



Total Cigarette Markup Across Standard Distribution Chain in Pricing States, 2015

Introduction

Minimum pricing policy (“MPP”) states set minimum sales prices for cigarettes in two main ways. While minimum pricing laws set a pricing floor by looking to the actual purchase price or “cost” of the product, minimum markup laws require some or all distributing parties to apply a markup percentage (meant to represent a presumed cost of doing business) to the base cost of the product. Markup laws often apply to more than one level of the distribution chain, and the ultimate consumer price may represent several percentage point increases across a standard distribution chain (stamping agent, wholesaler/distributor, and retailer/dealer).

This fact sheet documents the markup rates for cigarettes across all distributing parties in MPP states as of January 1, 2015. Data on minimum pricing or markup rates for 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 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 price of cigarettes, 27 of which utilized a defined markup percentage to establish minimum cost.

The **average total markup** for all markup states across a standard distribution chain was 10.79%.

- **Highest:** Fifteen states fall above average, and most fall into a relatively tight distribution of 11-14%. Massachusetts had the highest total rate of 27%.
- **Lowest:** Twelve states fall below average, with ten states at or below 8%. Delaware has the lowest total markup rate of 5%.

Markup rates were analyzed at three key points along a standard distribution chain:

- **Stamping Agent**
Three states apply markups at this level, ranging from 0.875%-1.7% (1.15% average).
- **Wholesaler/Distributor**
Twenty-six states apply markups at this level, ranging from 2%-6% (3.67% average).
- **Retailer/Dealer**
Twenty-four states apply markups at this level, ranging from 4%-25% (8.02% average).

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Blank None -- Not Applicable/Addressed

Note: Table shows the total markup for a pack of cigarettes moving through a standard distribution chain. For purposes of this table, wholesaler and distributor have been collapsed, as have retailer and dealer, as these parties generally function in the same distribution capacity. While the “total markup” does not reflect how the mark-ups work together, or show against which specific base cost they are applied, it provides a general sense as to the ultimate markup consumers should see in each state. Table only includes states that regulate minimum pricing.

	Stamping Agent	Wholesaler/ Distributor	Retailer/ Dealer	TOTAL MARKUP
Nat'l Average Markup of States Where Distribution Level Regulated	1.15% (N=3)	3.67% (N=26)	8.02% (N=24)	12.84%
Nat'l Average Markup of All Markup States (N=27)	0.13%	3.53%	7.13%	10.79%
AK		2%	4%	6%
AR		4%	7.50%	11.5%
CA		6%		6%
CO	<i>Minimum Pricing state with no markup</i>			--
CT	0.875%	4.875%	8%	13.75%
DE		5%		5%
DC		2%	8%	10%
HI		6%		6%
ID	<i>Minimum Pricing state with no markup</i>			--
IN		4%	10%	14%
IA		4%	8%	12%
LA		2%	6%	8%
ME		2%	6%	8%
MD		5%	8%	13 %
MA		2%	25%	27%
MN		4%	8%	12%
MS		2%	6%	8%
MT		5%	10%	15%
NE		4.75%	8%	12.75%
NJ		5.25%	8%	13.25%
NV	<i>Minimum Pricing state with no markup</i>			--
NY	0.875%	3%	7%	10.875%
OH		3.50%	8%	11.5%
OK		2%	6%	8%
PA	1.70%	4%	6%	11.7%
RI		2%	6%	8%
SD		4%	8%	12%
TN			8%	8%
WA	<i>Minimum Pricing state with no markup</i>			--
WI		3%	6%	9%
WV		4%	7%	11%