

Sen. m. 4/23/87

House File 327

WAYS AND MEANS: Bruner, Chair; Drake and Dieleman

Revised for 50304 to 700

FEB 20 1987

WAYS & MEANS CALENDAR

HOUSE FILE **327**

BY COMMITTEE ON WAYS AND MEANS

(Formerly House Study Bill 166)

~~Failed~~ Passed House, Date 2-25-87 (p. 460) ~~Failed~~ Passed Senate, Date 2/17/88 (p. 282)  
Vote: Ayes 46 Nays 51 Vote: Ayes 24 Nays 23

Approved February 19 1988 (p. 425)  
Motion to reconsider (p. 460) Motion to reconsider (p. 390) passed 1/12  
" approved 4/22 Passed 2/18/88 (p. 396.7)  
Reconsidered & Passed 4/22/87 (p. 1592) 26-22  
Reconsidered - Passed 2/18/88 (p. 281) 65-33  
59-39

**A BILL FOR**

- 1 An Act increasing the tax on tobacco products and on cigarettes
- 2 and little cigars and imposing an inventory tax on cigarettes
- 3 and little cigars, unused tax stamps and metered imprints and
- 4 providing an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

6 HOUSE FILE 327  
7 FISCAL NOTE  
8 REQUESTED BY REPRESENTATIVE BRAMMER

9 In compliance with a written request received February 23, 1987, a fiscal  
10 note for HOUSE FILE 327 is hereby submitted pursuant to Joint Rule 17. Data  
11 used in developing this fiscal note are available from the Legislative  
12 Fiscal Bureau to members of the Legislature upon request.

13 HOUSE FILE 327 increases the tax rate on cigarettes and little cigars from  
14 13 mills per cigarette or little cigar (26 cents per pack of cigarettes) to  
15 18 mills per cigarette or little cigar (36 cents per pack of cigarettes).  
16 The bill also provides for an inventory tax which takes effect June 1, 1987.  
17 House File 327 also increases the tax on tobacco products from 15 percent to  
18 20 percent of the wholesale price.

19 Cigarette Tax comparison to surrounding states. As of January 1, 1987, the  
20 cigarette tax rates (per pack) in the surrounding states were as follows:  
21 Minnesota, 23 cents; Wisconsin, 25 cents; Illinois, 20 cents; Missouri, 13  
22 cents; Kansas, 24 cents; Nebraska, 23 cents; South Dakota, 23 cents. Of  
23 these states, legislation has been introduced to increase the cigarette tax  
24 in all but Illinois and Kansas.

25 FISCAL EFFECT. Cigarette and tobacco products tax revenues accounted for  
\$70.5 million and \$1.7 million, respectively, for fiscal year 1986. Based  
on these amounts, cigarette tax receipts could be expected to increase by  
\$2.7 million per one cent (per pack) of tax levied, or \$27 million under the  
provisions of House File 327 for fiscal year 1988. Tobacco products tax  
receipts may be expected to increase by approximately \$573,500 as a result  
of the bill.

The precise impact of the inventory tax outlined in section 2 of the bill is  
unknown, but not expected to be significant.

SOURCES: National Conference of State Legislatures, Department of Revenue  
and Finance, The Tobacco Institute

(LSB 2378H, RJH)

FILED FEBRUARY 24, 1987

BY DENNIS PROUTY, FISCAL DIRECTOR

TL5B 2378HC 72

bk/sc/14

HF 327

1 Section 1. Section 98.6, subsection 2, Code 1987, is  
2 amended to read as follows:

3 2. Notwithstanding subsection 1, there is imposed and  
4 shall be collected and paid to the department a tax on all  
5 cigarettes used or otherwise disposed of in this state for any  
6 purpose ~~at the rate of nine mills on each cigarette for the~~  
7 ~~period beginning July 1, 1981 and ending September 30, 1985~~  
8 and at the rate of thirteen eighteen mills on each cigarette  
9 beginning ~~October~~ July 1, 1985 1987.

10 Sec. 2. NEW SECTION. 98.40 INVENTORY TAX.

11 1. All persons required to be licensed under section 98.13  
12 as distributors having in their possession and held for resale  
13 on the effective date of an increase in the tax rate  
14 cigarettes or little cigars upon which the tax under section  
15 98.6 or 98.43 has been paid, unused cigarette tax stamps which  
16 have been paid for under section 98.8, or unused metered  
17 imprints which have been paid for under section 98.12 shall be  
18 subject to an inventory tax on the items as provided in this  
19 section.

