



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

Introduction

While minimum pricing policy (“MPP”) states generally establish a minimum price for cigarettes, six key strategies can be used to decrease the cost of cigarettes to the consumer. Some strategies reduce the price of the product at the retail level. **Coupons** can reduce the price of the cigarettes below statutory minimum price, and some states allow those **coupons to be distributed directly to the consumer**. Similarly, **multi-pack sales** bundle multiple products together for a lower sales price, sometimes below statutory minimums. Other strategies reduce the actual, statutory cost of the product. **Trade discounts** can be included in the statutory cost formulation, ultimately reducing the base cost before markups are applied, and many states **define those discounts** to include a wide variety of discounting programs. Lastly, **price matching** can allow vendors to meet the prices of their competitors, even if those prices fall below statutory minimums.

This fact sheet documents the policy factors that decrease the base cost of cigarettes in MPP states between 2005 and 2015. Data on policy factors that decrease 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 laws for cigarettes from January 1, 2005 through January 1, 2015 is available through the [Tobacconomics](#) website.

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Key Findings

As of January 1, 2015, all 31 MPP states utilized at least one decrease factor in their pricing policies.

- **Competitor price matching** is the most common decrease factor (26 states).
- **Below cost coupons** are found in 23 states. Of those, 20 states allow coupon **distribution directly to the consumer**, either explicitly (7), or implicitly through silence (13).
- **Trade discounts** are used by more than two-thirds of all MPP states (21), two of which define those discounts as a set percentage of the base cost, ranging from 2% (New Jersey) to 2.5% (Nevada). **Definitions of trade discounts** that include manufacturer-sponsored discount programs, and are used to reduce cost are found in two of those states (Oklahoma and Wisconsin). A third state (Maryland) does not explicitly include these programs in their definition of trade discounts, but still allows them to reduce cost.
- **Multi-pack (or combination) sales** bundle multiple products together (e.g. tobacco products, coupons, or non-tobacco products) and are allowed in 26 states; however, only nine states allow them to be priced below cost.

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✓ Yes Blank No

	Below-Cost Coupons Allowed	Below-Cost Coupons Distributed to Consumers	Below-Cost Combination Sales Allowed	Trade Discounts May Reduce Cost	Trade Discounts Include Discount Programs	Competitor Price-Matching Allowed	TOTAL DECREASE FACTORS (Max: 6)
AK				✓			1
AR	✓	✓	✓			✓	4
CA	✓	✓		✓		✓	4
CO	✓	✓				✓	3
CT	✓		✓	✓		✓	4
DC	✓	✓				✓	3
DE	✓		✓	✓		✓	4
HI				✓		✓	2
IA	✓	✓	✓	✓		✓	5
ID	✓	✓					2
IN	✓	✓		✓		✓	4
LA	✓	✓		✓		✓	4
MA	✓	✓		✓		✓	4
MD	✓	✓	✓	✓		✓	5
ME	✓	✓		✓		✓	4
MN						✓	1
MS				✓		✓	2
MT			✓			✓	2
NE	✓	✓	✓			✓	4
NJ				✓		✓	2
NV				✓		✓	2
NY				✓		✓	2
OH	✓	✓		✓		✓	4
OK	✓	✓		✓	✓	✓	5
PA	✓	✓	✓			✓	4
RI	✓	✓		✓			3
SD				✓		✓	2
TN	✓	✓					2
WA	✓	✓					2
WI	✓	✓		✓	✓	✓	5
WV	✓	✓	✓	✓		✓	5
TOTAL	23	20	9	21	2	26	

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