

# tobacconomics

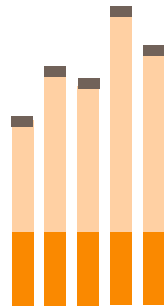
Economic Research Informing Tobacco Control Policy

## 50-State Law Approaches to Reducing Cigarette Tax Avoidance and Taxing OTP's, 2005-2014

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**UIC** INSTITUTE FOR HEALTH  
UNIVERSITY OF ILLINOIS  
AT CHICAGO RESEARCH AND POLICY



# OTP Taxation Results

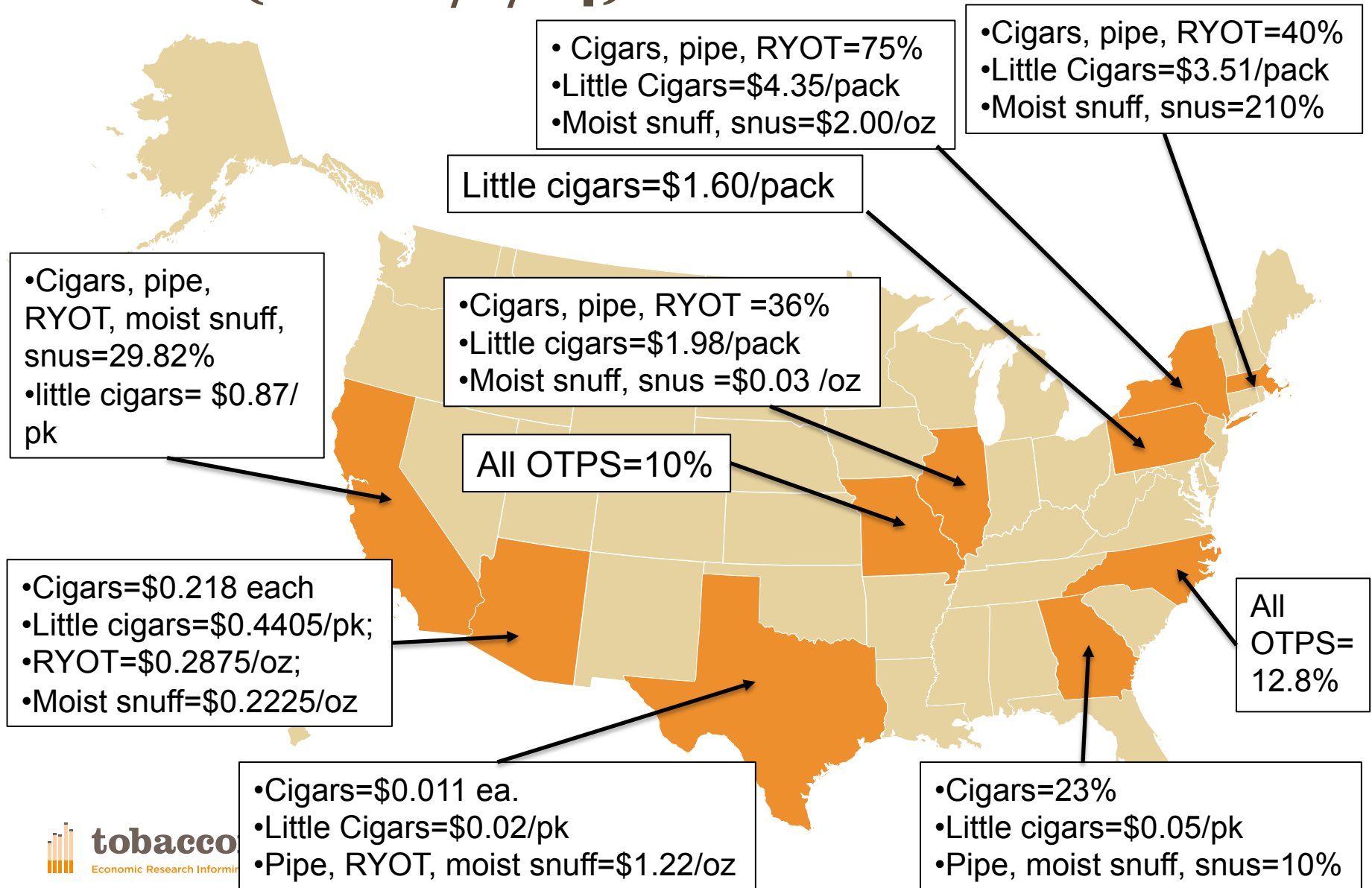
# Changes over time: “Tobacco Products” (NY)