20 2. Persons subject to the inventory tax imposed under this  
21 section shall take an inventory as of the close of the busi-  
22 ness day next preceding the effective date of the increased  
23 tax rate of those items subject to the inventory tax for the  
24 purpose of determining the tax due. These persons shall  
25 report the tax on forms provided by the department of revenue  
26 and finance and remit the tax due within thirty days of the  
27 prescribed inventory date. The department of revenue and  
28 finance shall adopt rules as are necessary to carry out this  
29 section.

30 3. The rate of the inventory tax on each item subject to  
31 the tax as specified in subsection 1 is equal to the  
32 difference between the amount paid on each item under section  
33 98.6, 98.8, 98.12, or 98.43 prior to the tax increase and the  
34 amount that is to be paid on each similar item under section  
35 98.6, 98.8, 98.12, or 98.43 after the tax increase except that

1 in computing the rate of the inventory tax any discount  
2 allowed or allowable under section 98.8 shall not be  
3 considered.

4 Sec. 3. Section 98.43, subsections 1 and 2, Code 1987, are  
5 amended to read as follows:

6 1. A tax is imposed upon all tobacco products in this  
7 state and upon any person engaged in business as a distributor  
8 thereof, at the rate of fifteen twenty percent of the  
9 wholesale sales price of the tobacco products, except little  
10 cigars as defined in section 98.42. Little cigars shall be  
11 subject to the same rate of tax imposed upon cigarettes in  
12 section 98.6, payable at the time and in the manner provided  
13 in section 98.6; and stamps shall be affixed as provided in  
14 division I of this chapter. The tax on tobacco products,  
15 excluding little cigars, shall be imposed at the time the  
16 distributor does any of the following:

17 a. Brings, or causes to be brought, into this state from  
18 without the state tobacco products for sale.

19 b. Makes, manufactures, or fabricates tobacco products in  
20 this state for sale in this state.

21 c. Ships or transports tobacco products to retailers in  
22 this state, to be sold by those retailers.

23 2. A tax is imposed upon the use or storage by consumers  
24 of tobacco products in this state, and upon the consumers, at  
25 the rate of fifteen twenty percent of the cost of the tobacco  
26 products.

27 The tax imposed by this subsection shall not apply if the  
28 tax imposed by subsection 1 on the tobacco products has been  
29 paid.

30 This tax shall not apply to the use or storage of tobacco  
31 products in quantities of:

32 a. Less than 25 cigars.

33 b. Less than 10 oz. snuff or snuff powder.

34 c. Less than 1 lb. smoking or chewing tobacco or other  
35 tobacco products not specifically mentioned herein, in the

1 possession of any one consumer.

2 Sec. 4. Section 2 of this Act takes effect on June 1,  
3 1987.

4 EXPLANATION

5 The bill increases the tax rate on cigarettes and little  
6 cigars from thirteen mills per cigarette or little cigar (26  
7 cents per pack) to eighteen mills per cigarette or little  
8 cigar (36 cents per pack) effective July 1, 1987 and provides  
9 for an inventory tax which takes effect June 1, 1987. The  
10 bill also increases the tax from fifteen percent to twenty  
11 percent of the wholesale price of tobacco products.

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HOUSE FILE 327

H-5127

Amend the Senate amendment, H-5121, to House File 327, as passed by the House, as follows:

1. Page 1, by inserting after line 10 the following:

"Sec. \_\_\_\_ . Page 1, by inserting after line 9 the following:

"Sec. \_\_\_\_ . Section 98.8, subsection 1, Code 1987, is amended to read as follows:

1. Stamps shall be sold by and purchased from the department. The department shall sell stamps to the holder of a state distributor's permit which has not been revoked and to no other person. Stamps shall be sold to the permit holders at a discount of two percent of the face value of the stamp on January 1, 1988. Stamps shall be sold in unbroken books of one thousand stamps, unbroken rolls of thirty thousand stamps, or unbroken lots of any other from authorized by the director."

