State of California

Board of Equalization
Business Tax and Fee Department

Memorandum

To : Honorable Fiona Ma, CPA, Chairwoman
Honorable, Diane L. Harkey, Vice Chair
Honorable George Runner, First District
Honorable Jerome E. Horton, Third District
Honorable Betty T. Yee, State Controller

Date : April 7, 2016

From : Susanne Buehler, Deputy Director
Business Tax and Fee Department

Susanne Buehler

Subject: Fiscal Year 2016-17 Tobacco Products Tax Rate
April 26-28, 2016 Board Meeting
Item P3 – Business Tax and Fee Department Deputy Director's Report

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, 2016, and will remain in effect for the 2016-17 fiscal year.

The fiscal year 2016-17 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price as of March 1, 2016, as published by the Tobacco Merchants Association, and will be set at 27.30%. This rate is lower than the fiscal year 2015-16 rate of 28.13%.

Staff's calculation of the fiscal year 2016-17 Tobacco Products Tax Rate is detailed on Attachment 1. The historical Tobacco Products Tax Rates from fiscal years 1988-89 through 2015-16 are shown on Attachment 2.

This item will be placed on the Board's April 2016 Calendar under the Business Tax and Fee Department Deputy Director's Report for approval.

SB:cy
Attachments

cc: Ms. Genevieve Jopanda
Mr. Russell Lowery
Mr. Sean Wallentine
Ms. Kari Hammond
Ms. Shellie Hughes
Ms. Yvette Stowers
Ms. Joann Richmond
Mr. Richard Parrott

Approved: David J. Gau
David J. Gau, Executive Director

BOARD APPROVED
at the 4-26-16 Board Meeting

Joann Richmond
Joann Richmond, Chief
Board Proceedings Division

STATE OF CALIFORNIA
TOBACCO PRODUCTS RATE CALCULATION
July 1, 2016 to June 30, 2017

Manufacturer's List Cigarette Prices

Type:	Price*
Standard / Filter Tips	$ 236.70
King Size / 100 mm	$ 236.70

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

Wholesale Cost Per Cigarette Computation

1. Avg. Mfg. Price per 1,000 cigarettes	$ 236.70
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	$ 14.20
3. Avg. Wholesale Price per 1,000 cigs. (line 1 + line 2)	$ 250.90
4. Avg. Wholesale Price per cigarette (line 3 / 1,000)	$ 0.2509

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 $ 0.2509

x = Tax rate on tobacco products

$\frac{c}{w} = x$ or $0.0685 / $0.2509 = **27.30%**

STATE OF CALIFORNIA
TOBACCO PRODUCTS RATE HISTORY

FISCAL YEAR	TOBACCO PRODUCTS TYPE	RATE
15/16	All product types	28.13%
14/15	All product types	28.95%
13/14	All product types	29.82%
12/13	All product types	30.68%
11/12	All product types	31.73%
10/11	All product types	33.02%
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	
	$0 to $1.69 per oz	248.00%
	$1.70 and above per oz	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%