

**Obade Candy Co. Inc.**

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**IMPORTANT TOBACCO TAX INFORMATION**

**9/22/2016**

On **October 1, 2016** the new OTP (Other Tobacco Products) Tax will take effect in Pennsylvania on all forms of chewing tobacco, snuff, pipe tobacco and vapor products.

If a product is labeled as "Pipe Tobacco" it will be increasing. If it is labeled as "Cigarette Tobacco" it will not increase until a later date to be announced. This includes Bugler , Kite, Zig Zag , Texas Rollem and some others

Chewing tobacco, snuff and pipe tobacco will be taxed based upon the product weight. The tax is \$.55 per ounce and retail selling unit that weighs less than 1.2 ounces will be taxed at the 1.2 ounce size. Examples would include Copenhagen Pouch, Camel Snus.

Vapor products, such as electronic cigarettes, E-Juices, will be taxed at 40% of what we (OBADE CANDY CO) charge you the retailer. (You will only see the TOTAL each price on invoice pending further regulations from PA DOR.)

For example if the cost is \$10.00. Your invoice price will be \$14.00.

There will be a floor stock tax based upon your existing inventory at close of business **September 30, 2016.**

**How to determine your new cost:**

Rather than adding the new tax to the cost of the product and marking it up from that, I have decided to markup the new tax at a fixed amount of \$.02 per ounce. So for all weight based calculations, I will be charging you \$.57 per ounce. I believe that this is the easiest and fairest way to implement this tax which is essentially an increase in cost of the product. For vapor products, I will simply be adding the 40% to the cost of the product.

**Weight Based Examples:**

**Copenhagen Fine Cut:** One roll of Copenhagen Fine Cut contains 5 cans that weigh 1.2 ounces a piece. For one roll, I will add 5 cans x 1.2 ounces x \$.57 per ounce = \$3.42 to your current cost per roll or  $\$3.42/5 = \$.68$  per can

**Copenhagen Pouch:** One roll of Copenhagen Pouch contains 5 cans that weigh .82 ounces a piece. Since the can weighs less than 1.2 ounces we still will tax it at the 1.2 ounce weight. For one roll, I will add 5 cans x 1.2 ounces x \$.57 per ounce = \$3.42 to your current cost per roll or  $\$3.42/5 = \$.68$  per can

**Levi Garrett Chewing Tobacco:** One carton of Levi Garrett Chew contains 12 pouches that weigh 3 ounces each. For one carton, I will add 12 pouches x 3 ounces x \$.57 per ounce = \$20.52 per carton or  $\$20.52/12 = \$1.71$  per pouch.

**Criss Cross Pipe Tobacco 6oz Bag:**

We will tax this at 6 ounces x \$.57 per ounce = \$3.42 per bag

**Criss Cross Pipe Tobacco 16oz Bag:**

We will tax this at 16 ounces x \$.57 per ounce = \$9.12 per bag

**Vapor Product Examples:**

**Vuse Solo Electronic Cigarette:** One Vuse Solo Electronic Cigarettes that sell for \$9.67 each will be billed at \$13.55. Our system does not accommodate adding the tax at the end.

Those are the basic calculations for this new tax for the two categories. There might be some slight penny differences due to rounding. I will be working on a list that will include the new taxes on all taxed products, but for now hopefully this will give you an opportunity to look at the products in your store to determine what tax increase will be for each one.

Whether and how to markup on the new taxes is a difficult decision. There are no rules or guidelines regarding the products that are being affected with these new taxes. Whenever we have tax increases, we focus on what our gross profit dollars are and try to maintain or increase that number. If you have new taxes on products and the volume decreases and you don't markup on that tax, you will lose gross profit. If you do markup and lose sales, you can still maintain or grow your gross profit. I tried to add appx 3 to 5 cents per ounce to the SRP. **Please be mindful of your competition and remember our SRPs are of a suggested nature only.**

I will be emailing a price list shortly for both E-cigs and the other tobacco. If you normally receive emails just look for it by Monday September 26<sup>th</sup>. If you do not receive emails, please email me at [Obadecdy@hotmail.com](mailto:Obadecdy@hotmail.com). Please put "REQUEST NEW TOBACCO PRICE LIST" in the subject heading. In the email please provide your **business name**, **YOUR name**, your **customer number** and your **most recent invoice number** and your new **tobacco licence number**. You can download UPC codes and SRPs for effected items at: <http://obadecandy.com/promo/PriceChange/>

Thank you

John Nasser  
Obade Candy Co., Inc.