

**701—233.5(421B) Promotions using cigarettes, noncigarettes, or coupons.**

**233.5(1)** *Promotions using cigarettes, noncigarettes or coupons generally.* Promotional situations are specifically covered by Iowa Code section 421B.4. A promotional situation as described in Iowa Code section 421B.4 is valid provided it is a promotion scheme complying with the procedural requirements that it be a sale.

**233.5(2)** *Promotion using cigarettes.* If a manufacturer wants to run a promotion where two packs of cigarettes are sold for the price of one, the manufacturer could give the complimentary cigarettes to a distributor to be stamped that would then give the complimentary cigarettes to a retailer who gives the complimentary cigarettes away with the purchase of another pack. Provided the distributor is reimbursed for the cost of the tax stamps, there is no violation of Iowa Code chapter 421B by anyone. The following example illustrates what a manufacturer can do.

EXAMPLE: A manufacturer ships packs of 20, free of charge, to a permitted distributor with instructions to stamp them and send them to retail outlets or deliver them to one of the manufacturer's employees. The manufacturer reimburses the distributor for the cost of stamping the cigarettes. The manufacturer sends or furnishes instructions and display materials to retailers for the retail distribution of the cigarettes. This method of distribution would be proper.

The cost provisions of Iowa Code section 421B.4 would not prevent the distribution of cigarettes in this example since Iowa Code section 421B.4 is silent with respect to below cost combination sales by manufacturers. The cost of cigarettes that are sold is controlled by Iowa Code section 421B.2. The cigarettes sold under the "buy one" portion of the promotion will have a cost of the lower of the true invoice or the lowest replacement cost. The cigarettes sold under the "get one free" portion of the promotion and that were obtained free of charge will have no invoice cost to the retailer.

**233.5(3)** *Promotions using noncigarette items.* A manufacturer wants to give away promotional items with the purchase of cigarettes at the regular price. Since Iowa Code section 421B.4 is silent with respect to below cost combination sales by manufacturers, the practice of the manufacturer providing a gift item, such as cigarette lighters, through wholesale channels to retailers that will be delivered to the customer at the time of the sale of the cigarettes does not violate Iowa Code chapter 421B.

**233.5(4)** *Coupons.* A manufacturer distributes coupons to the general public to allow the purchase of cigarettes at a reduced price. Provided it is the manufacturer who absorbs the entire cost of the reduction in price, there would be no violation of Iowa Code chapter 421B. Coupons that are sent to the final consumer to be redeemed by a retailer that is reimbursed by a manufacturer do not violate Iowa Code chapter 421B. This would be true even though the coupon represented the full price of the cigarettes.

This rule is intended to implement Iowa Code chapter 421B.

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