

Michigan Distributors and Vendors Association

Tobacco Products Tax Act: Cigarette
Taxation and Stamping

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MDVA

April, 28th, 2021

MDVA

The Michigan Distributors and Vendors Association (MDVA) is a non-profit, statewide business association representing two very significant business segments in the grocery and convenience products industry

MDVA Distributors are wholesale distributors of grocery and convenience products to the retail marketplace. With tobacco being one of the thousands of items we sell, we are licensed Michigan Tobacco wholesalers, and collect the tobacco excise tax on behalf of the state of Michigan. Our wholesalers collect and remit almost \$1 billion to the state of Michigan annually.

MDVA Vendors are vending machine and food service operators. Our vendor members operate snack, beverage, and food machines, micro markets, as well as office coffee and food service programs in facilities and accounts throughout the state.

MDVA members provide the middle link between the manufacturers and the retailers of products consumers purchase every day. Our 70+ members and associate members employ more than 2,000 individuals statewide with an annual payroll of \$150 million and more than \$3 billion in annual sales.

Tobacco Wholesaler

- Wholesalers distribute thousands of goods to retailers, tobacco products being one of them
- Tobacco Wholesalers are licensed by the state of Michigan.
- These businesses operate on very small margins.
- Responsible for the collection and remitting of excise tax on tobacco products, as well as stamping of cigarettes to deter products from out of state.
- Tobacco Wholesalers work closely with Treasury for timely reporting and taxation.
- Annually, our members stamp more than 500 million packs of cigarettes and collect and remit almost \$1 billion in cigarette and tobacco taxes.

Quote from a Wholesaler member "We are a distributor of over 12,000 convenience products including groceries, confections, frozen and dairy products, general merchandise, health & beauty products and tobacco products. *While cigarettes account for about 7% of the total products we inventory, they represent 72% of our annual revenues, of which, Michigan Excise taxes and Federal Excise taxes now represent over 40% of the average sale price.*"

Michigan Tobacco Wholesaler

George Bennett
S. Abraham and Sons
Grand Rapids. MI



Michigan Tobacco Tax

2 categories – Cigarette and OTP (Other Tobacco Products)

- **Cigarettes**

- \$2 per pack
- Regular shape and size
- Stamped at Wholesaler's warehouse
 - Wholesalers are required to purchase and maintain the expensive specialized stamping machines
 - Open cases, open cartons, stamp individual packs, reseal cartoon and sold to retail
 - Responsible for a significant amount of paperwork, record keeping and reporting for the State
 - The stamps themselves are valuable and require a significant amount of security
 - Tobacco Wholesalers are required to remit the excise tax in some cases prior to collecting from the retailer

- **OTP** – Chewing tobacco, pipe/hookah/roll your own tobacco, snuff, snus, etc.

- 32% wholesale price
- Countless shapes and sizes
- Stamping not feasible

- Of the \$1 billion in tobacco tax collected annually – Typically 93% from Cigarettes and 7% from OTP