H-5127 FILED FEBRUARY 18, 1988 BY OSTERBERG of Linn  
NOT GERMANE (p. 350)

## SENATE AMENDMENT TO HOUSE FILE 327

H-5121

1 Amend House File 327, as passed by the House, as  
2 follows:

3 1. Page 1, line 8, by striking the word  
4 "eighteen" and inserting the following: "seventeen".

5 2. Page 1, line 8, by inserting after the word  
6 "cigarette" the following: "for the period beginning  
7 March 1, 1988, and ending June 30, 1989, and at the  
8 rate of fifteen and one-half mills on each cigarette".

9 3. Page 1, line 9, by striking the figure "1987"  
10 and inserting the following: "1989".

11 4. Page 2, line 8, by striking the word "twenty"  
12 and inserting the following: "nineteen".

13 5. Page 2, line 25, by striking the word "twenty"  
14 and inserting the following: "nineteen".

15 6. Page 3, by inserting after line 1 the  
16 following:

17 "Sec. \_\_\_\_\_. Notwithstanding any provision of  
18 section 98.8 or of other provisions of chapter 98,  
19 during the period beginning March 1, 1988, and ending  
20 April 15, 1988, a holder of a state distributor's  
21 permit issued under chapter 98 may at the permit  
22 holder's option purchase cigarette tax stamps on  
23 credit for a period of forty-five days following such  
24 purchase. At the end of the forty-five day period the  
25 permit holder shall remit the amount due. As a  
26 condition for this credit-purchase, the purchase must  
27 be made from the department of revenue and finance  
28 office in Des Moines, and the permit holder shall  
29 provide, at the time of such purchase, a bond to the  
30 department of revenue and finance to insure the  
31 payment of the face value of the tax stamps at the end  
32 of the forty-five day period. A permit holder is  
33 entitled to make only one credit purchase under this  
34 section."

35 7. Page 3, by striking lines 2 and 3 and  
36 inserting the following:

37 "Sec. 4. Sections 1 and 3 of this Act take effect  
38 on March 1, 1988.

39 Sec. 5. This Act, being deemed of immediate  
40 importance, takes effect upon enactment."

41 8. Title page, line 3, by inserting after the  
42 word "imprints" the following: ", granting a one-time  
43 credit purchase of cigarette stamps,".

44 9. Title page, line 4, by striking the words "an  
45 effective date" and inserting the following:  
46 "effective dates".

47 10. By renumbering, relettering, or redesignating  
48 and correcting internal references as necessary.

H-5121 FILED FEBRUARY 18, 1988 RECEIVED FROM THE SENATE  
CONCURRED (p 341)

HOUSE FILE 327

S-5030

1 Amend House File 327 as passed by the House as  
2 follows:  
3 1. Page 1, by striking line 9 and inserting in  
4 lieu thereof the following: "beginning October March  
5 1, 1985 1988.  
6 2. Page 3, by striking lines 2 and 3 and  
7 inserting the following:  
8 "Sec. 4. Sections 1 and 3 of this Act take effect  
9 on March 1, 1988.  
10 Sec. 5. This Act being deemed of immediate  
11 importance takes effect upon enactment."  
12 3. Title page, line 4, by striking the words "an  
13 effective date" and inserting in lieu thereof the  
14 following: "effective dates".

S-5030

Filed February 1, 1988

*Placed o/c 2/17 (p. 382)*

BY COMMITTEE ON WAYS AND MEANS  
CHARLES BRUNER, Chairperson

HOUSE FILE 327

S-5047

1 Amend House File 327, as passed by the House, as  
2 follows:  
3 1. Page 1, line 8, by striking the word  
4 "eighteen" and inserting the following: "nineteen".  
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S-5047

Filed February 4, 1988

*Placed o/c 2/17 (p. 382)*

BY CHARLES BRUNER

HOUSE FILE 327

H-3115

1 Amend House File 327 as follows:  
2 1. Page 3, by striking lines 2 and 3 and  
3 inserting the following:  
4 "Sec. \_\_\_\_\_. This Act takes effect July 1 following  
5 enactment or thirty days following the funding of the  
6 governor's educational recommendations for improving  
7 salaries for primary and secondary teachers at the  
8 level found in the governor's inaugural address and  
9 contained in the house and senate journals of January  
10 16, 1987, whichever date occurs later.  
11 Sec. \_\_\_\_\_. Section 2 of this Act takes effect  
12 thirty days prior to the effective date of the  
13 remainder of the Act."

