

House File 14

HOUSE FILE _____
BY R. OLSON and TOMENGA

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act increasing the taxes imposed on cigarettes and tobacco
2 products and providing for deposit of the increased revenue
3 generated in the senior living trust fund, and providing an
4 applicability date and an effective date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1109HH 82
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1 1 Section 1. Section 249H.4, subsection 1, Code 2007, is
1 2 amended to read as follows:
1 3 1. A senior living trust fund is created in the state
1 4 treasury under the authority of the department of human
1 5 services. Moneys received through intergovernmental
1 6 agreements for the senior living program and moneys received
1 7 from sources, including grants, contributions, and participant
1 8 payments, shall be deposited in the fund. Additionally,
1 9 proceeds derived from payment of taxes pursuant to section
1 10 453A.6, subsection 1, paragraph "a", subparagraph (2), section
1 11 453A.6, subsection 1, paragraph "b", subparagraph (2), section
1 12 453A.43, subsection 1, paragraph "b", and section 453A.43,
1 13 subsection 2, paragraph "b", shall be credited to the fund.

1 14 Sec. 2. NEW SECTION. 422.11T SMOKING CESSATION PRODUCTS
1 15 TAX CREDIT.

1 16 1. The taxes imposed under this division, less the credits
1 17 allowed under sections 422.12 and 422.12B, shall be reduced by
1 18 a smoking cessation products tax credit. To be eligible for
1 19 the credit, the taxpayer shall purchase smoking cessation
1 20 products. For the purposes of this section, "smoking
1 21 cessation products" means tobacco cessation products approved
1 22 by the United States food and drug administration.

1 23 2. The amount of the smoking cessation products tax credit
1 24 shall equal the cost of any unreimbursed smoking cessation
1 25 products, not to exceed four hundred dollars, annually,
1 26 incurred by the taxpayer and related to smoking cessation.

1 27 3. If the tax credit is claimed under this section, the
1 28 expenses shall not be considered medical care expenses under
1 29 section 213 of the Internal Revenue Code for the same tax year
1 30 for state tax purposes.

1 31 4. Any credit in excess of the tax liability is
1 32 nonrefundable but may be credited to the tax liability for the
1 33 following ten years or until depleted, whichever is the
1 34 earlier.

1 35 Sec. 3. Section 453A.6, subsection 1, Code 2007, is
2 1 amended to read as follows:

2 2 1. There is imposed, and shall be collected and paid to
2 3 the department, the following taxes on all cigarettes used or
2 4 otherwise disposed of in this state for any purpose
2 5 whatsoever:

2 6 a. Class A.

2 7 (1) On cigarettes weighing not more than three pounds per
2 8 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
2 9 such cigarette.

2 10 (2) In addition to the tax imposed in subparagraph (1), on
2 11 cigarettes weighing not more than three pounds per thousand,
2 12 three and two-tenths cents on each cigarette.

2 13 b. Class B.

2 14 (1) On cigarettes weighing more than three pounds per
2 15 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
2 16 such cigarette.

2 17 (2) In addition to the tax imposed in subparagraph (1), on
2 18 cigarettes weighing more than three pounds per thousand, three

2 19 and two-tenths cents on each cigarette.

2 20 Sec. 4. Section 453A.35, Code 2007, is amended to read as
2 21 follows:

2 22 453A.35 TAX AND FEES PAID TO GENERAL FUND.

2 23 The proceeds derived from the sale of stamps and the
2 24 payment of taxes, fees and penalties provided for under this
2 25 chapter, and the permit fees received from all permits issued
2 26 by the department, with the exception of the proceeds derived
2 27 from payment of taxes pursuant to section 453A.6, subsection
2 28 1, paragraph "a", subparagraph (2), section 453A.6, subsection
2 29 1, paragraph "b", subparagraph (2), section 453A.43,
2 30 subsection 1, paragraph "b", and section 453A.43, subsection

2 31 2, paragraph "b", which shall be credited to the senior living
2 32 trust fund created in section 249H.4, shall be credited to the
2 33 general fund of the state. All permit fees provided for in
2 34 this chapter and collected by cities in the issuance of
2 35 permits granted by the cities shall be paid to the treasurer
3 1 of the city where the permit is effective, or to another city
3 2 officer as designated by the council, and credited to the
3 3 general fund of the city. Permit fees so collected by
3 4 counties shall be paid to the county treasurer.

3 5 Sec. 5. Section 453A.40, subsection 1, Code 2007, is
3 6 amended to read as follows:

3 7 1. All of the following persons shall be subject to an
3 8 inventory tax on the following items as provided in this
3 9 section:

3 10 a. All persons required to be licensed obtain a permit
3 11 under section 453A.13 as distributors or to be licensed under
3 12 section 453A.44 as a distributor or subjobber, having in their
3 13 possession and held for resale on the effective date of an
3 14 increase in the tax rate cigarettes, or little cigars, or
3 15 tobacco products upon which the tax under section 453A.6 or
3 16 453A.43 has been paid, unused cigarette tax stamps which have
3 17 been paid for under section 453A.8, or unused metered imprints
3 18 which have been paid for under section 453A.12 shall be
3 19 subject to an inventory tax on the items as provided in this
3 20 section.

3 21 b. All consumers having for use or storage on the
3 22 effective date of an increase in the tax rate, tobacco
3 23 products upon which the tax under section 453A.43 has been
3 24 paid.

3 25 c. All consumers subject to section 453A.46, subsection 6,
3 26 who have acquired title to or possession of tobacco products
3 27 for storage in this state, upon which tobacco products the tax
3 28 imposed by section 453A.43 has not been paid.

