



## STATE CIGARETTE PRICES, TAXES, AND COSTS PER PACK

The starting price of a pack of cigarettes is the price charged by the cigarette manufacturers (e.g., Philip Morris, R.J. Reynolds, Brown & Williamson) at the factory when they sell the cigarettes to distributors and wholesalers. While the factory price for a pack of cigarettes varies by manufacturer, type of cigarette (e.g., premium, discount, deep discount) and brand – and may even vary depending on the purchasing distributor – the price levels for different types of cigarettes charged for by the major companies that control more than 90 percent of the U.S. market are usually very similar. According to the most recent data available from the Economic Research Service of the U.S. Department of Agriculture, the starting cigarette company factory price averages \$2.47 per pack. But that average price that does not reflect the “temporary” price cuts of 65 to 70 cents per pack, and subsequent 10 cents per pack increase, by Philip Morris to four of its brands, which account for approximately 40 percent of the U.S. market. Taking that into account reduces the average manufacturer’s price to roughly \$2.28 per pack.

Added to this factory price is the federal cigarette tax (collected at the factory by the manufacturers), the distributors mark-up to cover their costs and profit when they sell to retailers, and the retailers mark up to cover their costs and profit. Subtracted from this base price are the retail-level rebates, coupons, buy downs, and other promotions (e.g., buy two packs get one free) paid for by the cigarette companies. Unfortunately, there is no good state-by-state data on distributor and retailer mark-up amounts or on the price reductions from the manufacturers’ discounts and promotions at the retail level. But a rough aggregate amount that partially reflects the sum of these elements can be calculated by subtracting the cigarette company price and applicable taxes from the average retail price of a pack of cigarettes in each state, as reported by the annual *Tax Burden on Tobacco* report.

State cigarette taxes are added in at the distributor level (typically by the distributor buying state tax stamps and affixing them to the packs prior to selling them to retailers in the various states). State sales tax is applied to the pack price at the time of retail sale to the final customer (typically equaling a percentage of the pre-sales-tax total price of a pack, including all cigarette taxes).<sup>1</sup> Some city, town, and county governments also apply cigarette taxes and/or sales taxes to the price of a pack of cigarettes; but those are not reflected in the following table (other than the \$1.50 per pack city cigarette tax in New York City, which contains roughly half of New York state’s population).

States	Cigarette Company Factory Price <sup>2</sup>	Federal Cig. Tax	Distributor & Retailer Mark Ups <sup>3</sup>	State Cig. Tax <sup>4</sup>	State Sales Tax <sup>5</sup>	Final Retail Price <sup>6</sup>	Total Fed/State Taxes	Smoking Caused Per-Pack Costs <sup>7</sup>
<b>States’ Average</b>	<b>\$2.28</b>	<b>\$0.39</b>	<b>\$0.65</b>	<b>\$1.112</b>	<b>\$0.21</b>	<b>\$4.63</b>	<b>\$1.71</b>	<b>\$10.28</b>
Alabama	\$2.28	\$0.39	\$0.59	\$0.425	\$0.13	\$3.82	\$0.95	\$8.97
Alaska	\$2.28	\$0.39	\$1.50	\$2.00	\$0.00	\$6.17	\$2.39	\$7.89
Arizona	\$2.28	\$0.39	\$0.65	\$2.00	\$0.30	\$5.62	\$2.69	\$11.71
Arkansas	\$2.28	\$0.39	\$0.60	\$0.59	\$0.23	\$4.10	\$1.21	\$9.64
<b>California</b>	\$2.28	\$0.39	\$0.56	<b>\$0.87</b>	\$0.30	\$4.40	\$1.56	\$15.10
Colorado	\$2.28	\$0.39	\$0.67	\$0.84	\$0.00	\$4.18	\$1.23	\$8.35
Connecticut	\$2.28	\$0.39	\$0.64	\$2.00	\$0.32	\$5.63	\$2.71	\$14.31
Delaware	\$2.28	\$0.39	\$1.04	\$1.15	\$0.00	\$4.86	\$1.54	\$4.09
Washington, DC	\$2.28	\$0.39	\$0.72	\$1.00	\$0.25	\$4.64	\$1.64	\$22.04
<b>Florida</b>	\$2.28	\$0.39	\$0.58	<b>\$0.339</b>	\$0.22	\$3.80	\$0.94	\$10.14
Georgia	\$2.28	\$0.39	\$0.61	\$0.37	\$0.16	\$3.81	\$0.92	\$9.02
Hawaii	\$2.28	\$0.39	\$1.15	\$1.80	\$0.22	\$5.84	\$2.41	\$10.81
Idaho	\$2.28	\$0.39	\$0.56	\$0.57	\$0.19	\$3.99	\$1.15	\$7.84
Illinois	\$2.28	\$0.39	\$1.32	\$0.98	\$0.31	\$5.28	\$1.68	\$11.06

