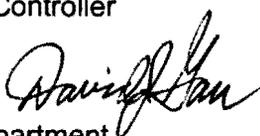


**M e m o r a n d u m**

**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** : April 3, 2014

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



**Subject:** **Fiscal Year 2014-15 Tobacco Products Tax Rate**  
(April 2014 Property and Special Taxes Deputy Director's Report Calendar)

Revenue and Taxation Code sections 30126 and 30131.5 require the Board's annual determination of the Tobacco Products Tax Rate pursuant to subdivisions (b) of sections 30123 and 30131.2. The new rate is effective July 1, 2014, and will remain in effect for the 2014-15 fiscal year.

The 2014-15 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price as of March 1, 2014, as published by the Tobacco Merchants Association, and will be set at 28.95% (percent). This rate is lower than the fiscal year 2013-14 rate (29.82%).

Staff's calculation of the fiscal year 2014-15 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board adopted Tobacco Products Tax Rates from fiscal years 1988-89 through 2013-14 are shown on Attachment 2.

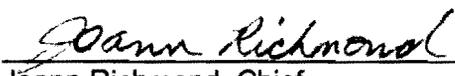
This item will be placed on the Board's April 2014 Calendar under the Property and Special Taxes Deputy Director's Report for approval.

DJG:cy  
Attachments

- cc: Ms. Mike Gipson
- Mr. Joel Angeles
- Mr. Alan LoFaso
- Mr. Sean Wallentine
- Ms. Marcy Jo Mandel
- Ms. Joann Richmond
- Ms. Lynn Bartolo
- Ms. Debbie Kalfsbeek

Approved:   
Cynthia Bridges, Executive Director

BOARD APPROVED  
at the 4-22-14 Board Meeting

  
Joann Richmond, Chief  
Board Proceedings Division

<p><b>STATE OF CALIFORNIA</b>  <b>TOBACCO PRODUCTS RATE CALCULATION</b>  July 1, 2014 to June 30, 2015</p>
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**Manufacturer's List Cigarette Prices**

Type:	Price*
Standard / Filter Tips	\$ 223.20
King Size / 100 mm	\$ 223.20

*\* 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	\$ 223.20
2. Add: Wholesale Markup @ 6% (line 1 x 0.06)	<u>\$ 13.39</u>
3. Avg. Wholesale Price per 1,000 cigs. (line 1 + line 2)	\$ 236.59
4. Avg. Wholesale Price per cigarette (line 3 / 1,000)	<u><u>\$ 0.2366</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 \$ 0.2366

x = Tax rate on tobacco products

$$\frac{c}{w} = x \quad \text{or} \quad \$0.0685 / \$0.2366 = \quad \mathbf{28.95\%}$$

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