BY BENNETT of Ida  
CARPENTER of Polk  
PETERSEN of Muscatine  
SHONING of Woodbury  
MILLER of Cherokee  
LAGESCHULTE of Bremer  
RENKEN of Grundy  
ROYER of Page

METCALF of Polk  
HANSON of Delaware  
TYRRELL of Iowa  
KREMER of Buchanan  
STUELAND of Clinton  
PELLETT of Cass  
BEAMAN of Clarke  
LUNDBY of Linn

H-3115 FILED FEBRUARY 24, 1987

*Dot 2/25/87 (p 459)*

HOUSE FILE 327

H-3112

1 Amend House File 327 as follows:  
2 1. Page 1, by inserting after line 9 the  
3 following:  
4 "Sec. \_\_\_\_\_. Section 98.15, Code 1987, is amended by  
5 adding the following new subsection:  
6 NEW SUBSECTION. 7. A distributor or any other  
7 person who remits taxes under this division shall  
8 retain five percent of the amount of the tax to be  
9 remitted as compensation for costs incurred in the  
10 collection and remittance of taxes under this  
11 division. However, a distributor or other person who  
12 receives the discount allowed under section 98.8 shall  
13 retain three percent of the amount of the tax to be  
14 remitted as compensation for costs incurred in the  
15 collection and remittance of taxes under this  
16 division."  
17 2. Renumber sections and correct internal  
18 references as necessary in accordance with this  
19 amendment.

H-3112 FILED FEBRUARY 24, 1987 BY TYRRELL of Iowa

*Dot 2/25/87 (p 458)*

HOUSE FILE 327

S-5089

1 Amend House File 327 as passed by the House as  
2 follows:

3 1. Page 3, by inserting after line 1 the  
4 following:

5 "Sec. \_\_\_\_\_. Notwithstanding any provision of  
6 section 98.8 or of other provisions of chapter 98,  
7 during the period beginning March 1, 1988, and ending  
8 April 15, 1988, a holder of a state distributor's  
9 permit issued under chapter 98 may at the permit  
10 holder's option purchase cigarette tax stamps on  
11 credit for a period of forty-five days following such  
12 purchase. At the end of the forty-five day period the  
13 permit holder shall remit the amount due. As a  
14 condition for this credit-purchase, the purchase must  
15 be made from the department of revenue and finance  
16 office in Des Moines, and the permit holder shall  
17 provide, at the time of such purchase, a bond to the  
18 department of revenue and finance to insure the  
19 payment of the face value of the tax stamps at the end  
20 of the forty-five day period. A permit holder is  
21 entitled to make only one credit purchase under this  
22 section."

23 2. Title page, line 3, by inserting after the  
24 word "imprints" the following: ", granting a one-time  
25 credit purchase of cigarette stamps,".

S-5089

Filed February 17, 1988 ADOPTED

*Adopted 2/17 (p. 382)*

BY BILL HUTCHINS  
JOE WELSH  
BOB CARR  
C. JOSEPH COLEMAN

HOUSE FILE 327

S-5088

- 1 Amend House File 327, as passed by the House, as  
 2 follows:  
 3 1. Page 1, line 8, by striking the word  
 4 "eighteen" and inserting the following: "seventeen".  
 5 2. Page 1, line 8, by inserting after the word  
 6 "cigarette" the following: "for the period beginning  
 7 March 1, 1988, and ending June 30, 1989, and at the  
 8 rate of fifteen and one-half mills on each cigarette".  
 9 3. Page 1, line 9, by striking the figure "1987"  
 10 and inserting the following: "1989".  
 11 4. Page 2, line 8, by striking the word "twenty"  
 12 and inserting the following: "nineteen".  
 13 5. Page 2, line 25, by striking the word "twenty"  
 14 and inserting the following: "nineteen".  
 15 6. Page 3, by striking lines 2 and 3 and  
 16 inserting the following:  
 17 "Sec. 4. Sections 1 and 3 of this Act take effect  
 18 on March 1, 1988.  
 19 Sec. 5. This Act, being deemed of immediate  
 20 importance, takes effect upon enactment."  
 21 7. Title page, line 4, by striking the words "an  
 22 effective date" and inserting the following:  
 23 "effective dates".

