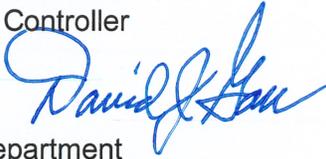


Memorandum

To : Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice Chair
Honorable Betty T. Yee, First District
Senator George Runner, Second District
Honorable John Chiang, State Controller

Date : March 30, 2011

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



Subject: ***Fiscal Year 2011-12 Tobacco Products Tax Rate***
(April 2011 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, 2011, and will remain in effect for the 2011-12 fiscal year.

The 2011-12 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price as of March 1, 2011, as published by the Tobacco Merchants Association, and will be set at 31.73% (percent). This rate is lower than the fiscal year 2010-11 rate of 33.02%.

Staff's calculation of the fiscal year 2011-12 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board adopted Tobacco Products Tax Rates from fiscal years 1988-89 through 2010-11 are shown on Attachment 2.

With your approval, this item will be placed the Board's April 2011 Administrative Consent Calendar.

DJG:sm
Attachments

cc: Ms. Regina Evans
Mr. Louis Barnett
Mr. Alan LoFaso
Mr. Sean Wallentine
Ms. Marcy Jo Mandel
Ms. Diane Olson
Ms. Lynn Bartolo
Mr. Lou Feletto

Approved: _____


Kristine Cazadd, Interim Executive Director

BOARD APPROVED
at the _____ Board Meeting

Diane Olson, Chief
Board Proceedings Division

**STATE OF CALIFORNIA
TOBACCO PRODUCTS RATE CALCULATION
July 1, 2011 to June 30, 2012**

Manufacturer's List Cigarette Prices

Type:	Price*
Standard / Filter Tips	\$ 203.70
King Size / 100 mm	\$ 203.70

** 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	\$ 203.70
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	<u>\$ 12.22</u>
3. Avg. Wholesale Price per 1,000 cigs. (line 1 + line 2)	\$ 215.92
4. Avg. Wholesale Price per cigarette (line 3 / 1,000)	<u><u>\$ 0.2159</u></u>

Rate Calculation

c = Tax rate per cigarette (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)	\$ 0.0685
w = Weighted average wholesale cost of one cigarette	\$ 0.2159
x = Tax rate on tobacco products	

$$\frac{c}{w} = x \quad \text{or} \quad \$0.0685 / \$0.2159 = 31.73\%$$

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