- **2005**—“Tobacco products.” **Any cigar or roll** for smoking, other than a cigarette, **made in whole or in part of tobacco**, and any tobacco other than cigarettes, **intended for consumption by smoking, chewing, or as snuff.** (NY CLS Tax 470(2))
  - All OTPs taxed at rate of 37% wholesale sales price (471-b)
- **2014**—“Tobacco products.” Any cigar, including a little cigar, or tobacco, other than cigarettes, intended for consumption by smoking, chewing, or as snuff.
  - Tax Rate: 75% wholesale sales price (471-b)
  - 2-a. “**Roll-your-own tobacco**.” Any tobacco product that, because of its appearance, type, packaging or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes.
    - Tax Rate: 75% wholesale sales price (471-b)
  - 2-b. “**Little cigar**.” Any roll for smoking made wholly or in part of tobacco if such product is wrapped in any substance containing tobacco, other than natural leaf tobacco wrapper, and weighing not more than four pounds per thousand or with a cellulose acetate or other integrated filter. (NY CLS Tax 470(2, 2-a, 2-b))
    - Tax Rate: \$4.350 = same as cigarettes (471-b)
  - Snuff Tax Rate: \$2.00/oz (471-b)

# Changes over time: “Tobacco Products” (MN)

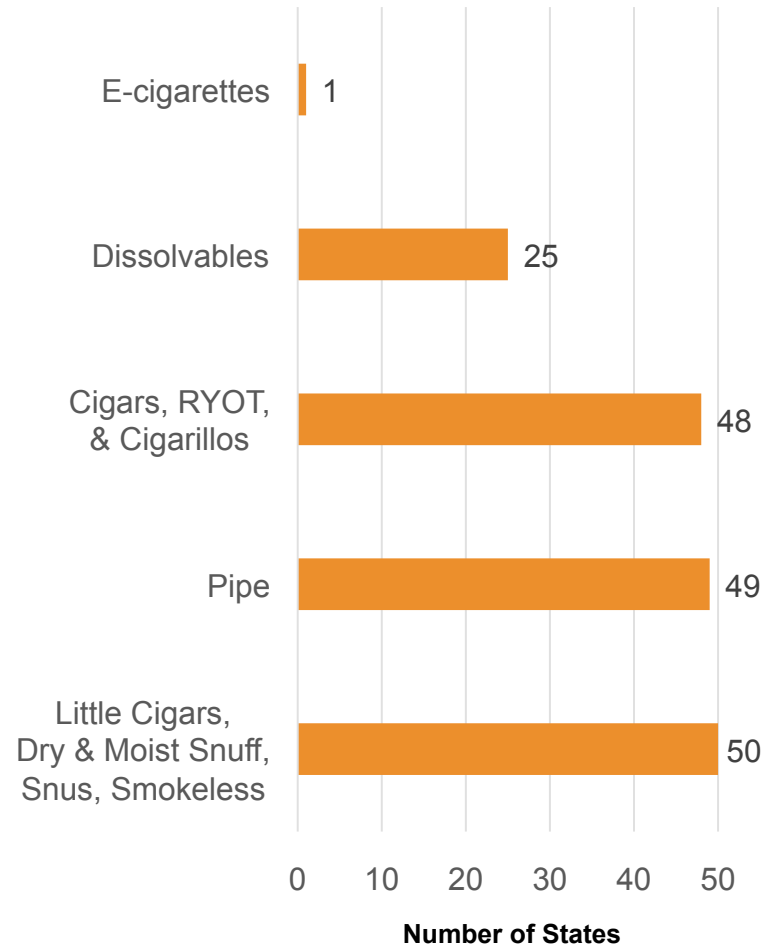
- **2005** “Tobacco products” means cigars; little cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise, or both for chewing and smoking; but does not include cigarettes as defined in this section. (297F.01(19))
  - All OTPs taxed at rate of 35% of wholesale sales price (297F.05)
- **2014** “Tobacco products” means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section....(297F.01(19))
  - All OTPs (except premium cigars) taxed at rate of 95% of wholesale sales price (297F.05)

