



Policy Factors That Increase the Base Cost of Cigarettes in Pricing States, 2015

Introduction

Minimum pricing policy (“MPP”) states utilize five key strategies that increase the cost of cigarettes to the consumer. **Statutory markups** involve applying a pre-determined increase to the price of cigarettes. Applying these markups to **multiple distributors** increases their impact, and can help regulate pricing on a more comprehensive level. The markup is applied to a base cost, which can include several components: **taxes** (though some states add taxes post-markup), **cartage** (the cost of delivering a product to another distributing party), and **other costs** (including litter or Master Settlement Agreement (MSA) fees, and freight costs).

This fact sheet documents the policy factors that increase the base cost of cigarettes in MPP states as of January 1, 2015. Data on policy factors that increase the base cost of cigarettes 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 minimum pricing or markup rates for cigarettes from January 1, 2005 through January 1, 2015 across all possible parties is available through the [Tobaeconomics](#) website.

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Key Findings

As of January 1, 2015, 31 states regulated the minimum price of cigarettes. Of those, 30 states utilize at least one of five strategies to increase the cost of cigarettes.

- **Statutory markup** is the most impactful factor on ultimate purchase price, and the most commonly used increase factor by MPP states (27 states).
- The **regulation of multiple distribution channels** is used by 25 states. Most MPP states (17) apply their laws to two parties (most commonly, wholesalers, and retailers).
- **Taxes** (federal, state, and/or local) are included in the pricing schemes of 25 states. Of those, 22 explicitly include taxes in the base cost of cigarettes, which increases the size of the base cost to which the markup applies, and results in a higher retail price than if taxes were applied post-markup.
- **Cartage** is included when calculating price in 15 states, 14 of which define it as a fixed percentage (0.5% to 1.5%).
- **Other costs and fees** are only used by 11 states, as is the least commonly used factor.

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✓ Yes Blank No

	Statutory Markup Applied	>1 Distributing Party Regulated	Taxes Applied	Cartage Applied	Other Costs Applied	TOTAL INCREASE FACTORS (Max: 5)
AK	✓	✓	✓			3
AR	✓	✓	✓			3
CA	✓					1
CO		✓				1
CT	✓	✓	✓	✓		4
DE	✓		✓		✓	3
DC	✓	✓	✓			3
HI	✓			✓	✓	3
ID	<i>Minimum Pricing state with no increase factors</i>					0
IN	✓	✓	✓	✓		4
IA	✓	✓	✓			3
LA	✓	✓	✓	✓	✓	5
ME	✓	✓		✓	✓	4
MD	✓	✓	✓		✓	4
MA	✓	✓	✓	✓		4
MN	✓	✓	✓	✓	✓	5
MS	✓	✓	✓	✓		4
MT	✓	✓	✓	✓		4
NE	✓	✓	✓	✓		4
NJ	✓	✓	✓	✓		4
NV			✓			1
NY	✓	✓	✓			3
OH	✓	✓	✓	✓		4
OK	✓	✓	✓	✓		4
PA	✓	✓	✓		✓	4
RI	✓	✓	✓	✓	✓	5
SD	✓	✓	✓	✓		4
TN	✓		✓		✓	3
WA		✓				1
WI	✓	✓	✓		✓	4
WV	✓	✓	✓		✓	4
TOTAL	27	25	25	15	11	

Note: Table includes only states with tobacco pricing laws. States not listed are those without minimum markup or pricing laws.