

February 25, 1955.  
Ways and Means.

**House File 503**  
By MILLER of Woodbury.

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

## A BILL FOR

An Act to amend chapter ninety-eight (98), Code 1954,  
relating to cigarettes and tobacco to enable  
the consumer to deduct the cigarette tax  
for income tax purposes.

*Be It Enacted by the General Assembly of the State of Iowa:*

- 1 Section 1. Amend section ninety-eight point six
- 2 (98.6). subsection two (2), Code 1954, by striking the
- 3 first sentence thereof and inserting in lieu thereof
- 4 the following:
- 5 "2. The liability for, and the incidence of, the
- 6 taxes above provided for shall be on the consumer. However,
- 7 such taxes shall be collected in advance by the commission
- 8 from the person making the "first sale" in this state,
- 9 and shall become due and payable by such person as soon as
- 10 such cigarettes are subject to a first sale in Iowa, it
- 11 being intended to make such advance collection as soon as
- 12 such cigarettes are received by any person in Iowa for
- 13 the purpose of making a 'first sale' of same."

### EXPLANATION OF H. F. 503

Iowa law now places the cigarette tax on the distributor. Consequently the consumer is not permitted to deduct such tax for income tax purposes, even though he indirectly

pays it because the distributor naturally passes it on to him in the sale price of the cigarettes.

This bill changes the incidence of the tax from the distributor to the consumer, so that the consumer can get an income tax deduction. It also provides that the tax is to be collected in advance by the state tax commission from the person making the "first sale", so that the present system for collecting the tax is not disturbed.

The distributor is not affected because, while he is required to include the tax collected from the consumer in his gross receipts, he can take a deduction in an equal amount when he pays such tax over to the commission.

The Iowa cigarette tax comes to three cents per pack, or 30 cents per carton. For a smoker who consumes a carton per week, this would amount to approximately \$15 per year. If he is in a 30 per cent income tax bracket and itemizes his deductions on page three of his federal return, this would give him a tax savings of \$4.50. Perhaps this is not very much, when any one individual is concerned, but when multiplied by an estimated number of 100,000 taxpayers who would be affected, it comes to a tidy sum of tax savings for Iowans.

The states of Florida, New Jersey, Massachusetts and Oklahoma have amended their laws in the above fashion to give their citizens an income tax savings. It seems proper for Iowa to do so too.