

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

TAXPAYER

Cigarette tax: cigarette dealers (primarily wholesalers), who must be licensed, pay the tax by purchasing tax indicia (stamps or meter impressions). The indicia must be affixed to all packages of cigarettes before sale at retail.

Other tobacco products: manufacturers that sell to retail dealers, wholesale dealers, and retail dealers that receive untaxed products.

TAX BASE

1. Cigarettes.
2. Cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products.

RATES

Cigarettes: 2.75 cents per cigarette (55 cents per package of 20 cigarettes). Other tobacco products: 17 percent of wholesale price.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Fiscal	
Year	Total
2000	\$287.7
2001	282.5
2002	281.3
2003	599.9

DISPOSITION OF REVENUE

General Revenue Fund.

PAYMENT DATES

Cigarette dealers file returns on January 31 and July 31. However, most tax payments are remitted as advanced purchases of indicia. Other tobacco products dealers file returns by the end of the month for the previous month's liability or by April 30, July 31, October 31, and January 31 for the previous quarter's liability.

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SPECIAL PROVISIONS/CREDITS

The Tax Commissioner is required to allow cigarette dealers a minimum discount of 1.8 percent of face value of the purchase of tax stamps or meter impressions as a commission for affixing and cancelling them. The current applicable discount rate is 1.8 percent. For other tobacco products dealers, a 2.5 percent discount is given for timely payment. Counties may levy taxes of up to 0.225 cent(s) per cigarette (4.5 cents per package of 20 cigarettes). The revenue must be used for construction of a sports facility. Cuyahoga County adopted a tax of 4.5 cents per package as of August 1, 1990 (see **CIGARETTE TAXES – COUNTY** section).

SECTIONS OF OHIO REVISED CODE

Chapter 5743.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

<u>Year</u>		<u>Total Tax Rate Per Pack of 20</u>
1931	• Tax enacted.	2.0 cents
1956	• One cent rate increase.	3.0
1959	• Two cents rate increase.	5.0
1969	• Five cents rate increase.	10
1971	• Five cents rate increase. • Cigarettes exempted from sales tax.	15
1981	• One cent rate decrease. • Cigarettes made subject to sales tax.	14
1983	• Tax changes to a per-cigarette rate of 0.7 cent(s).	14
1986	• Counties authorized to levy permissive cigarette tax for funding the building of a sports facility.	14

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<u>Year</u>	<u>Total Tax Rate Per Pack of 20</u>
1987 • Rate increase of 0.2 cent(s) per cigarette.	18
1991 • All cigarette tax revenues allocated to the General Revenue Fund when capital improvement bonds retired in 1992.	18
1992 • As of January 1, 1992, taxpayers no longer allowed 30-day credit on purchases of tax stamps and meter impressions. • Other tobacco products tax enacted at 17 percent of the wholesale price. • Rate increase of 0.3 cent(s) per cigarette.	24
1994 • Taxpayers allowed 30-day credit on purchases of tax stamps and meter impressions from July 1 to April 30 of each year.	24
1999 • Prohibited affixing of tax stamps to certain packages of cigarettes (gray market cigarettes). • Required tobacco manufacturers selling cigarettes in Ohio and not part of the Attorney General's tobacco settlement to place funds annually in escrow accounts for payment of future lawsuits.	24
2001 • Reduced minimum allowable cigarette stamp discount rate from 3.6 percent to 1.8 percent.	24
2002 • Rate increase of 1.55 cent(s) per cigarette effective July 1.	55
2003 • Purchase of stamps on credit without a bond permitted for qualifying wholesalers.	55

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COMPARISONS WITH OTHER STATES (AS OF 12/03)

State	Cigarette Tax Rate Per Pack of 20 (amount in cents)	Other Tobacco Products Rate (percent of wholesale price)
California	137.0(1)	46.76
Florida	33.9	25.0(2)
Illinois(3)	98.0	18.0
Indiana	55.5	15.0
Kentucky(4)	3.0	—
Massachusetts	151.0	30.0(5)
Michigan	125.0	20.0
New Jersey	205.0	30.0
New York(6)	150.0	37.0
Ohio	55.0	17.0
Pennsylvania	100.0	—
Texas	41.0	35.213(7)
West Virginia	55.0	7.0

Notes: (1) Includes an additional 50 cents per pack tax. (2) Tax is levied on smoking tobacco, chewing tobacco, and snuff. (3) There is also a use tax of 58 cents per pack of unstamped cigarettes. (4) Dealers pay an additional enforcement and administration fee of one-tenth of a cent per pack. (5) Tax is levied on smoking tobacco and cigars. There is also a tax on smokeless tobacco of 90 percent of the wholesale price. (6) There is also a use tax of \$1.50 per pack of unstamped cigarettes. (7) Tax rate shown is for tobacco and snuff. Cigars are taxed at a variable rate, based on price, of from one cent to 15 cents per 10 cigars.

