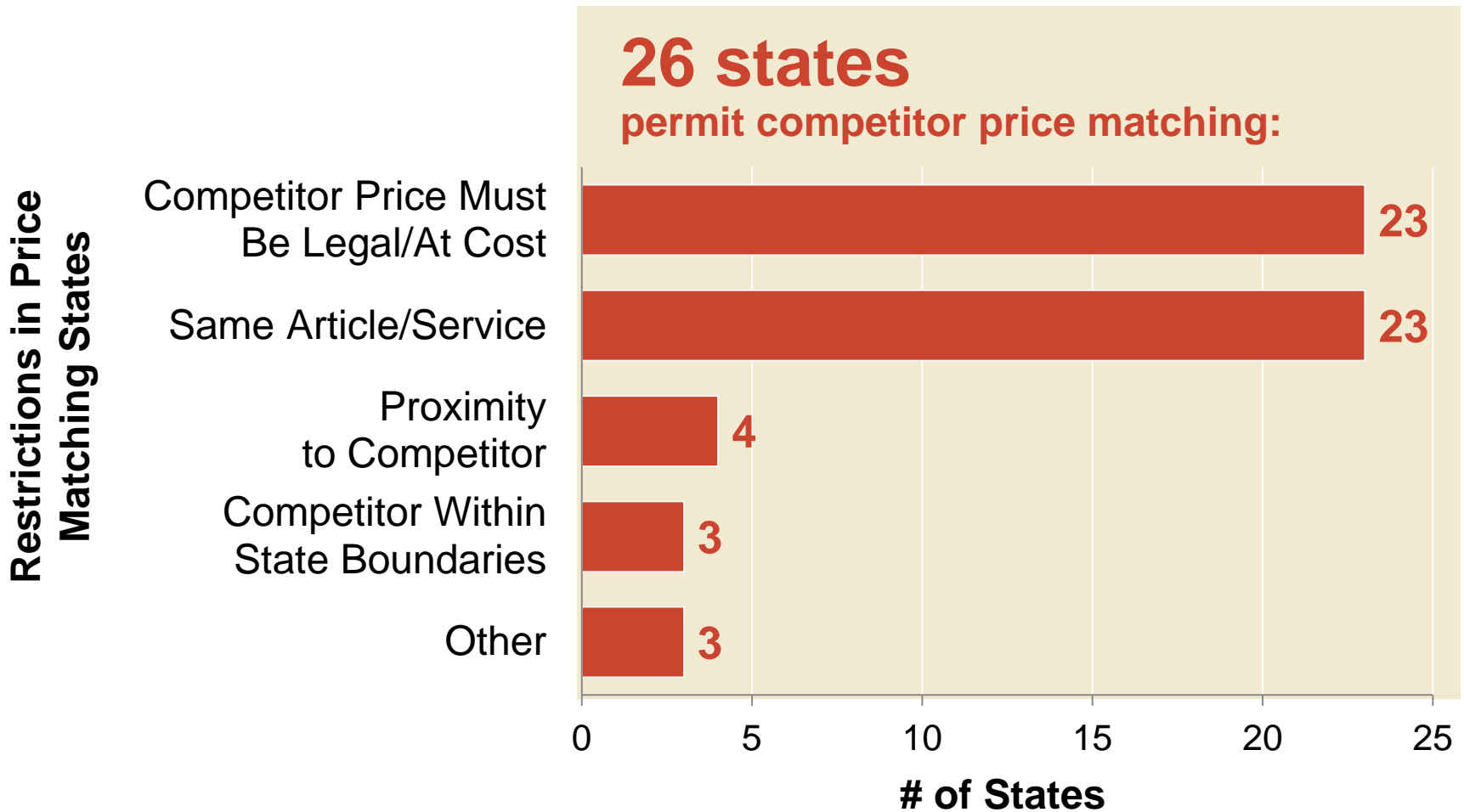
# Table 9: Minimum Pricing States That Allow Cigarette Base Costs to be Reduced by Trade Discounts, by Party (2015)

