



Minimum Pricing or Markup Rates for Cigarettes Across All Possible Parties in Pricing States, 2015

Introduction

Minimum pricing policy (“MPP”) states set minimum sales prices for cigarettes in two main ways: minimum markups and minimum pricing. Minimum markup states 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. Minimum pricing states set a pricing floor by looking to the actual purchase price or “cost” of the product, without specifically defining what that includes. These policies often apply to more than one level of the distribution chain; in markup states, the markup percentage increases as the product moves through the distribution chain.

This fact sheet documents the markup rates (or minimum price laws) 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 rates for cigarettes from January 1, 2005 through January 1, 2015 across all possible parties is available through the [Tobacconomics](#) website.

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Key Findings

As of January 1, 2015, 31 states regulated the price of cigarettes in two main ways:

- **Minimum Markup:** 27 of the 31 states utilize a pre-determined markup to establish minimum price.
- **Minimum Pricing:** Four states (CO, ID, NV, and WA) establish a minimum price based on actual cost to the vendor.

The two most commonly regulated distribution levels are wholesalers and retailers.

- **Wholesalers (24 states)**
While two states use minimum pricing to regulate price at the wholesale level, 22 states use markups, which range from 2%-5.25%, and average 3.39%.
- **Retailers (25 states)**
Of the states that regulate pricing for retailers, two use minimum pricing. The remaining 23 states apply a markup at the retail level, ranging from 4%-25%, with an average of 8.02%.

The base to which the markups are applied is also important, as the larger the base, the higher the ultimate price. The majority of markup states (17) apply their markups to a defined “basic cost” (“BC”), which can include taxes, cartage or other fees.

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Blank (none) ; **MP** (minimum pricing state) ; * (markup applied only where ultimate distributing party acts as both wholesaler and retailer, and reflects a combined rate comprised of standard markups for those respective parties); **BC** (Basic Cost); **IRC** (Invoice or Replacement Cost); **GIC** (Gross Invoice Cost); **WMP** (Wholesale Minimum Price); **MLP** (Manufacturer's List Price); **SP** (Selling Price to other Retailers); **OTH** (Other); **COST** (Cost or Cost of the Product); **AP** (Actual Price Paid); **Int. Manuf.** (Integrated Manufacturers are manufacturers who sell directly to consumers, acting as manufacturer, distributor, and retailer)

	Stamping Agent	Wholesaler	Wholesaler – Cash & Carry	Distributor	Retailer	Dealer	Int. Manuf.	Any Person	Other
AK		2% MLP			4% MLP				
AR		4% BC			7.5% BC				
CA				6% IRC					
CO				MP		MP		MP	
CT	0.875% BC			4.875% BC		8% BC			
DE		5% BC	5% BC less \$0.02/carton						
DC		2% IRC	1.9% IRC		8% IRC				
HI				6% IRC					
ID					MP				
IN				4% BC	10% BC				
IA		4% BC			8% OTH				
LA		2% IRC			6% IRC				
ME		2% IRC			6% IRC		8% IRC*		
MD		5% BC	5% BC less \$0.02/carton		8% BC				
MA		2% BC			25% IRC				
MN		4% BC			8% BC				
MS		2% BC			6% BC				
MT		5% BC			10% WMP				
NE		4.75% BC			8% BC				
NJ		5.25% BC			8% BC				
NV		MP							
NY	0.875% or 1.50 % BC	3% BC			7% BC				
OH		3.5% IRC	3.5% IRC		8% IRC				
OK		2% BC			6% BC				
PA	1.70% BC	4% BC			6% BC				
RI		2% BC			6% BC				
SD		4% BC			8% BC				
TN					8% BC				
WA		MP			MP				
WI		3% IRC		3% MLP	6% IRC		9% SP*		9% MLP*
WV		4% IRC			7% IRC				

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