

Senate File 2480

H-8467

1 Amend Senate File 2480, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. By striking everything after the enacting clause and
4 inserting:

5 <Section 1. Section 453A.1, subsections 1 and 29, Code 2026,
6 are amended to read as follows:

7 1. "*Alternative nicotine product*" means a product, not
8 consisting of or containing tobacco, that provides for the
9 ingestion into the body of nicotine, or a nicotine analog,
10 whether by chewing, absorbing, dissolving, inhaling, snorting,
11 or sniffing, or by any other means. "*Alternative nicotine*
12 *product*" does not include cigarettes, tobacco products, or vapor
13 products, or a product that is regulated as a drug or device by
14 the United States food and drug administration under chapter V
15 of the Federal Food, Drug, and Cosmetic Act.

16 29. a. "*Vapor product*" means any noncombustible product,
17 which may or may not contain nicotine or a nicotine analog,
18 that employs a heating element, power source, electronic
19 circuit, or other electronic, chemical, or mechanical means,
20 regardless of shape or size, that can be used to produce vapor
21 from a solution or other substance. "*Vapor product*" includes an
22 but is not limited to the following:

23 (1) Any product or device marketed, manufactured,
24 distributed, or sold as an electronic cigarette, electronic
25 cigar, electronic cigarillo, electronic pipe, or similar
26 product or device, ~~and any.~~

27 (2) Any cartridge or other container of a solution or other
28 substance, which may or may not contain nicotine or a nicotine
29 analog, that is intended to be used with or in an electronic
30 cigarette, electronic cigar, electronic cigarillo, electronic
31 pipe, or similar product or device.

32 (3) Any component, part, or accessory of such a product
33 or device that is used during the operation of the product or
34 device when sold in combination with any substance containing
35 nicotine, a nicotine analog, tobacco, or tobacco derivative.

1 b. "Vapor product" does not include a any of the following:

2 (1) A product regulated as a drug or device by the United
3 States food and drug administration under chapter V of the
4 Federal Food, Drug, and Cosmetic Act.

5 (2) Any component, part, or accessory of such a product
6 or device that is used during the operation of the product
7 or device when not sold in combination with any substance
8 containing nicotine, a nicotine analog, tobacco, or tobacco
9 derivative.

10 Sec. 2. Section 453A.1, Code 2026, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 18A. "Nicotine analog" means a substance
13 that has a chemical structure that is substantially similar to
14 nicotine, or that has an effect on the central nervous system
15 that is substantially similar to, or greater than, the effects
16 of nicotine on the central nervous system.

17 Sec. 3. Section 453A.35A, subsection 1, Code 2026, is
18 amended to read as follows:

19 1. a. A health care trust fund is created in the office
20 of the treasurer of state. The fund consists of the revenues
21 generated from the tax on cigarettes pursuant to section
22 453A.6, subsection 1, from the tax on tobacco products as
23 specified in section 453A.43, subsections 1, 2, 3, and 4,
24 from the additional taxes on alternative nicotine and vapor
25 products pursuant to section 453A.43A, and from the fees and
26 penalties specified in subchapter III, that are credited to
27 the health care trust fund, annually, pursuant to section
28 453A.35. Moneys in the fund shall be separate from the
29 general fund of the state and shall not be considered part of
30 the general fund of the state. Moneys Except as otherwise
31 provided, moneys in the fund shall be used only as specified
32 in this section and shall be appropriated only for the uses
33 specified. Moneys in the fund are not subject to section 8.33
34 and shall not be transferred, used, obligated, appropriated,
35 or otherwise encumbered, except as provided in this section.

1 Notwithstanding [section 12C.7, subsection 2](#), interest or
2 earnings on moneys deposited in the fund shall be credited to
3 the fund.

4 b. (1) For the fiscal year beginning July 1, 2027, and each
5 fiscal year thereafter, fifteen million dollars is appropriated
6 from the health care trust fund to the state board of regents
7 for the purpose of conducting pediatric cancer research,
8 clinical therapy access, and providing physician-scientist
9 leadership at the state university of Iowa stead family
10 children's hospital.