Cigarette vs OTP



Cigarette vs OTP

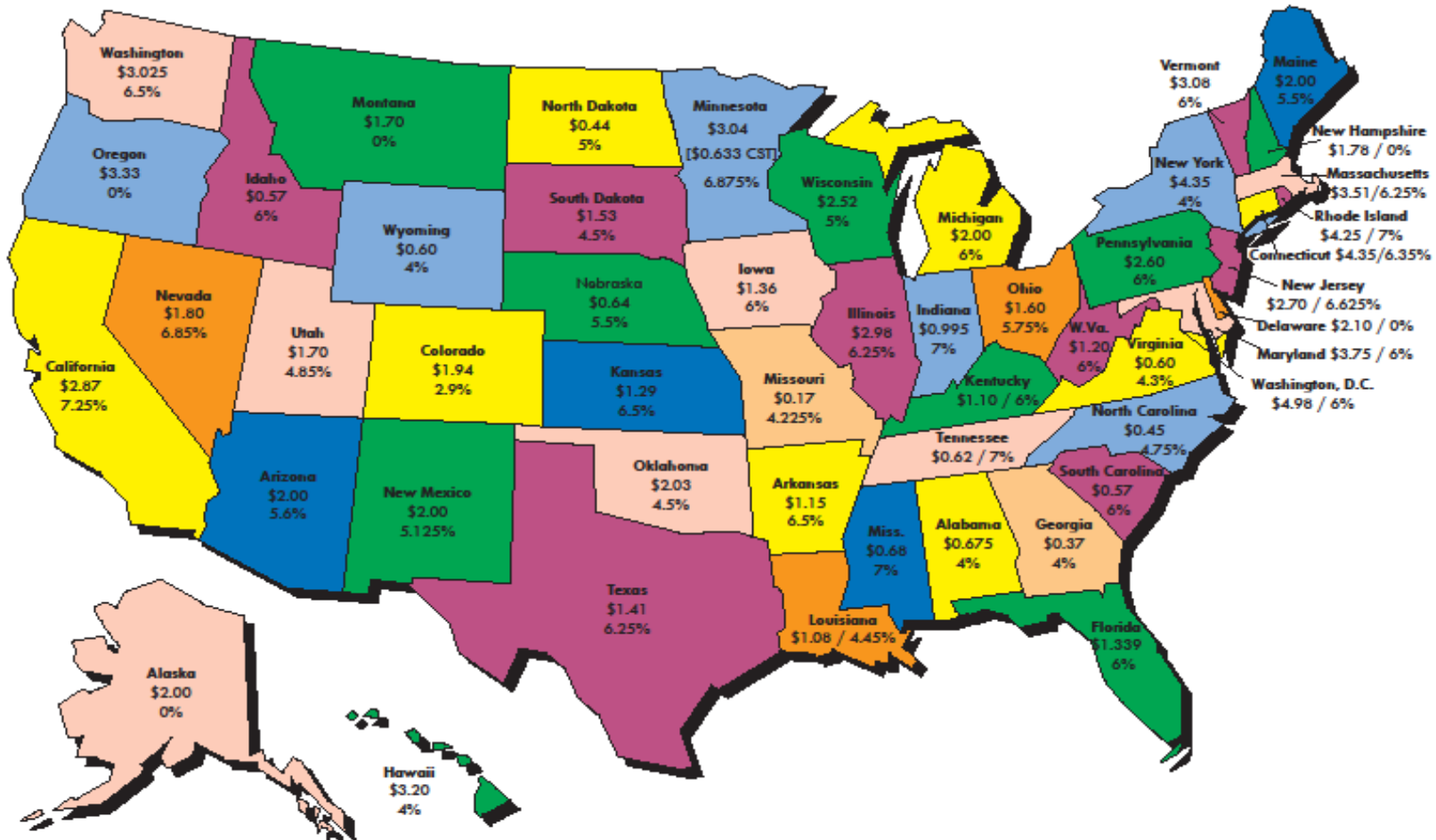


Cigarette Tax by State

Tobacco Tax Guide

Revised May 1, 2021

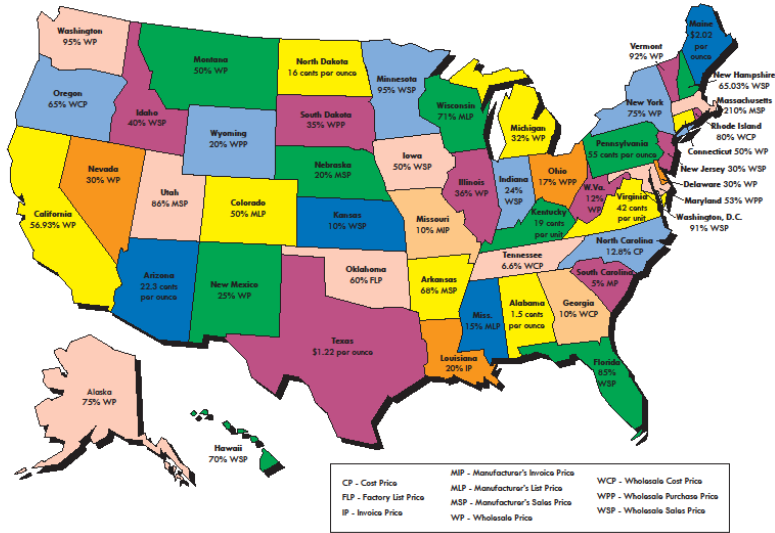
State Cigarette and Sales Tax Rates (per pack of 20)