State	Distribution Level at which Trade Discounts Are Applied					
	Basic Cost	Wholesaler	Wholesaler- CC	Retailer	Distributor	Int. Manuf.
AK		✓				
CA					✓	
CT	✓					
DE	✓					
HI					✓	
IN	✓					
IA	✓					
LA		✓		✓		
ME		✓		✓		✓
MD	✓					
MA	✓			✓		
MS	✓					
NV	2.5%					
NJ	2%					
NY	✓					
OH		✓	✓	✓		
OK	✓					
RI	✓					
SD	✓					
WV		✓		✓		
WI		✓		✓		

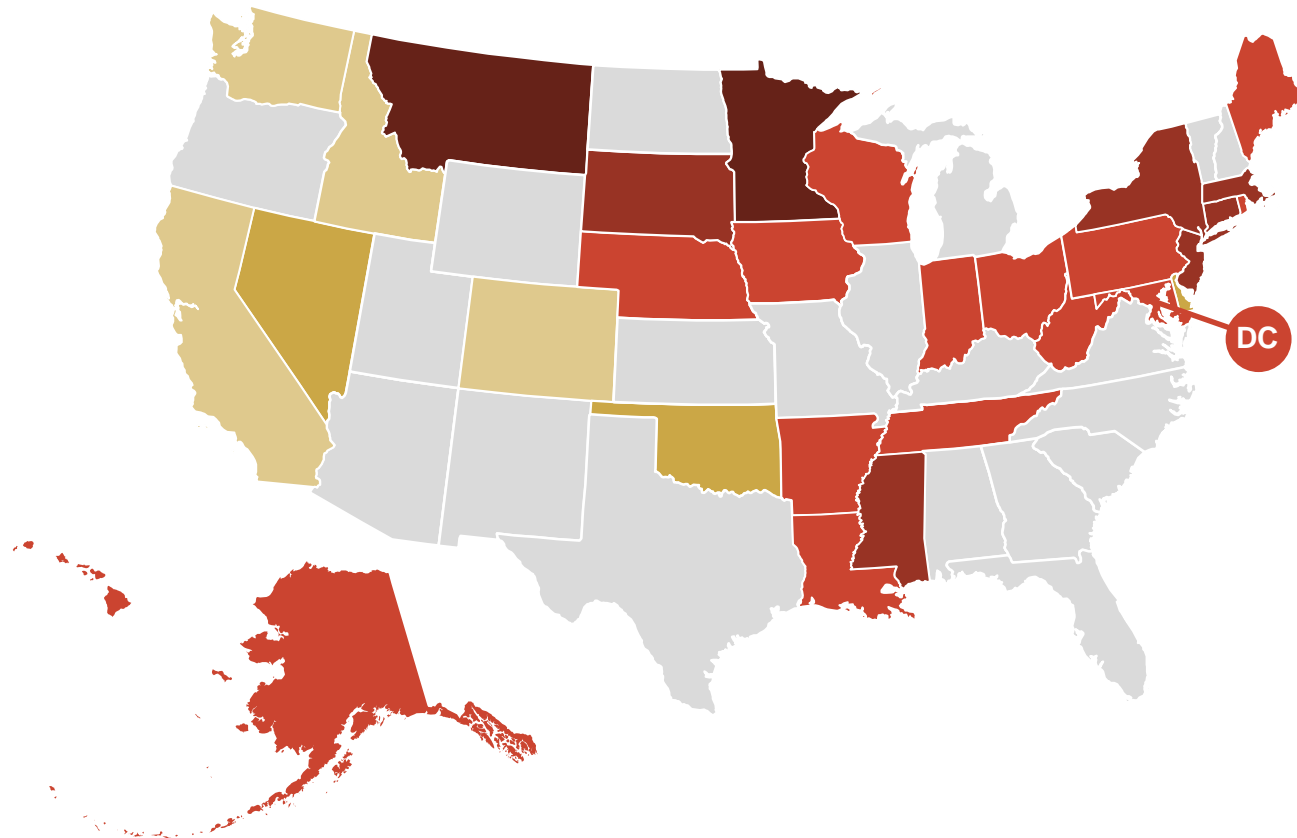
# Table 10: Trade Discounts: Definitions and Cost Reductions (2015)

