

# Memorandum

To: Mr. Ramon J. Hirsig  
Executive Director

Date: March 28, 2008

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

Subject: **2008-09 Tobacco Products Tax Rate**  
(April 2008 Administrative Consent Calendar)

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, 2008, and will remain in effect for the 2008-09 fiscal year.

The recommended 2008-09 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price as of March 1, 2008, as published by the United States Department of Agriculture. Staff's calculation of the 2008-09 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board-adopted Tobacco Products Tax Rates from fiscal years 1988-89 through 2007-08 are shown on Attachment 2.

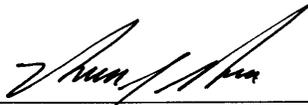
I recommend that the fiscal year 2008-09 Tobacco Products Tax Rate be set at 45.13 percent. This rate is unchanged from the 2007-08 rate.

Please place this item on the Board's April 2008 Administrative Consent Calendar for approval.

DJG:sm  
Attachments

cc: Ms. Diane Olson  
Ms. Lynn Bartolo

Approved:

  
\_\_\_\_\_  
Ramon J. Hirsig, Executive Director

BOARD APPROVED  
At the \_\_\_\_\_ Board Meeting

\_\_\_\_\_  
Diane Olson, Chief  
Board Proceedings Division

**STATE OF CALIFORNIA  
TOBACCO PRODUCTS RATE CALCULATION  
July 1, 2008 to June 30, 2009**

<b>Type:</b>	<b>Manufacturer's List Cigarette Prices</b>	<b>Price*</b>
Standard		\$ 143.20
King Size		\$ 143.20
Filter Tips		\$ 143.20
100 mm		\$ 143.20

\* USDA Tobacco Situation and Outlook report at <http://www.ers.usda.gov/Briefing/Tobacco/tables.htm>

**Wholesale Cost Per Cigarette**

**Computation:**

1. Avg. Mfg. Price Per 1,000 Cigarettes	\$ 143.20
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	<u>\$ 8.59</u>
3. Avg. Wholesale Price (line 1 + line 2)	<u>\$ 151.79</u>
4. Avg. Wholesale Price (line 3 / 1,000)	<u><u>\$ 0.1518</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 \$0.1518

x = Tax rate on tobacco products

$$\frac{c}{w} = x \quad \text{or} \quad \$0.0685 / \$0.1518 = \mathbf{45.13\%}$$

STATE OF CALIFORNIA TOBACCO PRODUCTS RATE HISTORY		
FISCAL YEAR	TOBACCO PRODUCTS TYPE	RATE
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%