OTP Tax by State

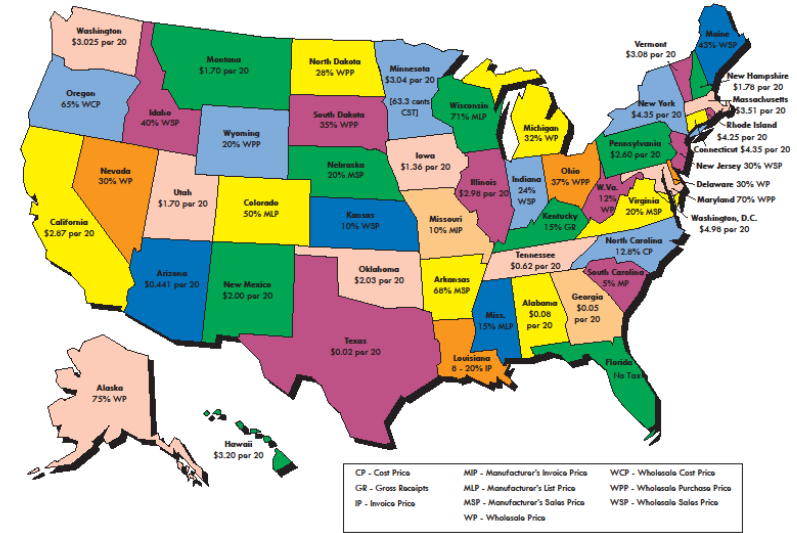
Tobacco Tax Guide
Chewing Tobacco Tax Map

Revised May 1, 2021



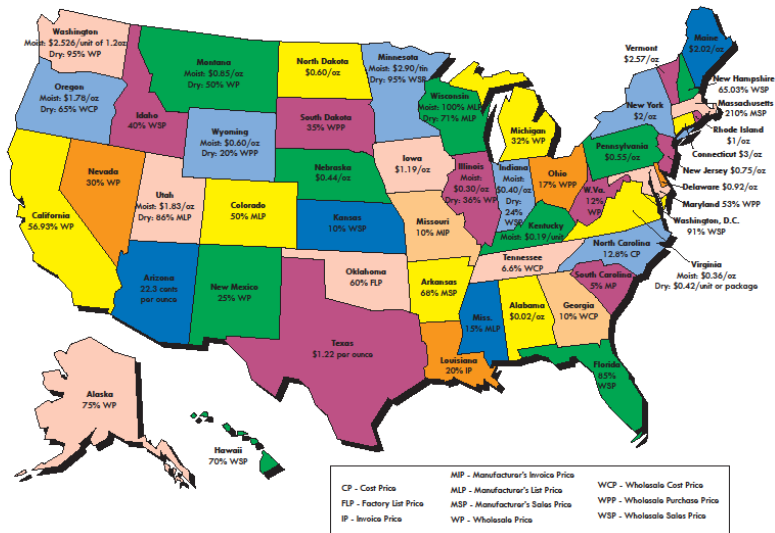
Tobacco Tax Guide
State Little Cigar Tax Rates

Revised May 1, 2021



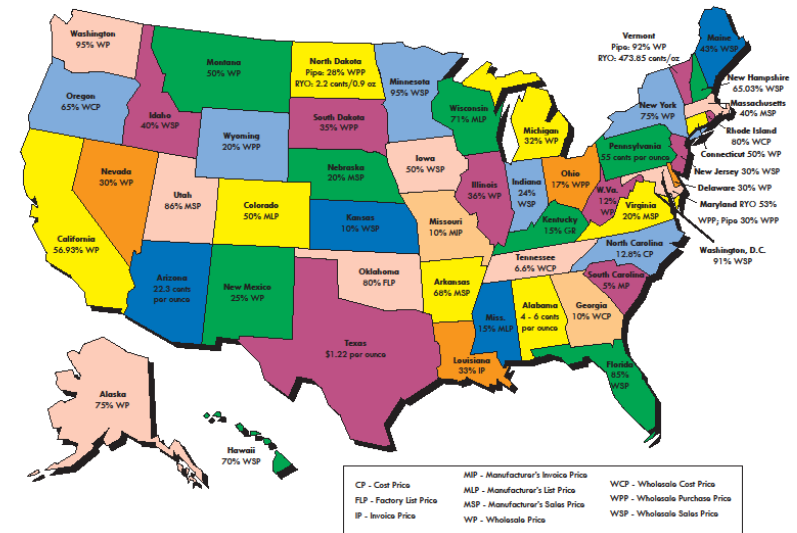
Tobacco Tax Guide
State Snuff Tax Rates

Revised May 1, 2021



Tobacco Tax Guide
State Smoking Tobacco Tax Rates

Revised May 1, 2021



TPT Act and Michigan Wholesalers

- Michigan Wholesalers provide a significant service to the state distributing goods to retail and collecting and remitting almost \$1 billion annually in state excise tax.
- These businesses operate on very small margins
- Wholesalers are responsible for the stamping of cigarettes, a logistically and financially burdensome process
- Wholesalers in Michigan have designed their businesses around the specifics in the TPT Act to ensure compliance, the current system works.
- Any changes or modifications to the TPT Act must be prudent, necessary, and thoroughly vetted
- Any change to the TPT Act has the potential for a significant impact on Michigan Wholesalers.