

CHAPTER 230
ADMINISTRATION OF CIGARETTE, TOBACCO, VAPOR PRODUCTS, AND
ALTERNATIVE NICOTINE PRODUCTS

Chapter rescission date pursuant to Iowa Code section 17A.7: 4/23/30

701—230.1(453A) Definitions. Terms have the same meaning as defined in Iowa Code chapters 421B, 453A, 453C, 453D, and 453E. In addition, as used in this title, the following definitions apply:

“*Permit*” means any permit or license issued under Iowa Code chapter 453A.

“*Permittee*” means any person holding or required to obtain a permit or license of any kind under Iowa Code chapter 453A.

“*Supplier*” means any person or firm authorized to manufacture or supply cigarette stamps for the department.

“*Tax*” means the tax imposed under Iowa Code chapter 453A.

“*Taxpayer*” means any person required to collect or remit tax directly to the department or required to be licensed or to file any report or return or keep records under Iowa Code chapter 453A.

“*Tobacco*” means the same as “tobacco products” as defined in Iowa Code sections 453A.1 and 453A.42.

This rule is intended to implement Iowa Code chapters 421B, 453A, 453C, 453D, and 453E.

[ARC 9038C, IAB 3/19/25, effective 4/23/25]

701—230.2(453A) Records.

230.2(1) *Generally.* Every taxpayer shall keep, preserve, and make available to the department records for a period of at least three years. The following is a nonexhaustive list of records that are subject to the provisions of this rule. 701—Chapter 11 provides more information for taxpayers using an electronic data interchange process or technology. Nothing in this rule shall be construed to affect the provisions of any applicable federal law. The records will be considered inadequate when the requirements of this rule are not met. The director may, by express order in certain cases, authorize permit holders to keep their records in a manner and upon forms other than those so prescribed (agreements must be in writing).

230.2(2) *General requirements for records used in an appeal.* If a tax liability has been assessed and an appeal is pending to the department, district court or an appellate court, books, papers, records, memoranda or documents specified in this rule that relate to the period covered by the assessment shall be preserved until the final disposition of the appeal.

230.2(3) *Cigarette manufacturer.* Cigarette manufacturers are required to keep the following records.

a. Records, including invoices, showing the sale of cigarettes in Iowa or the sale of cigarettes for shipment into Iowa.

b. Records evidencing the transportation of cigarettes into Iowa.

c. Records, including invoices, showing all sales of cigarettes to permittees.

d. A record of all stamps purchased.

e. Copies of all reports filed with the department.

230.2(4) *Cigarette distributing agent.* Cigarette distributing agents are required to keep the following records.

a. Records of the receipt of all cigarettes showing the number of cigarettes received and from whom the cigarettes were received.

b. Records of all distribution of cigarettes showing the number of cigarettes shipped and to whom and at whose direction the cigarettes were distributed.

c. Records showing all exports of cigarettes.

d. Copies of all reports filed with the department.

e. Detailed inventory records.

f. Freight receiving and shipping records.

230.2(5) *Cigarette distributors.* Cigarette distributors are required to keep the following records.

a. Records, including invoices, showing the purchase of all cigarettes sold, used or stored in Iowa.

- b. Records, including invoices, showing the sale of cigarettes in Iowa.
- c. Detailed inventory records.
- d. Freight receiving and shipping records.
- e. A record of all stamps purchased.
- f. Copies of all reports filed with the department.

230.2(6) *Cigarette wholesaler.* Cigarette wholesalers are required to keep the following records.

- a. Records, including invoices, evidencing the purchase of all cigarettes.
- b. Records, including invoices, evidencing the sale of all cigarettes.
- c. Detailed inventory records.

230.2(7) *Cigarette vendor.* Cigarette vendors are required to keep the following records.

- a. Records, including invoices, evidencing the purchase of all cigarettes.
- b. Records evidencing the sale of cigarettes.
- c. Inventory records.

d. Records of all cigarette vending machines owned, furnished, installed, serviced, operated or maintained by the vendor and the location of each.

230.2(8) *Cigarette retailer.* Cigarette retailers are required to keep the following records.

- a. Records, including invoices, evidencing the purchase of all cigarettes.
- b. Inventory records.

230.2(9) *Tobacco distributor.* Tobacco distributors are required to keep the same records as a cigarette distributor as described in subrule 230.2(5), but with respect to tobacco, no records of stamps purchased are required.

230.2(10) *Tobacco subjobber.* Tobacco subjobbers are required to keep the same records as a cigarette wholesaler as described in subrule 230.2(6) but with respect to tobacco.

