
BUDGET UNIT BRIEF – FY 2023

Fiscal Services Division

July 1, 2022



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Medical Assistance — Health Care Trust Fund

Background

[Senate File 128](#) (FY 2008 Cigarette/Tobacco Tax Increases and Health Care Trust Fund Act) increased the cigarette tax rate from \$0.36 per pack of 20 cigarettes to \$1.36 per pack and increased the tobacco tax rate from 22.0% of the wholesale cost to 50.0% of the wholesale cost. In addition, language in [HF 923](#) (FY 2008 Department of Revenue Technical and Policy Act) taxed cigars at 50.0% of the wholesale price or \$0.50 per cigar, whichever is less.

The revenues from the tax increases were deposited in the newly created Health Care Trust Fund (HCTF) beginning July 1, 2007. [Senate File 446](#) (FY 2014 Health and Human Services Appropriations Act) amended the law so that all tax receipts related to the sale of tobacco are deposited into the HCTF beginning July 1, 2013.

Revenues

Revenues deposited to the HCTF from the sale of tobacco averaged around \$106.0 million prior to the law change in SF 446 and are estimated to be approximately \$200.7 million in FY 2023. Revenues to the Fund have been decreasing as individuals have quit using tobacco products or switched to e-cigarette products, which are not taxed. All revenues from the HCTF are appropriated to the Medicaid Program.

Related Statutes and Administrative Rules

Iowa Code sections [453A.35](#) and [453A.35A](#)

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More Information

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