

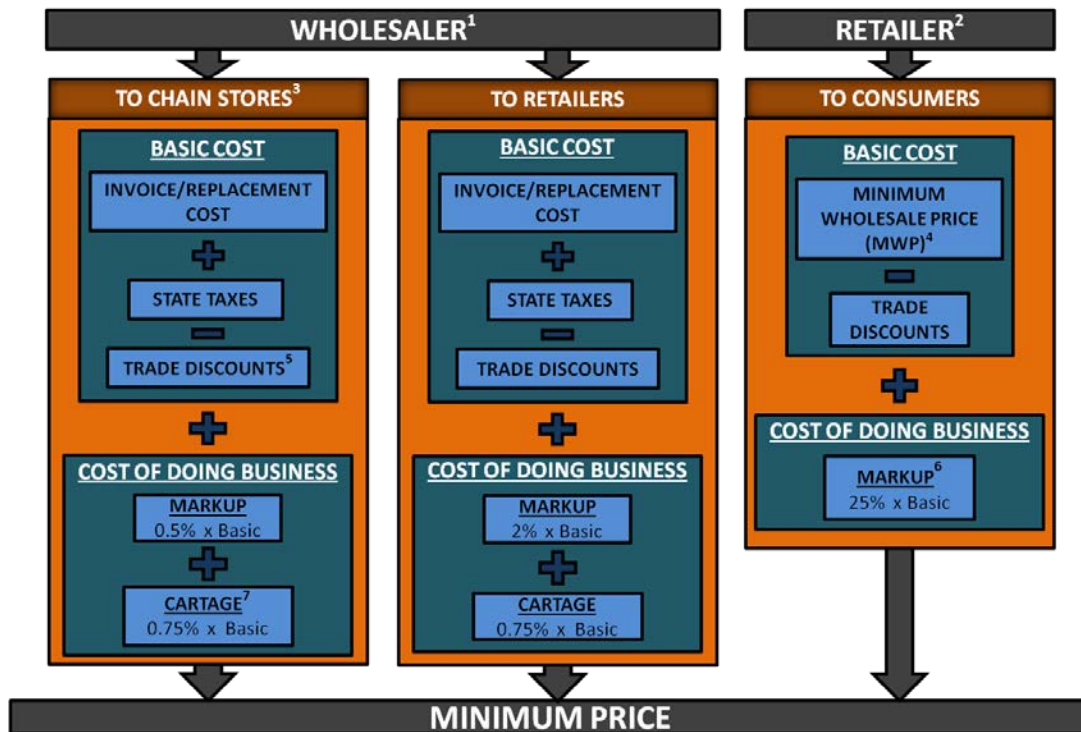
Massachusetts



Minimum Markup Minimum Pricing

Yes Blank No -- Not Applicable/Addressed

Cigarette Pricing – 2015



OTP Pricing – 2015

State OTP pricing scheme matches Cigarette Pricing? Yes No

Types of OTP Regulated

Tobacco Products		Moist Snuff	
Cigars		Dry Snuff	
Little Cigars	✓	Snus/Smokeless	
Pipe Tobacco		Bidis	
Chewing Tobacco		Other	
Total Products			1

Formulating Price

State Pricing Regulation Strength: Factors that Decrease versus Increase Statutory Price*

Pricing Formula Elements That
DECREASE PRICE



Number of factors
decreasing price:
Above Average

Pricing Formula Elements That
INCREASE PRICE



Number of factors
increasing price:
Above Average

Total Decrease Factors (State):	4
Average Decrease Factors (National):	3.2
Below-Cost Combination Sales Explicitly Permitted	
Below-Cost Coupons Permitted	✓
Consumers Can Receive Below-Cost Coupons	✓
Trade Discounts Explicitly Permitted	✓
Trade Discounts Include Discount Programs	
Competitor Price-Matching Permitted	✓

Total Increase Factors (State):	4
Average Increase Factors (National):	3.3
≥ 2 Parties Regulated	✓
Markup Applied	✓
Taxes	✓
Cartage	✓
Other Costs	

**Note: See "How to Read" for an explanation of terms and factors, and "Methods" for detailed methodology.*

Markup Rates Across Standard Distribution Chain

	Stamping Agent	Wholesaler/Distributor	Retailer/Dealer	Total Standard Markup	State vs Nat'l Total Markups
Massachusetts		2%	25%	27%	--
Nat'l Average Markup of States Where Distribution Level Regulated	1.15% (N=3)	3.668% (N=26)	8.021% (N=24)	12.839%	↑ Above Average
Nat'l Average Markup of All Markup States (N=27)	0.128%	3.532%	7.13%	10.79%	↑ Above Average

Combination Sales

Types of Combination Sales Permitted

Buy-One-Get-One or Multi-Pack	
Tobacco Product + Coupon	
Tobacco Product + Non-Tobacco Product	

Coupons

Who May Distribute Coupons to Consumers?

Manufacturer	
Wholesaler/Distributor	

Retailer/Dealer	
Distributing Party Not Addressed	✓

Footnotes

Massachusetts- Cigarette

1. When a wholesaler who acquires cigarettes from the manufacturer sells them at retail, it shall apply both the wholesaler and retailer cost of doing business. Mass. Ann. Laws ch. 64C, § 13(g).
2. Sales at the retail level include both traditional retailers and chain stores. Mass. Ann. Laws ch. 64C, § 13(g). Additionally, any retailer who receives discounts typically only given to wholesalers must include the wholesaler's "cost of doing business" in its computation of minimum price at the retail level. M.G.L.A. 64C § 13(d). We've interpreted this to mean a retailer is, in essence, acting as both wholesaler and retailer, and must apply both markups accordingly.
3. Chain Store "[...] shall mean any person or persons who own or maintain ten or more retail outlets in the commonwealth, having one hundred percent common ownership or any vending machine operator who operates vending machines in twenty-five or more locations." ALM GL ch. 64C, § 13(c).
4. A retailer's basic cost is calculated using the invoice or the replacement cost of the cigarettes to the retailer. M.G.L.A. 64C § 13(a). In practical terms, this is the minimum price the products can be purchased from the wholesaler ("minimum wholesale price" or "MWP").
5. A trade discount must be non-discriminatory, deducted from the invoice cost of cigarettes, and listed on the invoice as a trade discount in order to qualify as a trade discount under the law. 2002 Mass. Tax LEXIS 86. Trade discounts may not include rebates or any other discounts offered after the original invoice, such as the discounts offered under buy-down or master-type promotional programs. 2002 Mass. Tax LEXIS 86. Trade discounts do not include customary discounts for cash payments. M.G.L.A. 64C § 13(a, c).
6. Per Mass. Ann. Laws ch. 64C, § 13(d), the presumed cost to the retailer is 25% of the basic cost of cigarettes, while 830 Mass. Code Regs. 64C.14.1(2) lists the presumed costs at 12.4%. The discrepancy in markup is due to a regulation that has not been updated to reflect the correct, statutory presumptive markup, per a telephone conversation with the Cigarette Tax Unit of the Department of Revenue of Massachusetts.
7. Cartage is only to be included in the cost of doing business if it is paid for or performed by the wholesaler. M.G.L.A. 64C § 13(c).