230.2(11) *Tobacco retailer.* Tobacco retailers are required to keep the same records as a cigarette retailer as described in subrule 230.2(8) but with respect to tobacco.

230.2(12) *Common carrier engaged in transporting cigarettes or tobacco products into Iowa.* Common carriers engaged in transporting cigarettes or tobacco products into Iowa are required to keep the following records.

- a. Copies of bills of lading or manifests as to each transportation of cigarettes or tobacco.
- b. Log book or trip sheets.

230.2(13) *Microfilm and related records system.*

a. Microfilm, microfiche, COM (computer on machine) and other related reduction in storage systems will be referred to as “microfilm” in this rule.

b. Microfilm reproductions of general books of account, such as a cash book, journals, voucher registers, ledgers, etc., are not acceptable other than those that have been approved by the Internal Revenue Service. However, microfilm reproductions of supporting records of detail, such as sales invoices, purchase invoices, credit memoranda, etc., may be allowed providing all the following conditions are met and accepted by the taxpayer.

- (1) Appropriate facilities are provided to ensure the preservation and readability of the films.
- (2) Microfilm rolls are indexed, cross-referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listing of documents included, and systematically filed.
- (3) The taxpayer agrees to provide transcripts of any information contained on microfilm that may be required for purposes of verification of tax liability.
- (4) Proper facilities are provided for the ready inspection and location of the particular records, including modern projectors for viewing and for the copying of records.
- (5) Any audit of “detail” on microfilm may be subject to sample audit procedures, to be determined at the discretion of the director or the director’s designated representative.
- (6) A posting reference must be on each invoice.
- (7) Credit memoranda must carry a reference to the document evidencing the original transaction.
- (8) Documents necessary to support claimed exemptions from tax liability, such as bills of lading and purchase orders, must be maintained in an order by which they readily can be related to the transaction for which exemption is sought.

230.2(14) *Automatic data processing records.* Automatic data processing records are defined and described in 701—Chapter 11.

230.2(15) *Other persons.* The director may require any person other than those previously listed in this rule to maintain books and records as deemed necessary by the director.

This rule is intended to implement Iowa Code sections 453A.15, 453A.18, 453A.19, 453A.24, 453A.45, and 453A.49.

[ARC 9038C, IAB 3/19/25, effective 4/23/25]

701—230.3(453A) Form of invoice. Whenever an invoice is required to be prepared or kept by Iowa Code chapter 453A or these rules, at minimum, it must contain the following information:

1. Seller's name and address.
2. Purchaser's name, address, and permit number (if any).
3. Date of sale.
4. All prices and discounts stated separately.
5. An indication as to whether cigarettes or tobacco products are being sold with or without tax stamps attached or tax included.
6. Origination and destination points.

This rule is intended to implement Iowa Code sections 453A.15, 453A.25, 453A.45, and 453A.49.

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701—230.4(453A) Bonds. When bonds are required by Iowa Code chapter 453A or these rules, said bonds will be in the form of cash or a bond issued by a surety company licensed to do business in the state of Iowa, payable to the State of Iowa, and in a form approved by the director. Bonds required by tobacco distributors must be issued by a surety company licensed to do business in Iowa. However, with prior approval by the director, a cash bond will be accepted by the department as a substitute for the surety bond. Iowa Code section 453A.44(4) provides more information.

This rule is intended to implement Iowa Code sections 453A.14 and 453A.44.

[ARC 9038C, IAB 3/19/25, effective 4/23/25]

701—230.5(453A) Permit applications and denials.

230.5(1) *Applications for permits in general.* The application forms for all permits issued under Iowa Code chapter 453A are available from the department. Each application must include the following information:

- a. Nature of the applicant's business;
- b. Type of permit requested;
- c. Address of the principal office of the applicant;
- d. Address of the place of business for which the permit is to apply;
- e. Names and addresses of no more than three principal officers or members, if the business is not a sole proprietorship;
- f. A list of persons who will be the applicant's suppliers or customers or both (whichever is applicable);
- g. Whether the applicant possesses any other permit issued under Iowa Code chapter 453A; and
- h. Signature of the person authorized to complete the application. For electronically transmitted applications, the application form will state that, in lieu of the person's handwritten signature, the person's email address or the person's fax signature will constitute a valid signature.
- i. Any other information required on the forms issued by the department for the purpose of administering Iowa Code chapter 453A and these rules.

230.5(2) *Cigarette distributor applicants.* In addition to the requirements above, cigarette distributor applicants must also supply certificates from cigarette manufacturers indicating the intention to sell unstamped cigarettes to the applicant.