3 29 Sec. 6. Section 453A.43, subsections 1, 2, and 3, Code
3 30 2007, are amended to read as follows:

3 31 1. a. A tax is imposed upon all tobacco products in this
3 32 state and upon any person engaged in business as a distributor
3 33 of tobacco products, at the rate of twenty-two percent of the
3 34 wholesale sales price of the tobacco products, except little
3 35 cigars as defined in section 453A.42.

4 1 b. In addition to the tax imposed under paragraph "a", a
4 2 tax is imposed upon all tobacco products in this state and
4 3 upon any person engaged in business as a distributor of
4 4 tobacco products, at the rate of thirty-three percent of the
4 5 wholesale sales price of the tobacco products, except little
4 6 cigars as defined in section 453A.42.

4 7 c. Little cigars shall be subject to the same rate of tax
4 8 imposed upon cigarettes in section 453A.6, payable at the time
4 9 and in the manner provided in section 453A.6; and stamps shall
4 10 be affixed as provided in division I of this chapter.

4 11 d. The ~~tax~~ taxes on tobacco products, excluding little
4 12 cigars, shall be imposed at the time the distributor does any
4 13 of the following:

4 14 a- (1) Brings, or causes to be brought, into this state
4 15 from without the state tobacco products for sale.

4 16 b- (2) Makes, manufactures, or fabricates tobacco
4 17 products in this state for sale in this state.

4 18 c- (3) Ships or transports tobacco products to retailers
4 19 in this state, to be sold by those retailers.

4 20 2. a. A tax is imposed upon the use or storage by
4 21 consumers of tobacco products in this state, and upon the
4 22 consumers, at the rate of twenty-two percent of the cost of
4 23 the tobacco products.

4 24 b. In addition to the tax imposed in paragraph "a", a tax
4 25 is imposed upon the use or storage by consumers of tobacco
4 26 products in this state, and upon the consumers, at a rate of
4 27 thirty-three percent of the cost of the tobacco products.

4 28 c. The ~~tax~~ taxes imposed by this subsection shall not
4 29 apply if the ~~tax~~ taxes imposed by subsection 1 on the tobacco

4 30 products ~~has~~ have been paid.
4 31 ~~d. This tax~~ The taxes imposed under this subsection shall
4 32 not apply to the use or storage of tobacco products in
4 33 quantities of:
4 34 ~~a.~~ (1) Less than 25 cigars.
4 35 ~~b.~~ (2) Less than 10 oz. snuff or snuff powder.
5 1 ~~c.~~ (3) Less than 1 lb. smoking or chewing tobacco or
5 2 other tobacco products not specifically mentioned herein, in
5 3 the possession of any one consumer.
5 4 3. Any tobacco product with respect to which a tax has
5 5 once been imposed under this division shall not again be
5 6 subject to tax under said division, except as provided in
5 7 section 453A.40.

5 8 Sec. 7. EFFECTIVE DATE. The sections of this Act amending
5 9 section 249H.4, subsection 1, section 453A.6, subsection 1,
5 10 section 453A.35, section 453A.40, subsection 1, and section
5 11 453A.43, subsections 1, 2, and 3, being deemed of immediate
5 12 importance, take effect on the first day of the month that
5 13 begins following enactment of this Act.

5 14 Sec. 8. APPLICABILITY DATE. The section of this Act
5 15 enacting section 422.11T applies for tax years beginning on or
5 16 after January 1, 2008.

5 17 EXPLANATION

5 18 This bill relates to an increase in the taxes imposed on
5 19 cigarettes and tobacco products and to the deposit of the
5 20 increased revenue generated in the senior living trust fund.

5 21 The bill provides for a tax on cigarettes, in addition to
5 22 the tax of 18 mills (1.8 cents) imposed on each cigarette, of
5 23 3.2 cents on each cigarette. The effect of the bill is to
5 24 increase the tax on a pack of 20 cigarettes from 36 cents per
5 25 pack to \$1 per pack.

5 26 The bill also provides for a tax on tobacco products, in
5 27 addition to the 22 percent of the wholesale sales price for
5 28 distributors and 22 percent of the cost of tobacco products
5 29 for the use or storage by consumers of tobacco products, of 33
5 30 percent of the wholesale sales price and the cost.

5 31 The bill also provides for payment of the inventory tax by
5 32 all persons required to obtain a permit as a distributor of
5 33 cigarettes or to be licensed as a distributor or subjobber of
5 34 tobacco products who have in their possession and hold for
5 35 resale on the effective date of an increase in the tax rate,
6 1 cigarettes, little cigars, or tobacco products upon which the
6 2 tax has been paid, unused cigarette tax stamps which have been
6 3 paid for, or unused metered imprints which have been paid for.
6 4 The inventory tax also applies to consumers who have for use
6 5 or storage on the effective date of the increase in the tax
6 6 rate tobacco products upon which the tax has already been
6 7 paid, and to consumers who have acquired title to or
6 8 possession of tobacco products for storage in this state upon
6 9 which the tobacco tax has not been paid.

6 10 The bill provides that the additional revenue generated
6 11 (the 3.2 cents per cigarette and the 33 percent on tobacco
6 12 products) is to be deposited in the senior living trust fund.
6 13 The bill also provides for a smoking cessation products tax
6 14 credit not to exceed \$400 annually. The section of the bill
6 15 relating to the tax increase on cigarettes and tobacco
6 16 products takes effect on the first day of the month that
6 17 begins following enactment, and the tax credit applies to tax
6 18 years beginning on or after January 1, 2008.

6 19 LSB 1109HH 82

6 20 pf:nh/gg/14