

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: March 27, 2009

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

Subject : ***Fiscal Year 2009-10 Tobacco Products Tax Rate***
(April 16, 2009 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, 2009, and will remain in effect for the 2009-10 fiscal year.

Should the Board adopt the staff-recommended data source Alternative 1A identified in Issue Paper 09-001, the 2009-10 Tobacco Products Tax Rate will be based on the wholesale premium brand cigarette price as of March 1, 2009, as published by the Tobacco Merchants Association, and will be 41.11 percent.

Staff's calculation of the 2009-10 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board-adopted Tobacco Products Tax Rates from fiscal year 1988-89 through 2008-09 are shown on Attachment 2.

I recommend that the fiscal year 2009-10 Tobacco Products Tax Rate be set at 41.11 percent.

With your approval, this item will be placed on the Board's April 16, 2009 calendar under Deputy Director's Report, Property and Special Taxes Department.

DJG:kn
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, 2009 to June 30, 2010**

Type:	Manufacturer's List Cigarette Prices	Price*
Standard		\$ 157.20
King Size		\$ 157.20
Filter Tips		\$ 157.20
100 mm		\$ 157.20

* Tobacco Merchants Association TABLE 4a. — PREMIUM BRANDED CIGARETTE WHOLESALe PRICE CHANGES (1993 - present)

Wholesale Cost Per Cigarette	
Computation:	
1. Avg. Mfg. Price Per 1,000 Cigarettes	\$ 157.20
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	<u>\$ 9.43</u>
3. Avg. Wholesale Cost (line 1 + line 2)	\$ 166.63
4. Avg. Wholesale Cost (line 3 / 1,000)	<u><u>\$ 0.1666</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 \$0.1666

x = Tax rate on tobacco products

$$\frac{c}{w} = x \quad \text{or} \quad \$0.0685 / \$0.1666 = \mathbf{41.11\%}$$

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