<sup>1</sup> The *Tax Burden* publication’s retail price averages do not include all cigarette company distributor and retail-based discounts, buy downs, coupons, and promotions that reduce costs and increase profits for distributors and retailers (which is not reflected in the distributor and retailer mark-ups data here) and/or reduce the actual prices paid by consumers (which is not reflected in the final retail price data here).

States	Cigarette Company Factory Price <sup>2</sup>	Federal Cig. Tax	Distributor & Retailer Mark Ups <sup>3</sup>	State Cig. Tax <sup>4</sup>	State Sales Tax <sup>5</sup>	Final Retail Price <sup>6</sup>	Total Fed/State Taxes	Smoking Caused Per-Pack Costs <sup>7</sup>
Indiana	\$2.28	\$0.39	\$0.42	\$0.995	\$0.24	\$4.32	\$1.63	\$7.57
Iowa	\$2.28	\$0.39	\$0.48	\$1.36	\$0.23	\$4.74	\$1.98	\$8.04
Kansas	\$2.28	\$0.39	\$0.68	\$0.79	\$0.22	\$4.36	\$1.40	\$11.66
Kentucky	\$2.28	\$0.39	\$0.50	\$0.30	\$0.21	\$3.68	\$0.90	\$5.07
Louisiana	\$2.28	\$0.39	\$0.62	\$0.36	\$0.15	\$3.79	\$0.90	\$8.82
Maine	\$2.28	\$0.39	\$0.76	\$2.00	\$0.27	\$5.70	\$2.66	\$11.61
Maryland	\$2.28	\$0.39	\$0.59	\$2.00	\$0.32	\$5.58	\$2.71	\$13.92
Massachusetts	\$2.28	\$0.39	\$0.97	\$1.51	\$0.26	\$5.41	\$2.16	\$19.49
Michigan	\$2.28	\$0.39	\$0.77	\$2.00	\$0.33	\$5.77	\$2.72	\$10.44
Minnesota	\$2.28	\$0.39	\$0.58	\$1.493	\$0.00	\$4.74	\$1.88	\$8.85
<b>Mississippi</b>	\$2.28	\$0.39	\$0.52	<b>\$0.18</b>	\$0.24	\$3.60	\$0.81	\$8.37
<b>Missouri</b>	\$2.28	\$0.39	\$0.56	<b>\$0.17</b>	\$0.15	\$3.55	\$0.71	\$7.61
Montana	\$2.28	\$0.39	\$0.69	\$1.70	\$0.00	\$5.06	\$2.09	\$9.15
Nebraska	\$2.28	\$0.39	\$0.56	\$0.64	\$0.21	\$4.08	\$1.24	\$9.64
Nevada	\$2.28	\$0.39	\$0.46	\$0.80	\$0.26	\$4.19	\$1.45	\$8.92
New Hampshire	\$2.28	\$0.39	\$0.44	\$1.08	\$0.00	\$4.19	\$1.47	\$5.07
New Jersey	\$2.28	\$0.39	\$0.89	\$2.575	\$0.37	\$6.51	\$3.33	\$15.63
New Mexico	\$2.28	\$0.39	\$0.39	\$0.91	\$0.20	\$4.17	\$1.50	\$14.00
New York	\$2.28	\$0.39	\$1.42	\$1.50	\$0.22	\$5.82	\$2.11	\$21.91
North Carolina	\$2.28	\$0.39	\$0.42	\$0.35	\$0.24	\$3.68	\$0.98	\$7.18
<b>North Dakota</b>	\$2.28	\$0.39	\$0.41	<b>\$0.44</b>	\$0.18	\$3.69	\$1.01	\$10.48
Ohio	\$2.28	\$0.39	\$0.42	\$1.25	\$0.26	\$4.60	\$1.90	\$9.19
Oklahoma	\$2.28	\$0.39	\$0.49	\$1.03	\$0.00	\$4.19	\$1.42	\$7.62
Oregon	\$2.28	\$0.39	\$0.51	\$1.18	\$0.00	\$4.36	\$1.57	\$11.16
Pennsylvania	\$2.28	\$0.39	\$0.43	\$1.35	\$0.27	\$4.72	\$2.01	\$11.53
Rhode Island	\$2.28	\$0.39	\$0.73	\$2.46	\$0.41	\$6.27	\$3.26	\$13.24
<b>South Carolina</b>	\$2.28	\$0.39	\$0.50	<b>\$0.07</b>	\$0.16	\$3.41	\$0.62	\$7.66
South Dakota	\$2.28	\$0.39	\$0.45	\$1.53	\$0.19	\$4.83	\$2.11	\$9.47
Tennessee	\$2.28	\$0.39	\$0.52	\$0.62	\$0.32	\$4.13	\$1.33	\$8.70
Texas	\$2.28	\$0.39	\$0.40	\$1.41	\$0.28	\$4.76	\$2.08	\$9.94
Utah	\$2.28	\$0.39	\$0.51	\$0.695	\$0.22	\$4.09	\$1.31	\$7.71
Vermont	\$2.28	\$0.39	\$0.54	\$1.79	\$0.30	\$5.30	\$2.48	\$10.05
Virginia	\$2.28	\$0.39	\$0.68	\$0.30	\$0.18	\$3.84	\$0.87	\$6.27
Washington	\$2.28	\$0.39	\$0.86	\$2.025	\$0.36	\$5.92	\$2.78	\$16.01
West Virginia	\$2.28	\$0.39	\$0.41	\$0.55	\$0.22	\$3.85	\$1.16	\$8.94
Wisconsin	\$2.28	\$0.39	\$0.58	\$1.77	\$0.25	\$5.27	\$2.41	\$9.53
Wyoming	\$2.28	\$0.39	\$0.60	\$0.60	\$0.15	\$4.03	\$1.14	\$12.23