11 (2) By December 31, 2028, and each December 31 thereafter,
12 the state board of regents shall submit a report to the general
13 assembly describing the research programs initiated or advanced
14 as a result of the appropriations made to the hospital, the
15 number of patients served, including patients enrolled in
16 clinical trials or therapy, and any outcomes to the extent
17 available, on the efficacy of the funded programs, trials, or
18 therapies.

19 Sec. 4. Section 453A.40, subsections 1 and 3, Code 2026, are
20 amended to read as follows:

21 1. All persons required to obtain a permit or to be licensed
22 under [section 453A.13](#) or [section 453A.44](#) having in their
23 possession and held for resale on the effective date of an
24 increase in the tax rate cigarettes, little cigars, ~~or~~ tobacco
25 products, alternative nicotine products, or vapor products upon
26 which the tax under [section 453A.6](#), ~~or~~ [453A.43](#), or [453A.43A](#)
27 has been paid, unused cigarette tax stamps which have been
28 paid for under [section 453A.8](#), unused metered imprints which
29 have been paid for under [section 453A.12](#), or tobacco products,
30 alternative nicotine products, or vapor products for which the
31 tax has not been paid under [section 453A.46](#) shall be subject to
32 an inventory tax on the items as provided in [this section](#).

33 3. The rate of the inventory tax on each item subject to
34 the tax as specified in [subsection 1](#) is equal to the difference
35 between the amount paid on each item under [section 453A.6](#),

1 453A.8, 453A.12, ~~or 453A.43~~, or 453A.43A prior to the tax
2 increase and the amount that is to be paid on each similar item
3 under section 453A.6, 453A.8, 453A.12, or 453A.43, or 453A.43A
4 after the tax increase except that in computing the rate of the
5 inventory tax any discount allowed or allowable under section
6 453A.8 shall not be considered.

7 Sec. 5. Section 453A.42, subsections 5, 7, 15, and 18, Code
8 2026, are amended to read as follows:

9 5. "*Distributor*" means any and each of the following:

10 a. Any person engaged in the business of selling tobacco
11 products, alternative nicotine products, or vapor products
12 in this state who brings, or causes to be brought, into this
13 state from without the state any tobacco products, alternative
14 nicotine products, or vapor products for sale~~†~~.

15 b. Any person who makes, manufactures, or fabricates tobacco
16 products, alternative nicotine products, or vapor products in
17 this state for sale in this state~~†~~.

18 c. Any person engaged in the business of selling tobacco
19 products, alternative nicotine products, or vapor products
20 without this state who ships or transports tobacco products,
21 alternative nicotine products, or vapor products to retailers
22 in this state, to be sold by those retailers.

23 7. "*Manufacturer*" means a person who manufactures and sells
24 tobacco products, alternative nicotine products, or vapor
25 products.

26 15. "*Subjobber*" means any person, other than a manufacturer
27 or distributor, who buys tobacco products, alternative nicotine
28 products, or vapor products from a distributor and sells them
29 to persons other than the ultimate consumers.

30 18. "*Wholesale sales price*" means the established price
31 for which a manufacturer sells a tobacco product, alternative
32 nicotine product, or vapor product to a distributor, exclusive
33 of any discount or other reduction.

34 Sec. 6. NEW SECTION. 453A.43A Additional taxes on
35 alternative nicotine and vapor products.

1 1. *a.* (1) A tax is imposed upon all alternative nicotine
2 products and all vapor products in this state and upon any
3 person engaged as a distributor of alternative nicotine
4 products and vapor products, at the following rates:

5 (a) On alternative nicotine products, five cents per
6 container containing up to twenty units, and a proportionate
7 tax at the same rate on each unit in excess of twenty units.

8 (b) On vapor products, five cents per milliliter of a
9 solution containing nicotine or a nicotine analog and a
10 proportionate tax at the same rate on any fractions of a
11 milliliter.

12 (2) The tax imposed pursuant to subparagraph (1) shall be
13 imposed based on the net volume of the solution as listed by
14 the manufacturer.

15 *b.* The tax on alternative nicotine products and vapor
16 products shall be imposed at the time the distributor does any
17 of the following:

18 (1) Brings, or causes to be brought, into this state from
19 outside the state alternative nicotine products or vapor
20 products for sale.