S-5088

Filed February 17, 1988

ADOPTED

BY CHARLES BRUNER

*Adopted Feb 17, 1988*

STATE OF IOWA

**FISCAL NOTE**

LSB No. 2328M.3  
Staff ID POO

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*SENATE AMENDMENT S-5088 TO HOUSE FILE 327*

In compliance with a written request received February 17, 1988, a fiscal note for SENATE AMENDMENT S-5088 TO HOUSE FILE 327 AS PASSED BY SENATE COMMITTEE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

AMENDMENT S-5088 TO HOUSE FILE 327 AS PASSED BY SENATE COMMITTEE reduces the proposed tax increase on a pack of twenty cigarettes from 10 cents to 8 cents effective March 1, 1988. The tax on tobacco products is raised from 15¢ to 19¢. Additionally, effective July 1, 1989, the amendment would reduce the 3¢ tax on cigarettes by 3 cents; however, the tax on tobacco products would not be reduced.

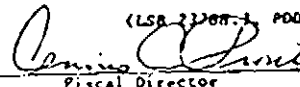
FISCAL EFFECT

8 Cent Tax Increase: FY88 and FY89

	FY88 (millions)	FY89 (millions)
Cigarette tax increase	\$ 6.0	\$ 19.7
Tobacco tax increase	0.2	0.6
Inventory tax (one-time)	0.6	---
<b>TOTAL</b>	<b>\$ 6.8</b>	<b>\$ 20.3</b>

3 Cent Reduction in Cigarette Tax: FY90

	FY90 (millions)
Cigarette tax revenue	(\$ 7.1)
Tobacco tax revenue	( 0.0)
<b>TOTAL</b>	<b>(\$ 7.1)</b>

(LSB 2328M.3, POO)  
  
 Fiscal Director  
 Legislative Fiscal Bureau  
 Date: 2/17/88

FILED FEB 04 1988

STATE OF IOWA

FISCAL NOTE

LSB No. 2378H.2

Staff ID. PDD

REQ. BY SENATOR BRUNER

HOUSE FILE 327

In compliance with a written request received February 2, 1988, a fiscal note for HOUSE FILE 327 AS PASSED OUT OF SENATE COMMITTEE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

HOUSE FILE 327 increases the tax rate on cigarettes and little cigars from 13 mills per cigarette or little cigar (26 cents per pack of cigarettes) to 18 mills per cigarette or little cigar (36 cents per pack of cigarettes) The bill also provides for an inventory tax. House File 327 also increases the tax on tobacco products from 15 percent to 20 percent of the wholesale price. The bill takes effect March 1, 1988.

ASSUMPTIONS

1. Consumption will decline about 3% due to the tax increase.
2. A one-time stockpiling of cigarettes, little cigars and tobacco products will occur before the bill's effective date causing an estimated 6% increase in fourth quarter FY88 receipts which will offset the decline in FY88 receipts attributable to the drop in consumption.

FISCAL EFFECT

	FY88 (millions)	FY89 (millions)
Cigarette Tax Increase	\$ 7.5	\$ 24.6
Tobacco Tax Increase	0.3	0.8
Inventory Tax (one-time)	0.8	--
TOTAL INCREASE	\$ 8.6	\$ 25.4

The Revenue Estimating Conference has estimated current law receipts for the cigarette and tobacco products tax as follows: Cigarettes--FY88 \$72.0 million, FY89 \$70.8 million; Tobacco products--FY88 \$1.9 million, FY89 \$2.0 million. Under the bill, cigarette tax receipts are estimated to total \$79.5 million in FY88 and \$95.4 million in FY89; tobacco products tax receipts are estimated to total \$2.2 million in FY88 and \$2.8 million in FY89. The one-time inventory tax is estimated to increase FY88 general fund receipts by \$800,000.