State	Types of Discounting Programs							
	Trade Discounts		Buy Downs		Master-Type Plans		Paperless Coupons	
	Defined	Reduces Cost	Defined or Discussed	Reduces Cost	Defined or Discussed	Reduces Cost	Defined or Discussed	Reduces Cost
AK			✓				✓	
MD		✓	✓	✓		✓		✓
MA	✓	✓	✓		✓			
NE	✓		✓					
NY	✓	✓	✓		✓			
OH		✓						
OK	✓	✓	✓	✓		✓		✓
WI	✓	✓		✓				
<b>Totals</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>

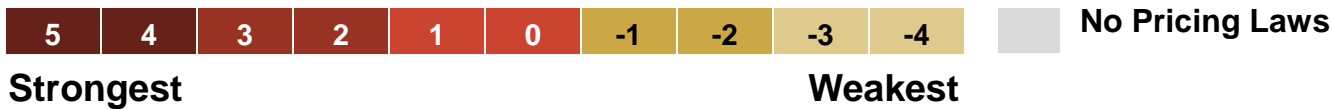
# Figure 11: Restrictions on Competitor Price Matching Where Permitted (2015)



# Figure 12: Relative Minimum Cigarette Pricing Law Strength (2015)



State	Combined Score High: 5 • Low: -4
AK	1
AR	0
CA	-3
CO	-3
CT	3
DE	-1
DC	0
HI	1
ID	-4
IN	1
IA	0
LA	1
ME	0
MD	1
MA	3
MN	5
MS	2
MT	4
NE	1
NV	-2
NJ	3
NY	2
OH	0
OK	-1
PA	1
RI	1
SD	3
TN	0
WA	-3
WV	0
WI	0



# Table 11: How States Utilize Regulatory Mechanisms That Increase and Decrease Base Cost of Cigarettes (2015)

## Factors That Increase Price:

1. # of Parties Regulated
2. Markup \*
3. Cartage
4. Taxes
5. Other Fees

## Factors That Decrease Price:

1. Below-Cost Coupons Allowed
2. Consumers Can Receive Below-Cost Coupons
3. Combination Sales Below Cost Allowed
4. Restrictions on Below-Cost Combination Sales
5. Trade Discounts Used to Reduce Base Price
6. Trade Discount Defined to Include Discount Programs
7. Competitor Price-Matching Allowed
8. Restrictions on Competitor Price-Matching

\* All factors were scored using a dichotomous scale except for "Markup," which was scored using an ordinal grouping based on continuous scale:

Markup Rate Scale	
No Markup	0
Markup > 0-6%	1
Markup > 6-12%	2
Markup > 12-18%	3
Markup > 18-24%	4
Markup >24%	5

Regulatory Strength: Factors That Increase and Decrease Base Cost of Cigarettes By State

Increase Max Score: 9		Decrease Max Score: 8	
4	AK	3	
4	AR	4	
2	CA	5	
1	CO	4	
7	CT	4	
3	DE	4	
4	DC	4	
4	HI	3	
0	ID	4	
6	IN	5	
5	IA	5	
6	LA	5	
5	ME	5	
6	MD	5	
8	MA	5	
7	MN	2	
5	MS	3	
6	MT	2	
6	NE	5	
1	NV	3	
6	NJ	3	
5	NY	3	
5	OH	5	
5	OK	6	
5	PA	4	
6	RI	5	
6	SD	3	
4	TN	4	
1	WA	4	
5	WV	5	
6	WI	6	