21 (2) Makes, manufactures, or fabricates alternative nicotine
22 products or vapor products in this state for sale in this
23 state.

24 (3) Ships or transports alternative nicotine products or
25 vapor products to retailers in this state, to be sold by the
26 retailers.

27 2. A tax is imposed upon the use or storage of alternative
28 nicotine products or vapor products in this state, and upon
29 any person who uses or stores alternative nicotine products
30 or vapor products, at the following rates, if the tax imposed
31 under subsection 1 has not been paid:

32 *a.* (1) On alternative nicotine products, five cents per
33 container containing up to twenty units, and a proportionate
34 tax at the same rate on each unit in excess of twenty units.

35 (2) On vapor products, five cents per milliliter of a

1 solution containing nicotine or a nicotine analog and a
2 proportionate tax at the same rate on any fractions of a
3 milliliter.

4 *b.* The tax imposed pursuant to paragraph "a" shall be
5 imposed based on the net volume of the solution as listed by
6 the manufacturer.

7 3. Any alternative nicotine product or vapor product
8 with respect to which a tax has once been imposed under
9 this subchapter shall not again be subject to tax under this
10 subchapter.

11 4. The tax imposed by this section shall not apply with
12 respect to any alternative nicotine product or vapor product
13 which under the constitution and laws of the United States may
14 not be made the subject of taxation by this state.

15 5. The tax imposed by this section shall be in addition to
16 any other taxes imposed by law.

17 6. All excise taxes collected under this section by any
18 person are deemed to be held in trust for the state of Iowa.

19 Sec. 7. Section 453A.44, subsections 1, 3, and 10, Code
20 2026, are amended to read as follows:

21 1. ~~No~~ A person shall not engage in the business of a
22 distributor or subjobber ~~of tobacco products~~ at any place of
23 business without first having received a license from the
24 director to engage in that business at that place of business.

25 3. A person without this state who ships or transports
26 tobacco products, alternative nicotine products, or vapor
27 products to retailers in this state, to be sold by those
28 retailers, may make application for a license as a distributor,
29 be granted a license by the director, and thereafter be subject
30 to all the provisions of this subchapter and entitled to act as
31 a licensed distributor.

32 10. The director may revoke, cancel, or suspend the
33 license or licenses of any distributor or subjobber for
34 violation of any of the provisions of this subchapter, or
35 any other act applicable to the sale of tobacco products,

1 alternative nicotine products, or vapor products, or any rule
2 or regulations promulgated by the director in furtherance of
3 this subchapter. ~~Ne~~ A license shall not be revoked, canceled,
4 or suspended except after notice and a hearing by the director
5 as provided in [section 453A.48](#).

6 Sec. 8. Section 453A.45, Code 2026, is amended to read as
7 follows:

8 **453A.45 Licensees, duties.**

9 1. *a.* Every distributor shall keep at each licensed
10 place of business complete and accurate records for that
11 place of business, including itemized invoices, of tobacco
12 products, alternative nicotine products, or vapor products
13 held, purchased, manufactured, brought in or caused to be
14 brought in from without the state, or shipped or transported to
15 retailers in this state, and of all sales of tobacco products,
16 alternative nicotine products, or vapor products made, except
17 sales to the ultimate consumer.

18 *b.* When a licensed distributor sells tobacco products,
19 alternative nicotine products, or vapor products exclusively to
20 the ultimate consumer at the address given in the license, an
21 invoice of those sales is not required, but itemized invoices
22 shall be made of all tobacco products, alternative nicotine
23 products, or vapor products transferred to other retail
24 outlets owned or controlled by that licensed distributor. All
25 books, records, and other papers and documents required by
26 this subsection to be kept shall be preserved for a period
27 of at least three years after the date of the documents or
28 the date of the entries appearing in the records, unless the
29 director, in writing, authorized their destruction or disposal
30 at an earlier date. At any time during usual business hours,
31 the director, or the director's duly authorized agents or
32 employees, may enter any place of business of a distributor,
33 without a search warrant, and inspect the premises, the records
34 required to be kept under [this subsection](#), and the tobacco
35 products, alternative nicotine products, or vapor products

1 contained therein, to determine if all the provisions of this
2 subchapter are being fully complied with. If the director,
3 or any such agent or employee, is denied free access or is
4 hindered or interfered with in making the examination, the
5 license of the distributor at that premises is subject to
6 revocation by the director.

