



Cigarette and Other Tobacco Products Tax

Ohio has levied an excise tax on cigarettes since 1931. The current rate, \$1.25 per pack, was set by the Ohio General Assembly effective July 1, 2005. The tax is paid primarily by wholesale dealers through the purchase of stamps (tax indicia) that are affixed to packs of cigarettes. Individual consumers are responsible for paying the tax on cigarettes that are not taxed at the wholesale dealer level.

In fiscal year 2014, the Treasurer of State reported total state receipts from the sale of stamps amounted to over \$757.7 million, an amount that does not include revenue from taxes on other tobacco products. This amount was credited to the state General Revenue Fund.

An excise tax on other tobacco products (OTP) – including cigars, chewing tobacco, snuff, smoking tobacco and other tobacco products – was enacted effective Feb. 1, 1993. The 17 percent tax is levied on the wholesale price of other tobacco products manufactured in Ohio or imported into Ohio. In fiscal year 2014, total net receipts were over \$57.0 million. This amount was credited to the state General Revenue Fund. In 2013, the Ohio General Assembly increased the tax on “little cigars” from the 17 percent OTP rate to 37 percent.

The Department of Taxation administers and collects both the state tax and the permissive tax. For the permissive taxes, collection is made through sales of tax indicia for cigarettes to be sold in Cuyahoga County. The revenues are distributed to Cuyahoga County in the month following their collection. The Department of Taxation retains two percent of the collections for administrative expenses. All state cigarette tax exemptions and credits also apply to the county levies. See the Local Government Taxes section for details.

Taxpayer

(Ohio Revised Code 5743.01)

The cigarette tax is paid by:

- Wholesale dealers, meaning those who purchase cigarettes directly from manufacturers, producers, importers or other wholesalers and then sell cigarettes to retailers for the purpose of resale.
- Persons, meaning individuals, companies or any other person who have cigarettes in their possession on which the excise tax has not been paid.

The tax on other tobacco products is paid by:

- Distributors, meaning all manufacturers, wholesalers

or retailers who are licensed as other tobacco product distributors.

- Any person who receives untaxed other tobacco products in this state on which the excise tax has not been paid.

Tax Base

The base of the taxes discussed in this chapter includes:

- the sale of cigarettes in Ohio (R.C. 5743.02, 5743.021).
- the use, consumption or storage for consumption of cigarettes in Ohio (R.C. 5743.32).
- the receipt or import of other tobacco products for resale (R.C. 5743.51).

Rates

The state tax rate on the sales, use, or consumption of cigarettes is \$1.25 per pack of 20 or 6.25 cents per cigarette (R.C. 5743.02, 5743.32).

The state tax rate on other tobacco products is 17 percent of the wholesale price (R.C. 5743.51, 5743.63).

The tax rate for “little cigars” is 37 percent of the wholesale price. Little cigars are defined as any roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter or other filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco (R.C. 5743.51).

Exemptions

Cigarettes sold in interstate or foreign commerce or to the U.S. government or its agencies are exempt (R.C. 5743.05).

Special Provisions

Discounts (R.C. 5743.05, 5743.52)

As a consideration for affixing and cancelling cigarette stamps, wholesale dealers receive a discount of 1.8 percent of the face value of stamps. Other tobacco products taxpayers receive a 2.5 percent discount for timely payment of the tax.

Monthly reports (R.C. 5743.072, 5743.15 and 5743.66)

Manufacturers and importers shipping cigarettes and other tobacco products into Ohio are required to register and file monthly reports with the Tax Commissioner.

Authorized sales (R.C. 5743.20)

The identities of all entities authorized to make cigarette and other tobacco products sales – including registered manufacturers and importers of cigarettes and other tobacco products, as well as all licensed cigarette wholesalers and distributors of other tobacco products – are subject to public disclosure. As required by law, the Tax Commissioner maintains this list at **tax.Ohio.gov**.

Unstamped cigarette prohibitions (R.C. 5743.10, 5743.111, and 5743.112)

It is a crime for any person to possess, transport, distribute or otherwise trade more than 1,200 unstamped cigarettes (meaning, cigarettes in packages that do not display the stamp indicating that the tax has been paid) without the consent of the Tax Commissioner. Any person in possession of less than 1,200 unstamped cigarettes is still liable for the excise tax on these cigarettes.