230.5(3) *Denial of application for permit.*

a. The department may deny a permit to any applicant who is, at the time of application, substantially delinquent in paying any tax due that is administered by the department or the interest or penalty on the tax. Rule 701—201.10(423) describes what constitutes being substantially delinquent in paying a tax.

b. If the applicant is a partnership, a permit may be denied if a partner is substantially delinquent in paying any tax, penalty, or interest regardless of whether the tax is in any way a liability of or associated with the partnership.

c. If an applicant for a permit is a corporation, the department may deny the applicant a permit if any officer, with a substantial legal or equitable interest in the ownership of the corporation, owes any delinquent tax, penalty, or interest of the applicant corporation. Unlike a partnership, the corporation must, initially, owe the delinquent tax, penalty, or interest and the officer must be personally and secondarily liable for the tax.

d. The director will deny a permit to any applicant, who is an individual, if the department has received a certificate of noncompliance from child support services in regard to the individual unless the unit furnishes the department with a withdrawal of the certificate of noncompliance.

230.5(4) Applications for retail permits. Applications for retail permits are supplied by the department to city councils and county boards of supervisors. The application must be filed with the individual council or board either in a paper format or online through GovConnectIowa.

This rule is intended to implement Iowa Code chapter 252J and sections 453A.13, 453A.16, 453A.17, 453A.22, 453A.23, and 453A.44.

[ARC 9038C, IAB 3/19/25, effective 4/23/25]

701—230.6(453A) Permit revocation.

230.6(1) Revocation by the department. Any permit revocation by the department under Iowa Code chapter 453A and this rule is subject to the requirements of 7—Chapter 2506 and 701—Chapter 2506.

230.6(2) Delinquency.

a. The department may revoke the permit of any permit holder who becomes substantially delinquent in paying any tax that is administered by the department or the interest or penalty on the tax. Rule 701—201.10(423) describes what constitutes being substantially delinquent in paying a tax.

b. If the permit holder is a corporation, the department may revoke the permit if any officer, with a substantial legal or equitable interest in the ownership of the corporation, owes any delinquent tax, penalty, or interest of the applicant corporation. In this latter instance, the corporation must, initially, owe the delinquent tax, penalty, or interest and the officer must be personally and secondarily liable for the tax.

c. If the permit holder is a partnership, a permit cannot be revoked for a partner's substantial delinquency in paying any tax, penalty, or interest that is not a liability of the partnership.

230.6(3) Revocation by a local jurisdiction. Iowa Code chapter 17A does not apply to boards of supervisors or city councils. As a result, any permit revocation by a board of supervisors or city council is subject to the procedure or policy adopted by such board of supervisors or city council.

230.6(4) Revocations for child support violations. The department will revoke a permit of a permit holder, who is an individual, if the department has received a certificate of noncompliance from child support services in regard to the permit holder unless the unit furnishes the department with a withdrawal of the certificate of noncompliance. The board of supervisors or the city council that issued a retail permit is required by Iowa Code chapter 252J to revoke the permit of any retailer who is an individual if the board or council has received a certificate of noncompliance from child support services in regard to the retailer unless the unit furnishes the board of supervisors or the city council with a withdrawal of the certificate of noncompliance.

This rule is intended to implement Iowa Code chapter 252J and sections 453A.13, 453A.22, 453A.44(11), and 453A.48(2).

[ARC 9038C, IAB 3/19/25, effective 4/23/25; ARC 0437D, IAB 7/22/26, effective 6/30/26]

701—230.7(453A) Inventory tax.

230.7(1) Inventory. All persons required to obtain a permit under Iowa Code section 453A.13 and 453A.44 as distributors shall take an inventory of all cigarettes and little cigars in their possession prior to delivery for resale upon which the tax stamp or metered imprint has been affixed and all unused cigarette

tax stamps and unused metered imprints in their possession at the close of business on the day preceding the effective date of an increase in the tax rate.

230.7(2) *Remittance.* Persons required to take an inventory shall remit the tax due on all cigarette stamps or metered imprints and all cigarettes and little cigars with stamps or metered imprints affixed in their possession prior to delivery for resale within 30 days of the inventory date.

230.7(3) *Computation.* The tax is equal to the difference between the amount paid for cigarette stamps or metered imprints purchased prior to the tax increase and the amount that is to be paid for cigarette stamps or metered imprints purchased after the tax increase.

In computing the inventory tax, any discount allowed or allowable under Iowa Code section 453A.8 shall not be considered.

230.7(4) *Applicability.* The inventory tax is applicable only when there is an increase in the tax rate. Rule 701—231.9(453A) provides an explanation of whether a refund is allowable when there is a decrease in the tax rate.

This rule is intended to implement Iowa Code sections 453A.6, 453A.40, and 453A.43.

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