

This publication summarizes the taxes and fees imposed on cigarettes and tobacco products, including vapor products. These taxes can be found under [Minnesota Statutes, chapter 297F](#).

License and stamp requirements

Any distributor or subjobber wishing to sell or distribute cigarette or tobacco products must obtain a license from the commissioner of revenue. Further, all packs of cigarettes sold must be affixed with a Minnesota cigarette stamp, which distributors can obtain from the commissioner of revenue.

Cigarette excise taxes and fees

Excise tax. Minnesota imposes an excise tax of 15.2 cents per cigarette (\$3.04 per pack of 20) on the sale or possession of cigarettes. The tax on cigarettes is different from a traditional sales tax because it is imposed on a “per unit” basis—i.e., on the number of cigarettes sold, not as a percentage of the sale price. As a result, the tax does not vary based on variables such as the cigarette brand, the base price of the pack, or the location where the cigarettes are purchased.

In-lieu sales tax. In addition to the excise tax, a tax in lieu of the state sales tax is imposed on each pack of cigarettes. Effective January 1, 2019, the rate is 58.8 cents per pack. Each January, the commissioner of revenue sets the in-lieu tax based on a survey of Minnesota retail cigarette prices. Cigarettes are exempt from local sales taxes.

Settlement fee. Cigarettes manufactured by companies other than Philip Morris, R.J. Reynolds, Lorillard, and Liggett are subject to an additional fee of 50 cents per pack. In 1998, a group of states entered into a settlement agreement (the Tobacco Master Settlement Agreement) with the four largest tobacco companies in the United States. Under this agreement, the tobacco companies are required to make annual payments to the states to offset state-incurred medical costs of persons with smoking-related illnesses.

Minnesota was not part of the Master Settlement Agreement and instead entered into its own agreement with the same four tobacco companies. Similar to the national settlement, these companies make annual payments to Minnesota to offset state-incurred medical costs of persons with smoking-related illnesses. Thus, because those four companies make annual payments to Minnesota, cigarettes made by those companies do not incur an additional fee.

Use tax. A use tax may apply to an individual who purchases cigarettes in another state for use in Minnesota. The use tax applies if, in one month, an individual brings into Minnesota more than one carton of cigarettes. The tax is the same as the rate of the cigarette excise tax. The one carton exemption does not apply to cartons purchased over the Internet.

Other tobacco products

An excise tax of 95 percent of the wholesale price applies to other tobacco products, such as cigars, vapor products, pipe tobacco, snuff, and chewing tobacco. Since this tax is a percentage of price, it fluctuates along with the prices of the products.

Moist snuff. A minimum tax equal to the tax rate on a pack of 20 cigarettes applies to each container of moist snuff and represents the lowest the tax can be.

Premium cigars. Premium cigars (with a wholesale price of \$2 per cigar or more) are taxed at a rate of 50 cents per cigar.

Use tax. As with cigarettes, a use tax may apply to other tobacco products purchased out-of-state for use in Minnesota. The use tax applies if, in one month, an individual brings into Minnesota more than \$50 of tobacco products. The tax is the same as the rate of the tobacco products and premium cigar excise tax rate. The \$50 exemption does not apply to products purchased over the Internet.

Revenue dedication

For fiscal year 2019, reported revenues from cigarette and tobacco taxes totaled \$624 million. Revenues from the cigarette and tobacco products taxes are deposited in the general fund. However, each fiscal year, \$22.25 million is dedicated to fund the Academic Health Center at the University of Minnesota, and \$3.94 million is dedicated to the medical education and research account and appropriated to the commissioner of health.

Neighboring state comparison

Because cigarettes can easily be transported, the tax rates in other states (especially border states) are important. Minnesota excise tax (\$3.04/pack) is higher than any of the bordering states: Wisconsin (\$2.52), South Dakota (\$1.53), Iowa (\$1.36), North Dakota (\$0.44), but is significantly lower than the highest tax state, Connecticut (\$4.35).

State Cigarette Tax Rates*
as of January 1, 2019
cents per pack



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