Source: Department of Revenue and Finance

(LSB 2378H.2, PDD)

*Dennis Stutz*  
 Fiscal Director  
 Legislative Fiscal Bureau  
 Date: 2/3/88

HSB 166

WAYS AND MEANS

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act increasing the tax on tobacco products and on cigarettes  
2 and little cigars and imposing an inventory tax on cigarettes  
3 and little cigars, unused tax stamps and metered imprints.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS  
CHAIR: *Branmer*  
COMMITTEE: *Ways + means*  
*2/20/87*

1 Section 1. Section 98.6, subsection 2, Code 1987, is  
2 amended to read as follows:

3 2. Notwithstanding subsection 1, there is imposed and  
4 shall be collected and paid to the department a tax on all  
5 cigarettes used or otherwise disposed of in this state for any  
6 purpose ~~at the rate of nine mills on each cigarette for the~~  
7 ~~period beginning July 1, 1981 and ending September 30, 1985~~  
8 and at the rate of ~~thirteen~~ eighteen mills on each cigarette  
9 beginning ~~October~~ July 1, 1985 1987.

10 Sec. 2. NEW SECTION. 98.40 INVENTORY TAX.

11 1. All persons required to be licensed under section 98.13  
12 as distributors having in their possession and held for resale  
13 on the effective date of an increase in the tax rate  
14 cigarettes or little cigars upon which the tax under section  
15 98.6 or 98.43 has been paid, unused cigarette tax stamps which  
16 have been paid for under section 98.8, or unused metered  
17 imprints which have been paid for under section 98.12 shall be  
18 subject to an inventory tax on the items as provided in this  
19 section.

20 2. Persons subject to the inventory tax imposed under this  
21 section shall take an inventory as of the close of the busi-  
22 ness day next preceding the effective date of the increased  
23 tax rate of those items subject to the inventory tax for the  
24 purpose of determining the tax due. These persons shall  
25 report the tax on forms provided by the department of revenue  
26 and finance and remit the tax due within thirty days of the  
27 prescribed inventory date. The department of revenue and  
28 finance shall adopt rules as are necessary to carry out this  
29 section.

30 3. The rate of the inventory tax on each item subject to  
31 the tax as specified in subsection 1 is equal to the  
32 difference between the amount paid on each item under section  
33 98.6, 98.8, 98.12, or 98.43 prior to the tax increase and the  
34 amount that is to be paid on each similar item under section  
35 98.6, 98.8, 98.12, or 98.43 after the tax increase except that

1 in computing the rate of the inventory tax any discount  
2 allowed or allowable under section 98.8 shall not be  
3 considered.

4 Sec. 3. Section 98.43, subsections 1 and 2, Code 1987, are  
5 amended to read as follows:

6 1. A tax is imposed upon all tobacco products in this  
7 state and upon any person engaged in business as a distributor  
8 thereof, at the rate of fifteen twenty percent of the  
9 wholesale sales price of the tobacco products, except little  
10 cigars as defined in section 98.42. Little cigars shall be  
11 subject to the same rate of tax imposed upon cigarettes in  
12 section 98.6, payable at the time and in the manner provided  
13 in section 98.6; and stamps shall be affixed as provided in  
14 division I of this chapter. The tax on tobacco products,  
15 excluding little cigars, shall be imposed at the time the  
16 distributor does any of the following:

17 a. Brings, or causes to be brought, into this state from  
18 without the state tobacco products for sale.

19 b. Makes, manufactures, or fabricates tobacco products in  
20 this state for sale in this state.

21 c. Ships or transports tobacco products to retailers in  
22 this state, to be sold by those retailers.

23 2. A tax is imposed upon the use or storage by consumers  
24 of tobacco products in this state, and upon the consumers, at  
25 the rate of fifteen twenty percent of the cost of the tobacco  
26 products.

27 The tax imposed by this subsection shall not apply if the  
28 tax imposed by subsection 1 on the tobacco products has been  
29 paid.

30 This tax shall not apply to the use or storage of tobacco  
31 products in quantities of:

32 a. Less than 25 cigars.

33 b. Less than 10 oz. snuff or snuff powder.

34 c. Less than 1 lb. smoking or chewing tobacco or other  
35 tobacco products not specifically mentioned herein, in the

1 possession of any one consumer.

2 Sec. 4. Section 2 of this Act takes effect on June 1,  
3 1987.

4 EXPLANATION

5 The bill increases the tax rate on cigarettes and little  
6 cigars from thirteen mills per pack (26 cents) to eighteen  
7 mills per pack (36 cents) effective July 1, 1987 and provides  
8 for an inventory tax which takes effect June 1, 1987. The  
9 bill also increases the tax from fifteen percent to twenty  
10 percent of the wholesale price of tobacco products.

