
Highlights

Background

- Increasing the price of cigarettes leads to substantial reduction in smoking by preventing initiation among youth and young adults, prompting quit attempts, and reducing average cigarette consumption among those who continue to smoke.

- To counteract the price effect of excise tax increases and to appeal to price-sensitive smokers, cigarette manufacturers use discounts, coupons, and other promotions to reduce the retail price of cigarettes.

- Minimum price laws have the potential to preserve the effect excise tax increases have on cigarette prices and to counteract cigarette price manipulations by cigarette manufacturers.
  
  o State minimum price laws set a “floor price” and prohibit cigarettes from being sold below a minimum amount set by state statute.

- While excise tax increases are the most direct way to increase the price of cigarettes, minimum price laws may be a secondary strategy states can consider when attempting to raise cigarette prices and/or maximizing the effect minimum price laws have on tax increases.
  
  o These laws have the potential to meaningfully raise the price of cigarettes in states with low cigarette excise tax rates, thereby reducing youth initiation and adult consumption and encouraging quit attempts.

- Cigarette minimum price laws were developed to protect independent tobacco retailers from the predatory business practices of large retailers. Although not intended to promote public health goals, these laws are an effective policy tool that can support the beneficial health impacts of higher cigarette prices.

State Cigarette Minimum Price Laws

- As of December 31, 2009, 24 states and D.C. had a statutory minimum price for cigarettes.
- The minimum percent by which states require a markup on the wholesale price of cigarettes ranges from 2 percent in 2 states (Louisiana, Mississippi) and D.C., to 6.5 percent in Connecticut.

- The minimum percent by which state required a markup on the retail price of cigarettes ranges from 6 percent in 6 states (Alaska, Louisiana, Mississippi, Oklahoma, Pennsylvania, Wisconsin) to 25 percent in Massachusetts.

- The median retail percent markup among the states is 8 percent. The minimum price laws in Washington and Rhode Island do not require a percent markup for either wholesale or retail; instead, the state statutes set the minimum price as the “actual price paid” and “replacement cost” in these states, respectively.

- Minimum cigarette price laws vary widely among states. Currently, of the states with the ten lowest state excise taxes, only one state (Louisiana) has a minimum price law. Of the ten states with the highest excise taxes, all but two (Hawaii and Vermont) have a minimum price law.

- More research is needed on how minimum price laws directly impact cigarette prices, impact state tobacco-related revenue, could impact excise tax avoidance, and could be designed to ensure that they are not undermined by remote sales (e.g., Internet and mail order sales) or by direct sales for manufacturers to consumers.