



# Setting a Minimum Price and Package Size for Cigars

Through licensing and related regulations, local governments (cities and counties) have the opportunity to address the sale of tobacco and related devices and products (such as electronic cigarettes) in the retail environment. This fact sheet provides an overview of considerations involved when setting a minimum price or package size for cigars. It is one in a series of resources providing Minnesota-specific information on local retail tobacco licensing and point-of-sale options.

## Background

Tobacco retailers frequently sell low-cost cigars individually or in packages of two or three, often in candy or fruit flavors. Inexpensive cigars are more accessible to all users, but especially appealing to youth who might be experimenting with different tobacco products and are extremely price-sensitive.

Neither federal nor Minnesota law places any restrictions on the price or package size for the sale of cigars. Fortunately, cities and counties have the authority to combat the problem of inexpensive cigars through local restrictions. A growing number of Minnesota communities have adopted laws that require a minimum price and/or a minimum package size for cigars, which will

increase the price of the product. From prohibiting the sale of inexpensive single cigars (sometimes defined as “loosies”), requiring a minimum package size, or setting a minimum price, local governments have a number of options to consider.

## “Little Cigars”

“Little cigars” are almost identical to cigarettes in shape and size. They generally have filters and are packaged like cigarettes in packs of twenty. The main distinction between the two products is that cigars are wrapped in tobacco leaf and cigarettes are wrapped in paper. Cigarettes and little cigars are taxed at the same rate in Minnesota. As a result, little cigars are generally sold at a higher price than

## *Cigar Types: A Comparison of Shapes and Sizes*



inexpensive traditional cigars or cigarillos, which are taxed at a different rate.

This fact sheet focuses on policy options used to address more “traditional” cigars and cigarillos.

### **Policy Considerations**

A number of policy considerations should be taken into account when addressing the price or package size of cigars:

- **Existing laws:** A licensing ordinance may already restrict the sale of some cigars. For example, some communities define and prohibit the sale of “loosies,” which include inexpensive single cigars. Any new restriction should align with current regulations.
- **Price discounts:** It is important to ensure that discounts or other price promotions cannot drop the final cigar sales price below the minimum amount. For example, it will undermine the law if a \$3.00 cigar is sold along

with a 50% off coupon, effectively reducing the price to \$1.50.

- **“Premium” cigars:** Although it is legal to require a minimum package size for all cigars, sellers of high-priced or premium cigars may raise objections. If so, communities can include an exception for single cigars sold above a certain price.
- **Inflation and price adjustments:** Communities should periodically review and adjust the minimum price to address inflation and reflect actual prices in the retail environment.

## Policy Options

While a variety of regulations can be adopted, local governments typically use one of the following approaches:

- **Requiring a minimum package size:** A minimum pack size prohibits retailers from selling cigars in small quantities, such as singles or two or three packs. For example:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging and that contains less than [insert #] cigars.

Theoretically, as the quantity increases, the price should go up, benefiting tobacco control and public health. A standalone minimum pack size requirement does not address concerns about inexpensive cigars, though, as a minimum package size of five cigars would not prevent packs of six or more cigars from being sold for \$0.99. The appropriate package size and whether to address price should be determined by each community.

- **Requiring a minimum price:** Increasing the price can discourage use, particularly by youth and price-sensitive adults. Cigar pricing laws have been [shown](#) to decrease cigar availability and raise the price of cigars sold in Minnesota.

Communities can prohibit the sale of cigars below a minimum price, such as \$4.00 per cigar, regardless of the number of cigars contained in the package. For example:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging and for a sales price, after any discounts or price promotions are applied and before any sales taxes are imposed, of less than \$ [insert price] per cigar contained within.

Alternatively, one minimum price could be set for all packages, regardless of the number of cigars in the pack:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging and for a sales price, after any discounts or price promotions are applied and before any sales taxes are imposed, of less than \$ [insert price] per package.

Under this approach, the minimum package price – perhaps \$5 per package – would apply whether the package contains two cigars or ten cigars.

Finally, communities such as Minneapolis, Maplewood, and Morrison and Murray counties have used more of a “hybrid” approach. They require a minimum per-cigar price for smaller packs and a per-package price for larger ones. As an example, in the [City of St. Paul](#), single cigars must sell for at least \$2.60; two-packs for at least \$5.20; three-packs for at least \$7.80; and packages of four or more cigars for at least \$10.40.

Cities and counties should determine the appropriate prices for their communities.

- **Requiring a minimum package size OR a minimum price:** Communities can use an “either-or” approach that sets a minimum price for smaller packs, while allowing market factors to determine the price of larger packages. For example:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging containing at least [insert #] cigars, unless that package has a sales price, after any discounts or price promotions are applied and before any sales taxes are imposed, of at least \$ [insert price] per cigar contained within.

A community could require that all packages containing five or fewer cigars be sold for \$3 per cigar—that is, one cigar must be at least \$3, two cigars must be at least \$6, three for at least \$9, four for at least \$12, and five for at least \$15. Packs of six or more cigars could be sold at market rate. [Renville County](#) uses this approach in its regulation.

In the alternative, a per-package minimum could be set:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging containing at least [insert #] cigars, unless that package has a sales price, after any discounts or price promotions are applied and before any sales taxes are imposed, of at least \$ [insert price] per package.

If a city or county chooses a minimum package size of five cigars and a minimum package price of \$10, all packs of one to five cigars must be sold for at least \$10. Packs of six or more cigars could be sold at market rate. Again, the appropriate package size and price should be determined by each community.

- **Requiring a minimum package size AND a minimum price:** The most effective way to raise the price of cigars (other than by increasing taxes) is to require both a minimum pack size *and* a minimum price. For example:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging containing a minimum of [insert #] cigars and for a sales price, after any discounts or price promotions are

applied and before any sales taxes are imposed, of less than \$ [insert price] per cigar contained within.

This policy option requires that all cigars be sold in a minimum pack size and that each pack be sold for a minimum price based on the number of cigars in the package —regardless of pack size. For example, a minimum pack size of five and an individual cigar price of \$3 would require all cigars be sold in packs of at least five and for at least \$15 per pack. Selling cigars in packages of four or fewer would be prohibited regardless of price. Because the price is based on the total number of cigars in the package, a package of 10 cigars must be sold for a price of at least \$30.

A less restrictive, per-package minimum price can be used in the alternative:

**Cigars.** No person shall sell, offer for sale, or otherwise distribute any cigar that is not within the manufacturer’s intended retail packaging containing a minimum of [insert #] cigars and for a sales price, after any discounts or price promotions are applied and before any sales taxes are imposed, of less than \$ [insert price] per package.

A county or city could require that all cigars be sold in packs of five or more and for at least \$12.50. Cigars in packages of four or fewer could not be sold, but the minimum price would not increase for larger packages. Thus, a pack of 10 cigars could also be sold for the minimum \$12.50

As with all restrictions, the appropriate package size and price should be determined by each community.

## CONTACT US

Please feel free to contact the Public Health Law Center at (651) 290-7506 or [publichealthlaw@mitchellhamline.edu](mailto:publichealthlaw@mitchellhamline.edu) with any questions about the information included in this fact sheet or to discuss concerns you may have about implementing these policy options.