

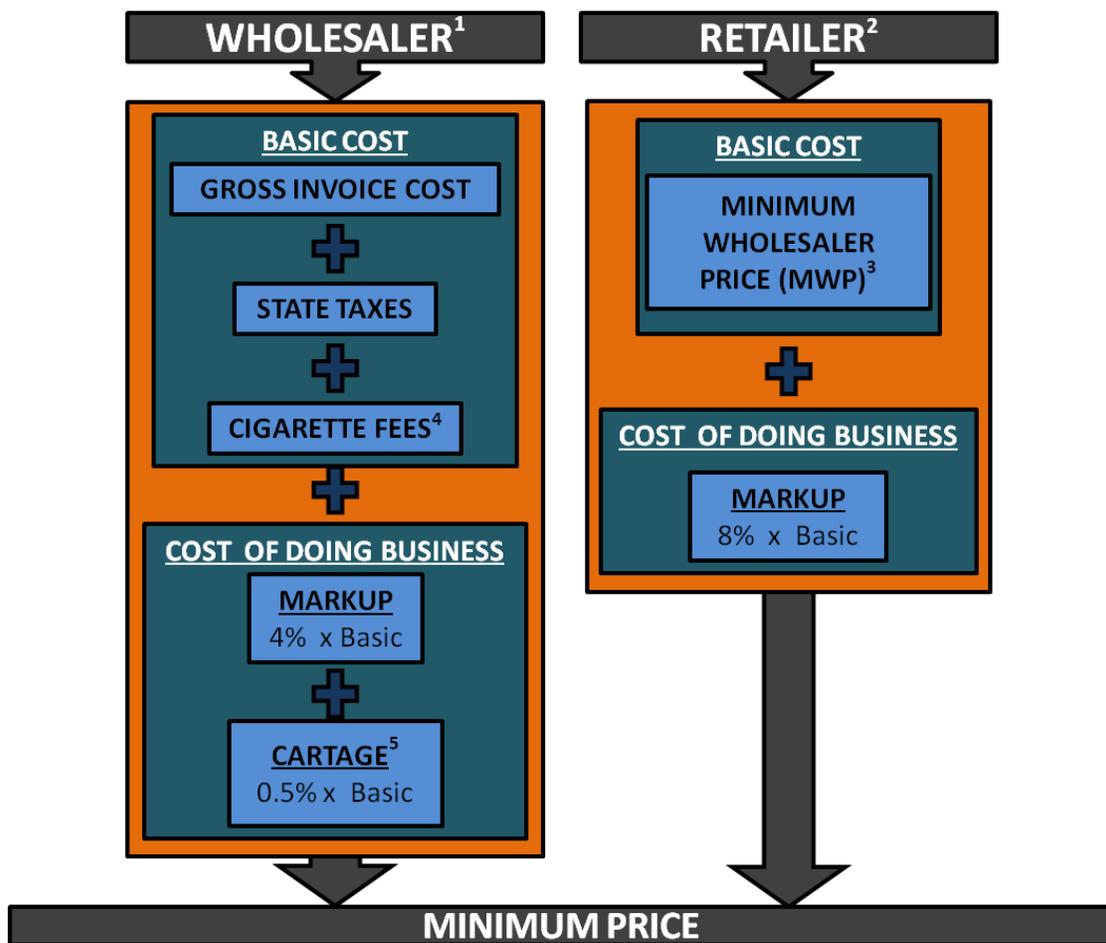
Minnesota



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: **Below Average**

Pricing Formula Elements That **INCREASE PRICE**  Number of factors increasing price: **Above Average**

Total Decrease Factors (State):	1
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):	5
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
Minnesota		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

Minnesota- Cigarette

1. When wholesaler sells cigarettes to any other wholesaler, the former shall not be required to include in the selling price to the latter the wholesaler's "cost of doing business." Minn. Stat. Ann. § 325D.35.
2. Any retailer who receives discounts typically only given to wholesalers must include the wholesaler's "cost of doing business" in its computation of minimum price at the retail level. Minn. Stat. Ann. § 325D.32.Subd. 11.(c). We've interpreted this to mean a retailer is, in essence, acting as both wholesaler and retailer, and must apply both markups accordingly.
3. The basic cost to the retailer includes the gross 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"). Minn. Stat. Ann. § 325D.32.Subd. 9. While the taxes will likely have been paid at the wholesale level, any taxes not paid at the wholesale level must be applied here.
4. The statutory definition of "basic cost" includes the "full face value of any ...fee act of this state, unless included by the manufacturer in the list price." While there is no further clarification within the statute of applicable fees, a Minnesota Dept. of Commerce public memo notes the application of a "non-settlement fee," which is a fee applied to the cigarettes of manufacturers not participating in the settlement agreement established in *State v. Philip Morris Inc.*, No. C1-94-8565 (Minnesota District Court, Second Judicial District). MN Dept of Commerce, "Minnesota Minimum Legal Cigarette Prices as of August, 2011," July, 28, 2011; M.S.A. § 297F.24. Additional fees include a Health Impact Fee. M.S.A. § 256.9658
5. The cost of cartage is only applied where the wholesaler pays for or performs cartage to the retailer. Minn. Stat. Ann. § 325D.32.Subd. 10.(b).