Authorized recipients of cigarettes (R.C. 2927.023)

All cigarettes coming into Ohio can only be transported or shipped to an “authorized recipient of tobacco products,” such as a licensed cigarette dealer. All other exchanges of cigarettes must be made in “face-to-face” transactions. It is an offense, punishable by a fine of up to \$1,000, to transport, or cause to be shipped, cigarettes to a person other than an “authorized recipient of tobacco products.”

Cigarettes legal for sale in Ohio (R.C. 1346.04 – 1346.10)

The office of the Ohio Attorney General maintains a list on its Web site of all cigarette brands that may be sold in Ohio. This list represents brands that are produced by manufacturers that are certified to be in compliance with the tobacco Master Settlement Agreement. It is illegal to sell in Ohio any brand of cigarette not on this list.

Master Settlement Agreement reports (R.C. 5743.03)

Persons who pay the cigarette or other tobacco products excise taxes are required to report the quantity of all cigarettes and roll-your-own cigarette tobacco sold in Ohio for each brand not covered by a manufacturer participating in the tobacco Master Settlement Agreement. A penalty of up to \$250 per month may be imposed for failing to file this report.

Local Permissive Cigarette Tax levies are described in the Local Government Taxes section.

Filing and Payment Dates**Method of tax payment**

All cigarette wholesale dealers are required to purchase stamps from the Treasurer of State. Dealers are required to pay for stamps at the time of purchase unless they have been authorized to make purchases on credit. The Tax Commissioner may authorize wholesale dealers to purchase stamps on credit, payable within 30 days. Credit sales are allowed only during the months of July through April of each fiscal year.

Any person in possession of unstamped cigarettes (for example, a consumer who makes an out-of-state purchase), is required to pay the tax by direct payment to the Department of Taxation.

Filing Dates

Wholesale dealers file semi-annual returns on July 31 for the January to June period and on Jan. 31 for the preceding July through December period. The returns are required even though such dealers may have paid all their tax through the purchase of stamps. Any payment due on cigarettes not previously taxed is included (R.C. 5743.03).

Persons with untaxed cigarettes file monthly by the 15th day of each month for the preceding month (R.C. 5743.33).

Distributors or importers of other tobacco products file monthly reports by the last day of each month for the preceding month. Distributors with minimal sales activity may, upon authorization by the Tax Commissioner, file quarterly returns by April 30, July 31, Oct. 31 and Jan. 31 for the previous quarter’s liability (R.C. 5743.52).

Disposition of Revenue

Revenue from the state cigarette and other tobacco products taxes are deposited in the state General Revenue Fund.

Administration

The state cigarette tax, the county cigarette tax and the tax on other tobacco products are administered by the Tax Commissioner.

Ohio Revised Code Citations

Chapter 5743.

Recent Legislation**House Bill 59, 130th General Assembly**

Amends R.C. 5743.51 effective for invoices dated October 1, 2014, to raise the other tobacco products tax on little cigars from 17% to 37%. A “little cigar” is “any roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter or other filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco.”

House Bill 492, 130th General Assembly

Amends several sections of the Revised Code. Items concerning cigarette and OTP taxes include: changing the due date for other tobacco products tax returns and payments to the 23rd of the month (both for monthly and quarterly filers) from the last day of the month; moving the selling of tax stamps from the Treasurer of State to the

Ohio Department of Taxation; and eliminating the Tobacco Settlement Enforcement Fund. These provisions became effective Sept. 17, 2014.