7 2. Every person who sells tobacco products, alternative
8 nicotine products, or vapor products to persons other than the
9 ultimate consumer shall render with each sale itemized invoices
10 showing the seller's name and address, the purchaser's name and
11 address, the date of sale, and all prices and discounts. The
12 person shall preserve legible copies of all these invoices for
13 three years from the date of sale.

14 3. Every retailer and subjobber shall procure itemized
15 invoices of all tobacco products, alternative nicotine
16 products, or vapor products purchased. The invoices shall show
17 the name and address of the seller and the date of purchase.
18 The retailer and subjobber shall preserve a legible copy
19 of each invoice for three years from the date of purchase.
20 Invoices shall be available for inspection by the director or
21 the director's authorized agents or employees at the retailer's
22 or subjobber's place of business.

23 4. Records of all deliveries or shipments of tobacco
24 products, alternative nicotine products, or vapor products from
25 any public warehouse of first destination in this state which
26 is subject to the provisions of and licensed under chapter
27 554 shall be kept by the warehouse and be available to the
28 director for inspection. ~~They~~ The records shall show the name
29 and address of the consignee, the date, the quantity of tobacco
30 products, alternative nicotine products, or vapor products
31 delivered, and such other information as the commissioner may
32 require. ~~These~~ The records shall be preserved for three years
33 from the date of delivery of the tobacco products, alternative
34 nicotine products, or vapor products.

35 5. a. The transportation of tobacco products, alternative

1 nicotine products, or vapor products into this state by means
2 other than common carrier must be reported to the director
3 within thirty days with the following exceptions:

4 (1) The transportation of not more than fifty cigars, not
5 more than ten ounces of snuff or snuff powder, or not more
6 than one pound of smoking or chewing tobacco or other tobacco
7 products not specifically mentioned herein;

8 (2) Transportation by a person with a place of business
9 outside the state, who is licensed as a distributor under
10 section 453A.44, or tobacco products, alternative nicotine
11 products, or vapor products sold by such person to a retailer
12 in this state.

13 b. The report shall be made on forms provided by the
14 director. A report required under [this subsection](#) shall be
15 filed electronically. A report required to be submitted
16 electronically under [this subsection](#) that is filed in a manner
17 other than in an electronic format specified by the department
18 shall not be considered a valid submission unless the director
19 has permitted the submission of such a report through an
20 alternative method pursuant to [section 453A.57](#).

21 c. Common carriers transporting tobacco products,
22 alternative nicotine products, or vapor products into this
23 state shall file with the director reports of all such
24 shipments other than those which are delivered to public
25 warehouses of first destination in this state which are
26 licensed under the provisions of [chapter 554](#). Such reports
27 shall be filed electronically with the department on or before
28 the tenth day of each month and shall show with respect to
29 deliveries made in the preceding month all of the following:

- 30 (1) The date.
- 31 (2) The point of origin.
- 32 (3) The point of delivery.
- 33 (4) The name of the consignee.
- 34 (5) A description and the quantity of tobacco products,
35 alternative nicotine products, or vapor products delivered.

1 (6) Such other information as the director may require.

2 d. Any person who fails or refuses to transmit to the
3 director the required reports or whoever refuses to permit the
4 examination of the records by the director shall be guilty
5 of a serious misdemeanor. In addition, any person who fails
6 to timely submit a report required under [this section](#) is
7 subject to a penalty in the amount of fifty dollars for each
8 occurrence.