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HOUSE FILE 327

AN ACT

INCREASING THE TAX ON TOBACCO PRODUCTS AND ON CIGARETTES AND LITTLE CIGARS AND IMPOSING AN INVENTORY TAX ON CIGARETTES AND LITTLE CIGARS, UNUSED TAX STAMPS AND METERED IMPRINTS, GRANTING A ONE-TIME CREDIT PURCHASE OF CIGARETTE STAMPS, AND PROVIDING EFFECTIVE DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 98.6, subsection 2, Code 1987, is amended to read as follows:

2. Notwithstanding subsection 1, there is imposed and shall be collected and paid to the department a tax on all cigarettes used or otherwise disposed of in this state for any purpose ~~at the rate of nine mills on each cigarette for the period beginning July 1, 1981 and ending September 30, 1985 and at the rate of thirteen seventeen mills on each cigarette for the period beginning March 1, 1988, and ending June 30, 1989, and at the rate of fifteen and one-half mills on each cigarette beginning October July 1, 1985 1982.~~

Sec. 2. NEW SECTION. 98.40 INVENTORY TAX.

1. All persons required to be licensed under section 98.13 as distributors having in their possession and held for resale on the effective date of an increase in the tax rate cigarettes or little cigars upon which the tax under section 98.6 or 98.43 has been paid, unused cigarette tax stamps which have been paid for under section 98.8, or unused metered imprints which have been paid for under section 98.12 shall be

subject to an inventory tax on the items as provided in this section.

2. Persons subject to the inventory tax imposed under this section shall take an inventory as of the close of the business day next preceding the effective date of the increased tax rate of those items subject to the inventory tax for the purpose of determining the tax due. These persons shall report the tax on forms provided by the department of revenue and finance and remit the tax due within thirty days of the prescribed inventory date. The department of revenue and finance shall adopt rules as are necessary to carry out this section.

3. The rate of the inventory tax on each item subject to the tax as specified in subsection 1 is equal to the difference between the amount paid on each item under section 98.6, 98.8, 98.12, or 98.43 prior to the tax increase and the amount that is to be paid on each similar item under section 98.6, 98.8, 98.12, or 98.43 after the tax increase except that in computing the rate of the inventory tax any discount allowed or allowable under section 98.8 shall not be considered.

Sec. 3. Section 98.43, subsections 1 and 2, Code 1987, are amended to read as follows:

1. A tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of fifteen ~~nineteen~~ percent of the wholesale sales price of the tobacco products, except little cigars as defined in section 98.42. Little cigars shall be subject to the same rate of tax imposed upon cigarettes in section 98.6, payable at the time and in the manner provided in section 98.6; and stamps shall be affixed as provided in division 1 of this chapter. The tax on tobacco products, excluding little cigars, shall be imposed at the time the distributor does any of the following:

a. Brings, or causes to be brought, into this state from without the state tobacco products for sale.

b. Makes, manufactures, or fabricates tobacco products in this state for sale in this state.

c. Ships or transports tobacco products to retailers in this state, to be sold by those retailers.

2. A tax is imposed upon the use or storage by consumers of tobacco products in this state, and upon the consumers, at the rate of fifteen nineteen percent of the cost of the tobacco products.

The tax imposed by this subsection shall not apply if the tax imposed by subsection 1 on the tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

a. Less than 25 cigars.

b. Less than 10 oz. snuff or snuff powder.

c. Less than 1 lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 4. Notwithstanding any provision of section 98.8 or of other provisions of chapter 98, during the period beginning March 1, 1988, and ending April 15, 1988, a holder of a state distributor's permit issued under chapter 98 may at the permit holder's option purchase cigarette tax stamps on credit for a period of forty-five days following such purchase. At the end of the forty-five day period the permit holder shall remit the amount due. As a condition for this credit-purchase, the purchase must be made from the department of revenue and finance office in Des Moines, and the permit holder shall provide, at the time of such purchase, a bond to the department of revenue and finance to insure the payment of the face value of the tax stamps at the end of the forty-five day period. A permit holder is entitled to make only one credit purchase under this section.

Sec. 5. Sections 1 and 3 of this Act take effect on March 1, 1988.

Sec. 6. This Act, being deemed of immediate importance, takes effect upon enactment.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 327, Seventy-second General Assembly.

Approved *Feb. 19*, 1988

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JOSEPH O'HERN  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor