

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date : May 5, 2010

From : David J. Gau, Deputy Director
Property and Special Taxes Department



Subject : **Fiscal Year 2010-11 Tobacco Products Tax Rate**

Revenue and Taxation Code section 30126 requires the Board's annual determination of the tobacco products tax rate pursuant to subdivision (b) of section 30123. The new rate is effective July 1, 2010, and will remain in effect for the 2010-11 fiscal year.

The 2010-11 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price as of March 1, 2010, as published by the Tobacco Merchants Association, and will be set at 33.02 % (percent). This rate is lower than the FY 2009-10 rate.

Staff's calculation of the FY 2010-11 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board-adopted Tobacco Products Tax Rates from fiscal years 1988-89 through 2009-10 are shown on Attachment 2.

Please place this item on the Board's May 26, 2010 Administrative Consent agenda.

DJG:tg
Attachments

cc: Ms. Diane Olson
Ms. Lynn Bartolo

Approved:



Ramon J. Hirsig, Executive Director

BOARD APPROVED
At the 5/26/2010 Board Meeting



Diane Olson, Chief
Board Proceedings Division

**STATE OF CALIFORNIA
TOBACCO PRODUCTS RATE CALCULATION
July 1, 2010 to June 30, 2011**

Manufacturer's List Cigarette Prices

Type:	Price*
Standard / Filter Tips	\$ 195.70
King Size / 100 mm	\$ 195.70

** Premium Branded Cigarette Wholesale Prices provided by Tobacco Merchants Association and listed in their Tobacco USA publication. Prices are per 1,000 cigarettes and include Federal Excise Tax.*

Wholesale Cost Per Cigarette

Computation:

1. Avg. Mfg. Price Per 1,000 Cigarettes	\$ 195.70
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	<u>\$ 11.74</u>
3. Avg. Wholesale Price (line 1 + line 2)	<u>\$ 207.44</u>
4. Avg. Wholesale Price (line 3 / 1,000)	<u><u>\$ 0.2074</u></u>

Rate Calculation

c = Tax rate per cigarette \$0.0685
(includes (i) the tax rate per cigarette of \$0.0435,
plus (ii) the Prop. 10 increase per cigarette of \$0.025 effective
7/1/99)

w = Weighted average wholesale cost of one cigarette \$0.2074

x = Tax rate on tobacco products

$$\frac{c}{w} = x \quad \text{or} \quad \$0.0685 / \$0.2074 = \mathbf{33.02\%}$$

STATE OF CALIFORNIA TOBACCO PRODUCTS RATE HISTORY		
FISCAL YEAR	TOBACCO PRODUCTS TYPE	RATE
09/10	All product types	41.11%
08/09	All product types	45.13%
07/08	All product types	45.13%
06/07	All product types	46.76%
05/06	All product types	46.76%
04/05	All product types	46.76%
03/04	All product types	46.76%
02/03	All product types	48.89%
9/10/01 to 6/30/02	All product types	52.65%
7/1/01 to 9/9/01	Moist Snuff <i>\$0 to \$1.69 per oz</i>	248.00%
	<i>\$1.70 and above per oz</i>	131.00%
	Dry Snuff	256.00%
	Chewing Tobacco	490.00%
	Other Tobacco Products	52.65%
00/01	All product types	54.89%
99/00	All product types	66.50%
1/99-6/99	All product types	61.53%
7/98-12/98	All product types	26.17%
97/98	All product types	29.37%
96/97	All product types	30.38%
95/96	All product types	31.20%
94/95	All product types	31.20%
93/94	All product types	23.03%
92/93	All product types	26.82%
91/92	All product types	29.35%
90/91	All product types	34.17%
89/90	All product types	37.47%
88/89	All product types	41.67%