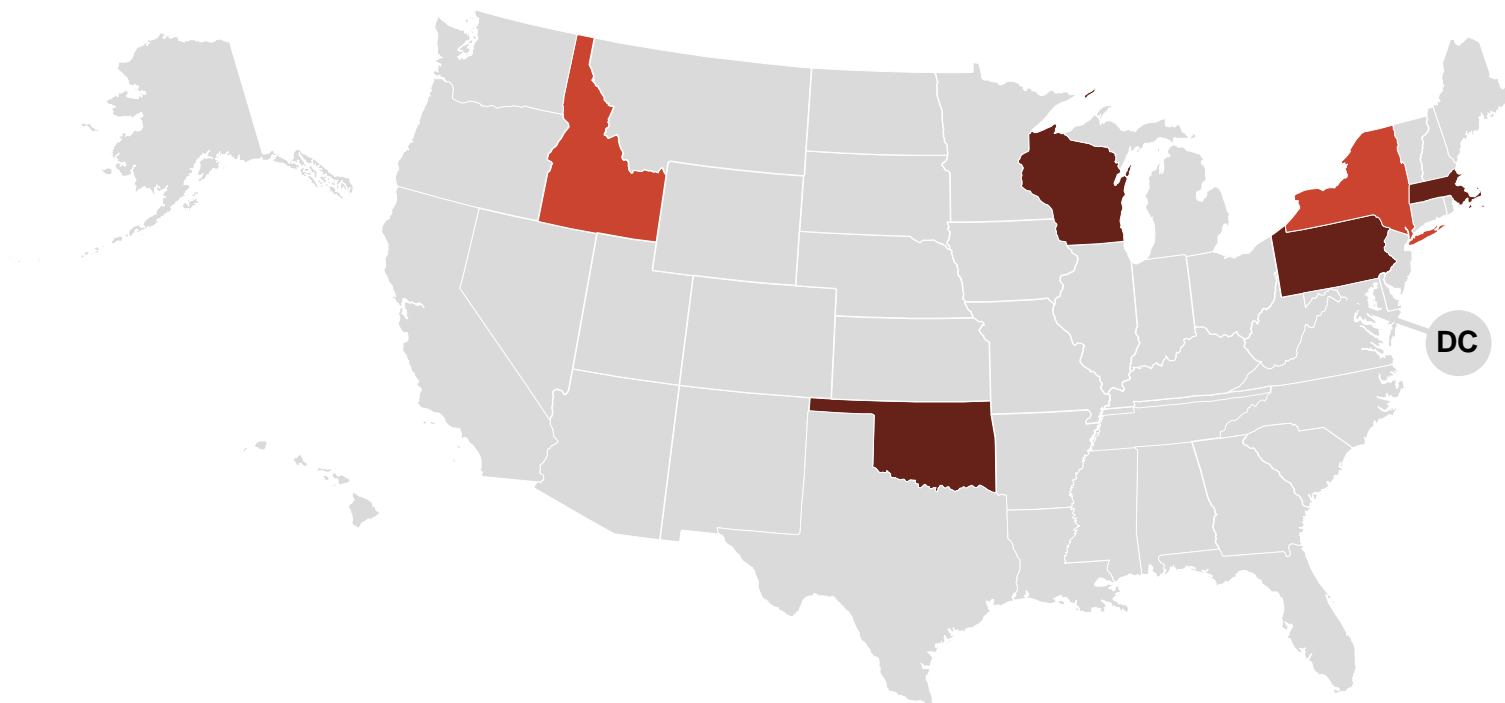
## Table 12: Distribution of Increase and Decrease Factors Compared to National Average (2015) (N=31)

Increase Factors	# of States (N=31)	Decrease Factors	# of States (N=31)
Avg # of Increase Factors	3.3	Avg # of Decrease Factors	4.4
# States Below Average	5	# States Below Average	12
# States At Average	8	# States At Average	3
# States Above Average	18	# States Above Average	16