9 Sec. 9. Section 453A.46, subsection 1, paragraph a,
10 subparagraph (1), Code 2026, is amended to read as follows:

11 (1) On or before the twentieth day of each calendar month
12 every distributor with a place of business in this state shall
13 file a return with the director showing for the preceding
14 calendar month the quantity and wholesale sales price of
15 each tobacco product, alternative nicotine product, or vapor
16 product brought, or caused to be brought, into this state for
17 sale; made, manufactured, or fabricated in this state for sale
18 in this state; and any other information the director may
19 require. Every licensed distributor outside this state shall
20 in like manner file a return with the director showing for the
21 preceding calendar month the quantity and wholesale sales price
22 of each tobacco product, alternative nicotine product, or vapor
23 product shipped or transported to retailers in this state to be
24 sold by those retailers and any other information the director
25 may require. Returns shall be made upon forms made available
26 in electronic form and prescribed by the director and shall
27 contain other information as the director may require. Each
28 return shall be accompanied by a remittance for the full tax
29 liability shown on the return, less a discount as fixed by the
30 director not to exceed five percent of the tax. Within three
31 years after the return is filed or within three years after the
32 return became due, whichever is later, the department shall
33 examine it, determine the correct amount of tax, and assess the
34 tax against the taxpayer for any deficiency. The period for
35 examination and determination of the correct amount of tax is

1 unlimited in the case of a false or fraudulent return made with
2 the intent to evade tax, or in the case of a failure to file a
3 return.

4 Sec. 10. Section 453A.46, subsection 6, Code 2026, is
5 amended to read as follows:

6 6. On or before the twentieth day of each calendar month,
7 every consumer who, during the preceding calendar month,
8 has acquired title to or possession of tobacco products,
9 alternative nicotine products, or vapor products for use or
10 storage in this state, and upon which ~~tobacco products~~ the
11 ~~tax~~ taxes imposed by section 453A.43 ~~has~~ or 453A.43A have not
12 been paid, shall file a return with the director showing the
13 quantity of tobacco products, alternative nicotine products,
14 or vapor products so acquired. The return shall be made upon
15 a form furnished and prescribed by the director, and shall
16 contain other information as the director may require. The
17 return shall be accompanied by a remittance for the full unpaid
18 tax liability shown by it. Within three years after the return
19 is filed or within three years after the return became due,
20 whichever is later, the department shall examine it, determine
21 the correct amount of tax, and assess the tax against the
22 taxpayer for any deficiency. The period for examination and
23 determination of the correct amount of tax is unlimited in the
24 case of a false or fraudulent return made with the intent to
25 evade tax, or in the case of a failure to file a return.

26 Sec. 11. Section 453A.47, Code 2026, is amended to read as
27 follows:

28 **453A.47 Refunds, credits.**

29 Where tobacco products, alternative nicotine products, or
30 vapor products upon which the tax imposed by this subchapter
31 has been reported and paid are shipped or transported by the
32 distributor to consumers to be consumed without the state or
33 to retailers or subjobbers without the state to be sold by
34 those retailers or subjobbers without the state or are returned
35 to the manufacturer by the distributor or destroyed by the

1 distributor, refund of such tax or credit may be made to the
2 distributor in accordance with regulations prescribed by the
3 director. Any overpayment of the tax imposed under section
4 453A.43 or 453A.43A may be made to the taxpayer in accordance
5 with regulations prescribed by the director. The director
6 shall cause any such refund of tax to be paid out of the general
7 fund of the state, and so much of said fund as may be necessary
8 is hereby appropriated for that purpose.

9 Sec. 12. Section 453A.47C, subsections 3 and 4, Code 2026,
10 are amended to read as follows:

11 3. A retailer required to possess or possessing a permit
12 under [section 453A.13](#) or [453A.47A](#) to make delivery sales
13 of alternative nicotine products or vapor products within
14 this state shall be deemed to have waived all claims that
15 such retailer lacks physical presence within this state for
16 purposes of collecting and remitting sales and use tax and the
17 additional tax provided in section 453A.43A.

18 4. A retailer making taxable delivery sales of alternative
19 nicotine products or vapor products within this state shall
20 remit to the department all sales and use tax due on such sales
21 at the times and in the manner provided by [chapter 423](#), and
22 remit the additional tax as provided in section 453A.43A.

23 Sec. 13. Section 453A.48, subsection 3, Code 2026, is
24 amended to read as follows:

25 3. The director may exchange information with the officers
26 and agencies of other states administering laws relating to the
27 taxation of tobacco products, alternative nicotine products,
28 and vapor products.

29 Sec. 14. EFFECTIVE DATE. This Act takes effect January 1,
30 2027.>

BAETH of Polk