

Q&A

Tobacco Pricing Policies

changelabsolutions.org

Q: Can California communities adopt tobacco pricing policies?

A: Yes. ChangeLab Solutions has developed three tobacco pricing strategies for local governments:

- (1) a prohibition on the redemption of tobacco discounts and coupons;
- (2) the establishment of a minimum pack size for little cigars and cigars; and
- (3) the establishment of a minimum price for cigarettes and little cigars.

Why pricing strategies are important

In California, the cheapest cigarettes cost an average of only \$4.30 per pack.¹ Youth are particularly price sensitive when it comes to tobacco,^{2,3} so pricing strategies can effectively deter them from buying tobacco products. Excise taxes remain a proven strategy for increasing tobacco prices and protecting youth, but California local governments are preempted in the area of tobacco taxation. For that reason, communities must look to non-tax alternatives if they are interested in raising the price of tobacco products.

This Q&A presents non-tax pricing policy options for California communities. This resource may also be useful outside of California, but non-California jurisdictions should consult an attorney about specific issues in their state, such as preemption.

PRICING STRATEGY #1

Prohibition on the redemption of tobacco discounts and coupons

Manufacturers and retailers use coupons and discounts to target price-sensitive consumers. These discounts allow retailers to capture sales from consumers willing to buy a product at the regular price without losing sales from more price-sensitive consumers, such as low-income individuals and youth. Local jurisdictions can prohibit the redemption of tobacco discounts and coupons to protect populations targeted by the tobacco industry. This prohibition would ban the use of coupons and multipack offers (e.g., buy one, get one free).

PRICING STRATEGY #2

Establishment of a minimum pack size for little cigars and cigars

Federal and California law prohibit selling single cigarettes, but do not prohibit single sales for other tobacco products. Many retailers currently sell cigars, little cigars, and cigarillos individually, making them more affordable and appealing to youth.⁴ In California, 78.1 percent of tobacco retailers sell individual cigarillos for less than \$1. A policy requiring a minimum package size for little cigars and cigars raises the cost barrier to purchase these products, even if it does not *directly* increase the price of cigars.



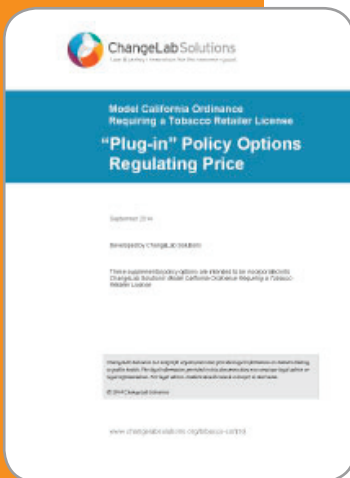
PRICING STRATEGY #3

Establishment of a minimum price for cigarettes and little cigars

A tobacco excise tax not only decreases tobacco product consumption, which results in government cost savings,⁵ but also increases government revenue. However, due to state preemption, California local governments lack the authority to impose a local tobacco tax. Nevertheless, establishing a minimum sale price for certain tobacco products can accomplish the goal of raising prices and reducing demand. For example, a local jurisdiction can specify that cigarettes and little cigars be sold at or above a certain price, such as \$7 per pack.

ChangeLab Solutions developed these pricing strategies as plug-ins to our Model California Ordinance Requiring a Tobacco Retailer License; the model policy language for these strategies can be found in *Tobacco Retailer License "Plug-in" Policy Options Regulating Price*. These policies can also be adopted as standalone provisions, without tobacco retailer licensing. [Contact ChangeLab Solutions](#) for assistance with these pricing strategies.

To learn more, visit: www.changelabsolutions.org/tobacco-control.



ChangeLab Solutions is a nonprofit organization that provides legal information on matters relating to public health. The legal information in this document does not constitute legal advice or legal representation. For legal advice, readers should consult a lawyer in their state.

This material was made possible by funds received from Grant #14-10214, California Department of Public Health, California Tobacco Control Program.

© 2015 ChangeLab Solutions

1. California Department of Public Health, California Tobacco Control Program. (2014). Health Stores for a Healthy Community: Alameda. Available at: [www.healthystoreshealthycommunity.com/documents/counties/Alameda%20County%20Data%20\(English\).pdf](http://www.healthystoreshealthycommunity.com/documents/counties/Alameda%20County%20Data%20(English).pdf).
2. Chaloupka, F. (2010). *Tobacco Control Lessons Learned: The Impact of State and Local Policies*. Chicago, IL: University of Illinois at Chicago. www.impacteen.org/generalarea_PDFs/ITResearch38_Chaloupka.pdf.
3. U.S. Department of Health and Human Services. (2012). *Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General*. Available at: www.cdph.ca.gov/programs/tobacco/Documents/Archived%20Files/Tobacco%20Retail%20Environment%20Fact%20Sheet_Easy%20Print.pdf.
4. California Department of Public Health. (2012). *Tobacco in the Retail Environment*, www.cdph.ca.gov/programs/tobacco/Documents/Tobacco%20Retail%20Environment%20Fact%20Sheet_Easy%20Print.pdf.
5. Rumberger J, Hollenbeak C, Kline D. (2010). "Potential Costs and Benefits of Smoking Cessation: An Overview of the Approach to State Specific Analysis. Penn State. www.lung.org/stop-smoking/tobacco-control-advocacy/reports-resources/cessation-economic-benefits/reports/US.pdf.