# Varying OTP tax rates *within* selected states (as of 1/1/14)

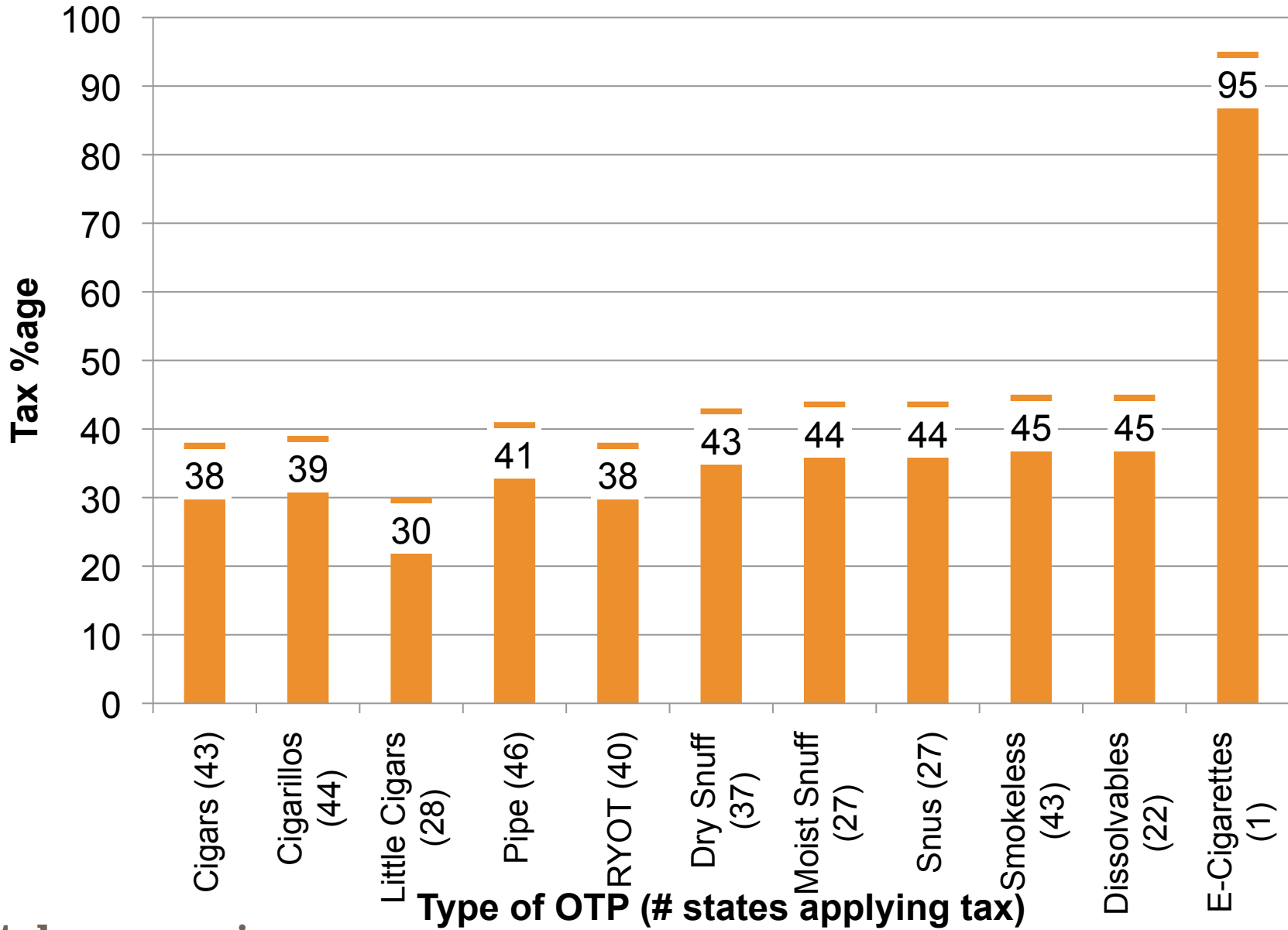


# Definitions and # of States Taxing OTPs (1/1/2014)

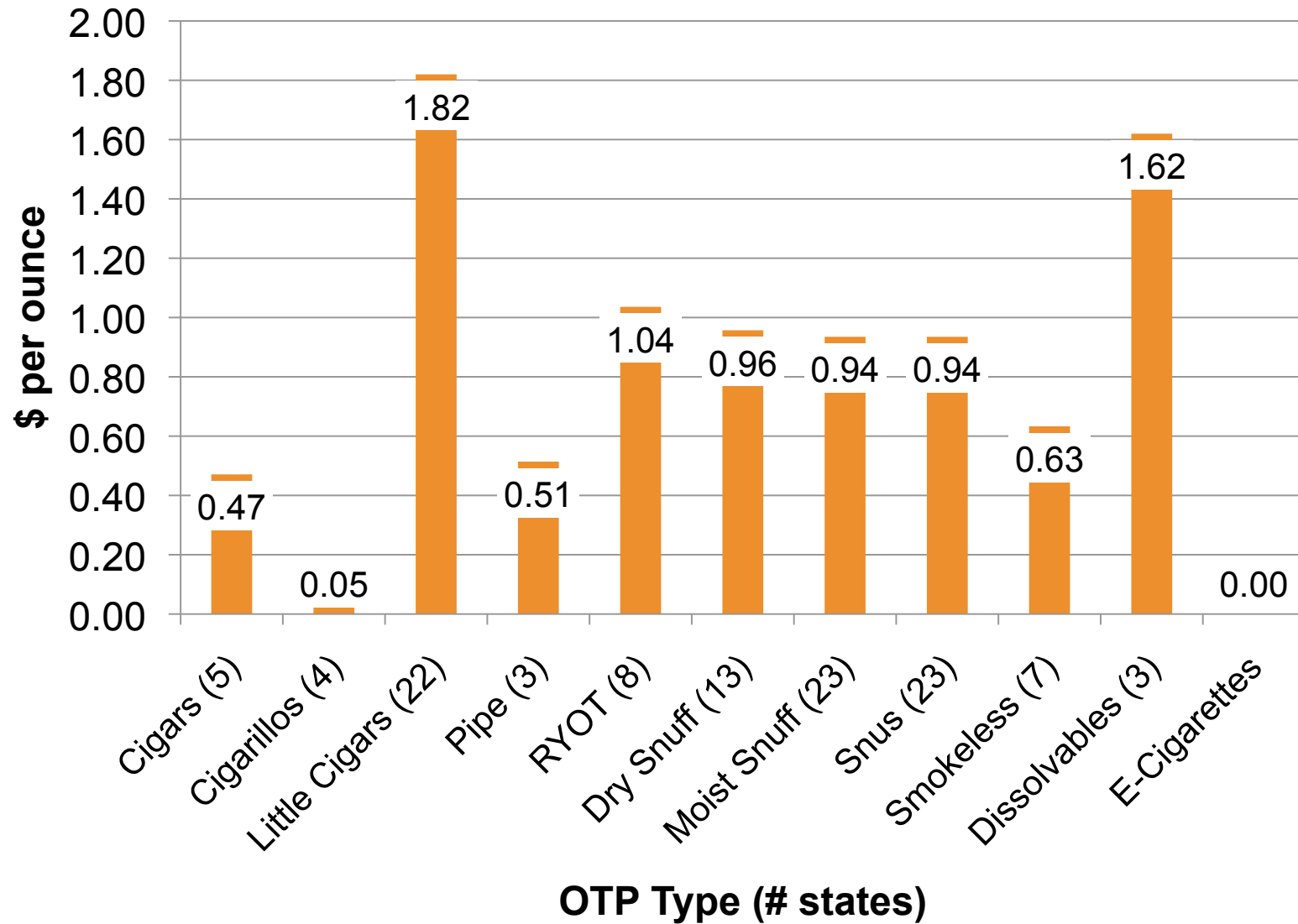
<u>Smoking Tobacco</u>	<u>Smokeless Tobacco</u>
<u>Cigars</u> : any/all cigars, >3lbs/1000	<u>Moist snuff</u> : “snuff,” tobacco placed in oral cavity
<u>Little Cigars</u> : any/all cigars, “little/small cigar,” or <3lbs/1000	<u>Dry Snuff</u> : “snuff,” tobacco placed in <i>nasal</i> cavity
<u>Cigarillo</u> : any/all cigars, “large cigar,” cigars >3lbs/1000	<u>Snus</u> : “snuff,” ingested in oral cavity
<u>Pipe</u> : loose tobacco to be smoked, “manufactured tobacco	<u>Smokeless</u> : “chewing,” loose tobacco not meant for smoking
<u>Roll-Your-Own</u> : “smoking tobacco,” loose tobacco to be smoked	<u>Dissolvables</u> : lozenge, strip, stick
	* <u>E-cigarettes</u> : <i>must explicitly state</i> “e-cigarette,” “electronic cigarette,” “Alternative nicotine delivery device,” “vapor product”



# Ad Valorem Tax Means (as of 1/1/2014)



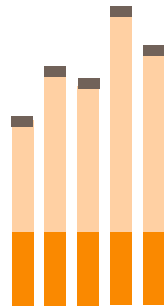
# Specific Tax Rates (2014 Means)





# Implications of E-cig Taxation

- MINNESOTA's APPROACH—  
tax e-cigs at same rate as all  
other OTPs (currently 95%)
  - NC tax taking effect summer  
2015 (105-113.35)
  - 2015 E-cig Tax bills in many  
states (HI, IN, IA, KY, ME,  
NV, NY, VA, etc)
- VS. NEARLY ALL OTHER  
STATES—no e-cig tax at all



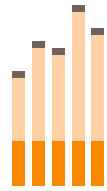
# IMPLICATIONS and ACKNOWLEDGMENTS

# Implications

- States can help minimize cig tax avoidance through encrypted stamps, distinct tribal stamps, or specific border tax rates
  - Further study needed to determine effect of such methods
- The many OTP rate changes between 2005 and 2014 have closed or widened tax rate discrepancies between cigs and OTPS, or between OTPS

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