

80<sup>th</sup> Annual  
FTA Tobacco Tax Section  
Conference 2006

Joint Manufacturers /  
Distributors Industry Forum

# Industry Topics

- Effect of Tax Increases from 2005 to Present
- Tax Increases Enacted in 2006 for the Future
- Cigarette Tax Initiatives on November 2006 Ballots

# Industry Topics

(continued)

- Other Tobacco Products Taxed as Weight Based
- Fire Safe Cigarettes

# Cigarette Tax Increases During 2005

## (1<sup>st</sup> & 2<sup>nd</sup> Quarters)

<u>State</u>	<u>Date</u>	<u>Rate</u>	<u>% of Increase</u>
• AK	01-01-05	\$16.00	60.0 %
• CO	01-01-05	\$8.40	320.0 %
• MT	01-01-05	\$17.00	142.9 %
• OK	01-01-05	\$10.30	347.8 %
• KY	06-01-05	\$3.00	900.0%

# Cigarette Tax Increases During 2005 (3<sup>rd</sup> & 4<sup>th</sup> Quarters)

<u>State</u>	<u>Date</u>	<u>Rate</u>	<u>% of Increase</u>
• NH	07-01-05	\$8.00	53.8 %
• OH	07-01-05	\$12.50	127.3 %
• VA	07-01-05	\$3.00	1100.0 %
• WA	07-01-05	\$20.25	42.1 %
• MN	08-01-05	\$14.85	209.4% *
• NC	09-01-05	\$3.00	500.0%
• ME	09-19-05	\$20.00	100.0%

\* Includes Prepaid Sales Tax collected at the Wholesale Level.

# Cigarette Tax Increases During 2006

(1<sup>st</sup> & 2<sup>nd</sup> Quarters)

- **NONE**

# Cigarette Tax Increases During 2006

## (3<sup>rd</sup> & 4<sup>th</sup> Quarters)

<u>State</u>	<u>Date</u>	<u>Rate</u>	<u>% of Increase</u>
• AK	07-01-06	\$18.00	12.5 %
• NC	07-01-06	\$3.50	16.7 %
• VT	07-01-06	\$17.90	50.4 %
• NJ	07-15-06	\$25.75	7.3 %
• MN	08-01-06	\$14.93	0.5% *
• HI	10-01-06	\$16.00	14.3%

\* Includes Prepaid Sales Tax collected at the Wholesale Level.

# Tax Increases Enacted in 2006 for the Future

<u>State</u>	<u>Rate</u>	<u>Date</u>	<u>Comments</u>
•TX	\$14.10	01-01-07	
•AK	\$20.00	07-01-07	
•VT	\$19.90	07-01-08	
•HI	\$18.00	10-01-07	– \$2 Annual increase until 2011

# Cigarette Tax Increase Initiatives on Ballot for November 2006

<u>State</u>	<u>Proposed</u>	<u>% of US Pop</u>	<u>% of Smokers</u>
• AZ <sup>(1)</sup>	\$19.80	1.82%	18.6%
• AZ <sup>(2)</sup>	\$20.00		
• CA	\$34.70	12.04%	14.80%
• SD	\$15.30	0.27%	20.30%

(1) \$8.00 increase on Ballot

(2) Additional \$0.20 increase signatures being verified

# Cigarette Tax Initiatives That Failed to Make the November 2006 Ballot

<u>State</u>	<u>Proposed</u>	<u>% of US Pop</u>	<u>% of Smokers</u>
• MA	\$21.10	2.26%	18.50%
• MO	\$9.70	1.99%	24.10%*
• OR	\$17.80	1.22%	20.00%

\*8-18-06 Lawsuit filed to protest MO Secretary of State's denial of signatures

# Other Tobacco Products'

## Tax - Weight Basis

<b>Prior to 2006</b>		<b>Enacted in 2006</b>	
<b><u>State</u></b>	<b><u>% of US Pop</u></b>	<b><u>State</u></b>	<b><u>% of US Pop</u></b>
• <b>AZ</b>	<b>1.82%</b>	• <b>NJ</b>	<b>2.99%</b>
• <b>AL</b>	<b>1.58%</b>	• <b>RI</b>	<b>0.37%</b>
• <b>CT</b>	<b>1.21%</b>	• <b>VT</b>	<b>0.22%</b>
• <b>KY</b>	<b>1.44%</b>		
• <b>MT</b>	<b>0.32%</b>		
• <b>ND</b>	<b>0.23%</b>		

# Other Tobacco Products' Tax - Weight Basis

- Product Classifications
  - Moist
  - Smoking
  - Plug

# Other Tobacco Products' Tax - Weight Basis

- Tax Rates
  - Per Unit
  - Per Ounces
  - Band of Weight Ranges

# Other Tobacco Products' Tax - Weight Basis

- Programming
- Packaging

# Fire Safe Cigarettes

<u>State</u>	<u>Date Signed</u>	<u>Date Effective</u>	<u>% of US Pop</u>
• NY	12-31-03	06-28-04	6.74%
• CA	01-07-05	01-01-07	12.04%
• VT	07-17-05	05-01-06	0.22%
• IL	05-19-06	01-01-08	4.41%
• NH	05-31-06	10-01-07	0.44%
• MA	07-08-06	01-01-08	2.26%

# Fire Safe Cigarettes - Distributor's Concerns

- Uniformity of Fire Safe Criteria
- Multi-State Distributors – Multiple Unstamped Inventories
- Programming

# Fire Safe Cigarettes - Distributor's Concerns

- Little Cigars classified as Cigarettes
- Simultaneous Enactment with Possible Tax Increases

# Fire Safe Cigarettes Manufacturer's Concerns

# Questions?

- Juliett Gilliam, McLane Company, Inc.
  - 254 – 771 - 7594
- Catarina Wong, Core-Mark International, Inc.
  - 602 – 244 - 4631
- Louis Carbone, Nat Sherman
  - 201 – 735 -9008