**Campaign for Tobacco-Free Kids, November 27, 2007 / Ann Boonn**

For additional information on state cigarette taxes and the many benefits from increasing them, visit the Campaign's website at <http://tobaccofreekids.org/reports/prices>.

<sup>1</sup> AK, DE, MT, NH & OR have no state sales tax; CO has a sales tax but it does not apply to cigarettes; AL, GA & MO do not apply their sales tax to that portion of retail cigarette prices that represents the state's cigarette excise tax.

<sup>2</sup> Economic Research Service, U.S. Department of Agriculture, *Tobacco Briefing Room*, "Most Frequently Used Tables," Number 9, <http://www.ers.usda.gov/Briefing/tobacco>, downloaded January 23, 2007 [adjusted to reflect Philip Morris price cuts to four of its major brands].

<sup>3</sup> Also includes any state-to-state variance in starting average factory price. Average retail price data from Orzechowski & Walker, *Tax Burden on Tobacco 2006*, adjusted to reflect subsequent increases to manufacturer prices and government cigarette tax rates. For more on where each dollar spent on cigarettes goes, see <http://www.ers.usda.gov/publications/tbs/OCT04/tbs25701/tbs25701.pdf>.

<sup>4</sup> State tax rates include all increases through January 1, 2008. Cigarette tax increases in MD and WI will go into effect 1/1/2008. States that have not raised their cigarette tax rates since 2001 or much earlier are in bold.

<sup>5</sup> Calculated by applying state sales tax rate (including local sales tax rates when uniform across state) to estimated average retail price, not including sales tax, of a pack of cigarettes in each state. CO, MN, & OK has a sales tax but it does not apply to cigarettes; and AL, GA, & MO do not apply their sales tax to the portion of retail cigarette prices that is the state's cigarette excise tax.

<sup>6</sup> Retail price includes all federal and state cigarette and sales taxes (including any local taxes applied uniformly across a state). New York State's average retail price also reflects New York City's \$1.50 cigarette tax, which applies to roughly half of all cigarettes sold in the state.

<sup>7</sup> From U.S. Centers for Disease Control & Prevention (CDC), "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs – United States 1995-1999," *Morbidity and Mortality Weekly Report (MMWR)*, April 11, 2002, [www.cdc.gov/mmwr/preview/mmwrhtml/mm5114a2.htm](http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5114a2.htm). CDC, *State Highlights 2006*. See also, U.S. General Accounting Office (GAO), "CDC's April 2002 Report on Smoking: Estimates of Selected Health Consequences of Cigarette Smoking Were Reasonable," letter to U.S. Rep. Richard Burr, July 16, 2003, <http://www.gao.gov/new.items/d03942r.pdf>.