History of Major Changes

Year	Item	Rate
1893	Legislature enacts annual tax of \$300 on wholesalers and \$100 on retailers.	---
1894	Annual tax is lowered to \$30 for wholesalers and \$15 for retailers.	---
1920	Annual tax is hiked to \$200 for wholesalers and \$50 for retailers.	---
1931	Legislature enacts cigarette tax, including the use of stamps. Wholesale and retail license fees fall to \$100 and \$25, respectively.	2 cents
1956	Rate increases by one cent.	3 cents
1959	Rate increases by two cents.	5 cents
1969	Rate increases by five cents.	10 cents
1971	Rate increases by five cents; cigarettes are exempted from sales tax.	15 cents
1981	Rate is cut by one cent; cigarettes again become subject to sales tax.	14 cents
1983	Tax is modified to a per-cigarette rate of 0.7 cents.	14 cents
1987	Rate increases by 0.2 cents per cigarette.	18 cents
1991	All cigarette tax revenues are allocated to the General Revenue Fund when capital improvement bonds retired in 1992.	18 cents
1992	Legislature enacts tax on other tobacco products at 17 percent of the wholesale price; cigarette rate increases by 0.3 cents per cigarette.	Cigarettes - 24 cents; OTP - 17%
2001	Minimum stamp discount rate is lowered from 3.6 percent to 1.8 percent.	Cigarettes - 24 cents; OTP - 17%
2002	Legislature increases cigarette tax by 1.55 cents per cigarette.	Cigarettes - 55 cents; OTP - 17%
2005	Legislature (HB 66) increases the cigarette tax by 3.5 cents.	Cigarettes - \$1.25; OTP - 17%

2009	Legislature (HB 1) increases the annual license fees for cigarette wholesalers and tobacco distributors to \$1,000 (from \$200 and \$100, respectively) and for retailers to \$125 per place of business (from \$30 for the first five places and \$25 for each additional place). Sixty percent of this revenue is allocated for enforcement and 30 percent to the political subdivision where the business is located and 10 percent to the county.	Cigarettes - \$1.25; OTP - 17%
2013	House Bill 59 increases the tax on "little cigars" from the 17 percent OTP tax rate on wholesale price to 37 percent.	Cigarettes - \$1.25; OTP - 17%; Little Cigars - 37%
2014	House Bill 492 changed the due date for OTP taxes from the end of the month to the 23rd and moved the selling of the stamps and collection of revenue from the Treasurer of State to the Ohio Department of Taxation.	

Comparison with Other States

(As of July 1, 2014)

In the table below, the cigarette tax rates are expressed in dollars per pack of 20. Taxes on other tobacco products, such as chewing tobacco and smokeless tobacco products, are expressed as a percentage of wholesale cost, unless specifically noted (Texas, for example). Some states may apply special tax rates to additional tobacco products like cigars, rolling papers and loose tobacco.

State	Cigarette Rate Per Pack	Other Tobacco Products Rate
Georgia	\$0.37	23%
Indiana	0.995	24%
Kentucky	\$0.60	15%
Michigan	\$2.00	32%
North Carolina	\$0.45	12.8%
Ohio	\$1.25	17%
Pennsylvania	\$1.60	none
Tennessee	\$0.62	6.60%
Texas	\$1.41	\$1.22 per ounce
West Virginia	\$0.55	7%

Table 1

Cigarette and Other Tobacco Products Tax Revenue, Fiscal Years 2010 - 2014 (in millions rounded)			
Fiscal Year	Cigarette	Other Tobacco Products	Total
2010	\$838.4	\$48.5	\$886.9
2011	803.8	51.9	855.7
2012	789.8	53.4	843.2
2013	773.3	54.1	827.4
2014	757.0	57.0	814.0

Source: Office of Budget and Management fiscal reports.

Table 2

Cigarette Tax Receipts: Fiscal Years 2010 - 2014 (in millions rounded)			
Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2010	\$853.7	\$15.4	\$838.3
2011	818.4	14.7	803.7
2012	786.0	14.1	771.9
2013	788.4	14.2	774.2
2014	771.6	13.9	757.7

Source: Treasurer of State.

Table 3

Other Tobacco Products Tax Receipts: Fiscal Years 2010 - 2014 (in millions rounded)			
Fiscal Year	Gross Tax	Discount	Net Tax Collected
2010	\$49.7	\$1.2	\$48.5
2011	53.5	1.3	52.2
2012	54.8	1.4	53.4
2013	55.5	1.4	54.1
2014	57.2	1.6	55.6

Source: Office of Budget and Management fiscal reports; Treasurer of State.