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## BUDGET UNIT BRIEF – FY 2025

Fiscal Services Division

July 1, 2024



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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Medical Assistance — Health Care Trust Fund

### Background

2007 Iowa Acts, chapter [17](#) (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 2007 Iowa Acts, chapter [186](#) (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. 2013 Iowa Acts, chapter [138](#) (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 the 2013 Iowa Acts, chapter [138](#), and are estimated to be approximately \$189.9 million in FY 2024. Revenues deposited into the HCTF have been decreasing as individuals have quit or reduced their use of 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](#)

### Budget Unit Number

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### More Information

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