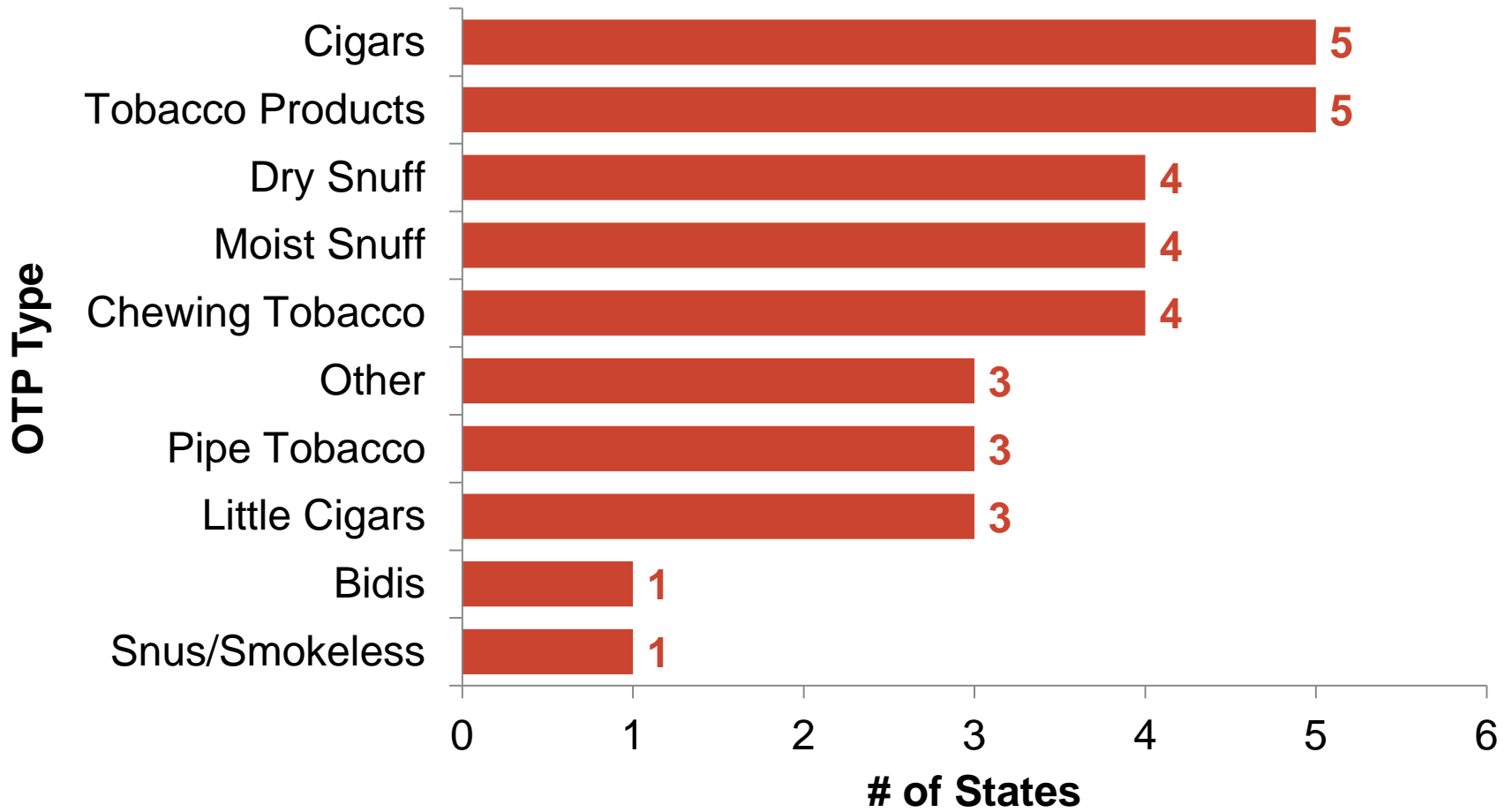


# Figure 13: U.S. Minimum OTP Pricing Scheme Types (2015)

-  **Minimum Markup:** Parties must add a statutory markup (percentage) to the base cost of OTP, which represents an assumed cost of doing business. [4 States]
-  **Minimum Pricing:** Parties are prohibited from selling OTP below that party's respective cost. No statutory markup (percentage) is applied. [3 States]
-  No minimum pricing laws [24 States]



# Figure 14: Number of States Regulating the Minimum Price of OTPs by Type (2015)



# Table 13: Types of OTP Regulated by States With OTP Pricing Laws (2015)

State	“Tobacco Products “ or “Tobacco”	Cigars	Little Cigars	Pipe Tobacco	Chewing Tobacco	Moist Snuff	Dry Snuff	Snus or Smokeless Tobacco	Bidis	Other	Totals
ID	✓	✓		✓		✓	✓	✓			6
MA			✓								1
NY	✓	✓	✓		✓	✓	✓			✓	7
OK	✓	✓		✓	✓				✓	✓	6
PA			✓								1
RI	✓	✓			✓	✓	✓				5
WI	✓	✓		✓	✓	✓	✓			✓	7

**Other Descriptions:** “tobacco intended for smoking “ (NY); cheroots, stogies (OK); snuff flour; cavendish, plug and twist tobacco, cheroots, stogies, periques (WI)

**Note:** No states specifically regulate cigarillos, RYOT, dissolvables, e-cigarettes, or clove cigarettes/kreteks.