

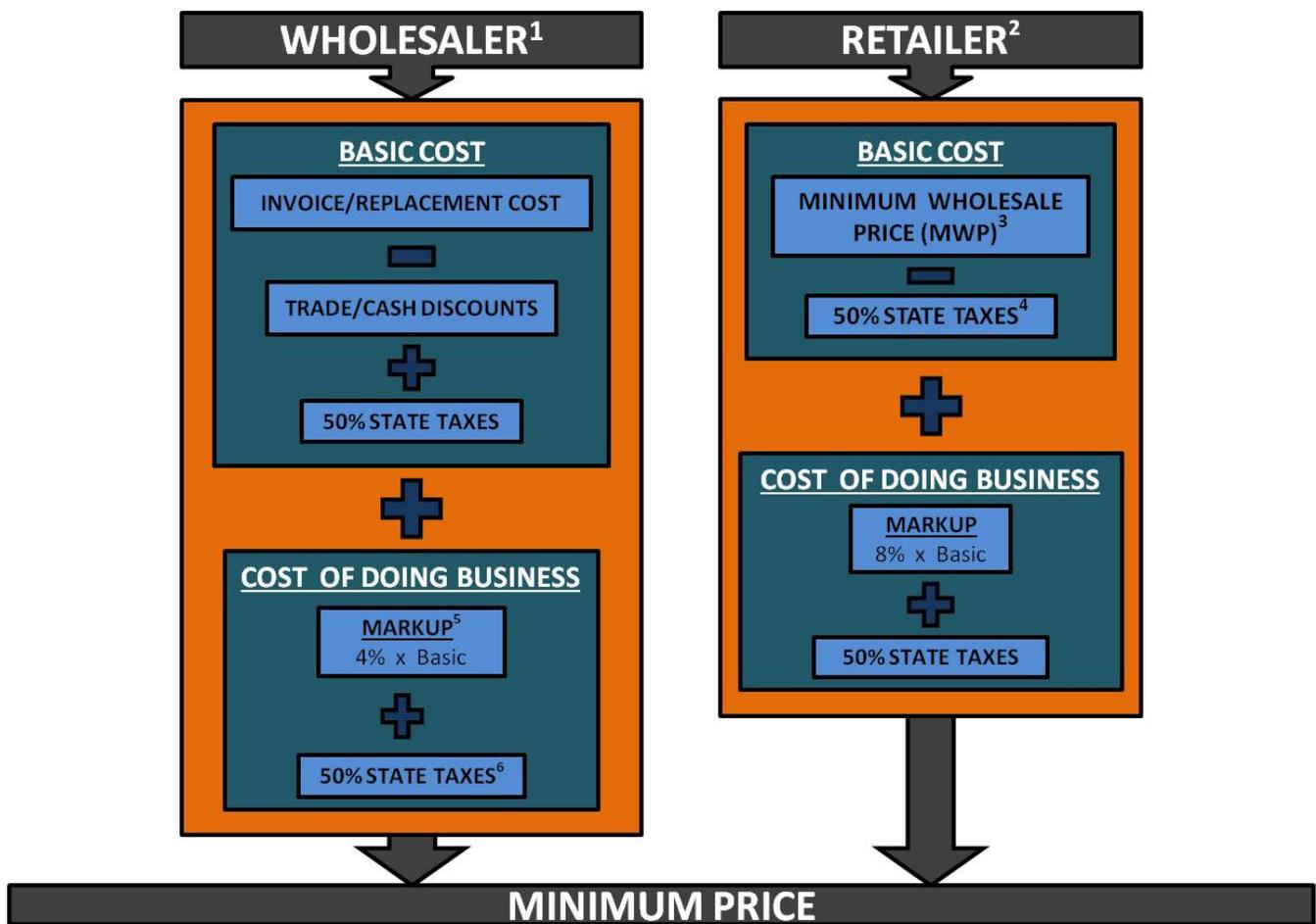
Iowa



Minimum Markup Minimum Pricing

✓ Yes Blank No -- Not Applicable/Addressed

Cigarette Pricing – 2015



Note: This state does not set a minimum price for OTP.

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: **Below Average**

Total Decrease Factors (State):	5
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):	3
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
Iowa		4%	8%	12%	--
Nat'l Average Markup of States Where Distribution Level Regulated	1.15% (N=3)	3.668% (N=26)	8.021% (N=24)	12.839%	↓ <i>Below Average</i>
Nat'l Average Markup of All Markup States (N=27)	0.128%	3.532%	7.13%	10.79%	↑ <i>Above Average</i>

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	✓	Retailer/Dealer	
Wholesaler/Distributor		Distributing Party Not Addressed	

Footnotes

Iowa- Cigarette

1. Where one wholesaler sells to another wholesaler, the seller is not required to apply the markup. However, any subsequent sale to retailer must abide by the state's minimum pricing laws. ICA § 421B.5.
2. Where retailers receive discounts normally afforded only to wholesalers, the minimum retailer price includes the cost to the wholesaler, in addition to its own retailer markups. ICA § 421B.2(3)(c).
3. The basic cost to the retailer includes the invoice cost from the wholesaler. In practical terms, this is the minimum price the products can be purchased from the wholesaler ("minimum wholesale price" or "MWP"). ICA § 421B.2.
4. In determining the retailer's basic cost, the invoice or replacement cost of cigarettes (or MWP, as established in Footnote #3) is "exclusive of state cigarette tax." Therefore, one half of the state taxes are removed from the MWP when determining the retailer's basic cost. Iowa Admin. Code 701-84.2(421B).
5. Iowa's statutes state that the presumptive costs of doing business for wholesalers and retailers are 4% and 8%, respectively. The corresponding regulations state these costs to be 3% and 6%. Current minimum price lists for products on the Iowa Department of Revenue website utilize the higher presumptive costs found in the statute. Thus, we have included markups of four and eight percent, respectively. Iowa Dept. of Revenue, "Retailer's Cigarette/Tobacco Permit - Commonly Asked Questions," <http://www.iowa.gov/tax/forms/retailfaq.pdf>, Dec. 2010.
6. Half of the state taxes are included when calculating the party's "basic cost of cigarettes," ICA § 421B.2 (1), while the remaining half of the state taxes are added after the markup has been calculated. ICA § 421B.2 (3)(b), (4)(b).