

House File 346 - Introduced

HOUSE FILE _____
BY FOEGE

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

A BILL FOR

1 An Act increasing the taxes imposed on cigarettes and tobacco
2 products and providing for deposit of the increased revenue
3 generated in the healthy Iowans tobacco trust, and providing
4 an effective date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1799HH 82
7 pf/gg/14

PAG LIN

1 1 Section 1. Section 12.65, subsection 1, Code 2007, is
1 2 amended to read as follows:
1 3 1. A healthy Iowans tobacco trust is created in the office
1 4 of the treasurer of state. Moneys transferred to the healthy
1 5 Iowans tobacco trust from the endowment for Iowa's health
1 6 account of the tobacco settlement trust fund established in
1 7 section 12E.12, proceeds derived from payment of taxes
1 8 pursuant to section 453A.6, subsection 1, paragraph "a",
1 9 subparagraph (2); section 453A.6, subsection 1, paragraph "b",
1 10 subparagraph (2); section 453A.43, subsection 1, paragraph
1 11 "b"; and section 453A.43, subsection 2, paragraph "b", and
1 12 moneys appropriated or transferred from any other source shall
1 13 be deposited in the healthy Iowans tobacco trust.
1 14 Sec. 2. Section 453A.6, subsection 1, Code 2007, is
1 15 amended to read as follows:
1 16 1. There is imposed, and shall be collected and paid to
1 17 the department, the following taxes on all cigarettes used or
1 18 otherwise disposed of in this state for any purpose
1 19 whatsoever:
1 20 a. CLASS A.
1 21 (1) On cigarettes weighing not more than three pounds per
1 22 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
1 23 such cigarette.
1 24 (2) In addition to the tax imposed in subparagraph (1), on
1 25 cigarettes weighing not more than three pounds per thousand,
1 26 five cents on each cigarette.
1 27 b. CLASS B.
1 28 (1) On cigarettes weighing more than three pounds per
1 29 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
1 30 such cigarette.
1 31 (2) In addition to the tax imposed in subparagraph (1), on
1 32 cigarettes weighing more than three pounds per thousand, five
1 33 cents on each cigarette.
1 34 Sec. 3. Section 453A.35, Code 2007, is amended to read as
1 35 follows:
2 1 453A.35 TAX AND FEES PAID TO GENERAL FUND.
2 2 The proceeds derived from the sale of stamps and the
2 3 payment of taxes, fees and penalties provided for under this
2 4 chapter, and the permit fees received from all permits issued
2 5 by the department, with the exception of the proceeds derived
2 6 from payment of taxes pursuant to section 453A.6, subsection
2 7 1, paragraph "a", subparagraph (2); section 453A.6, subsection
2 8 1, paragraph "b", subparagraph (2); section 453A.43,
2 9 subsection 1, paragraph "b"; and section 453A.43, subsection
2 10 2, paragraph "b", which shall be credited to the healthy
2 11 Iowans tobacco trust created in section 12.65, shall be
2 12 credited to the general fund of the state. All permit fees
2 13 provided for in this chapter and collected by cities in the
2 14 issuance of permits granted by the cities shall be paid to the
2 15 treasurer of the city where the permit is effective, or to
2 16 another city officer as designated by the council, and
2 17 credited to the general fund of the city. Permit fees so
2 18 collected by counties shall be paid to the county treasurer.

2 19 Sec. 4. Section 453A.40, subsection 1, Code 2007, is
2 20 amended to read as follows:

2 21 1. All of the following persons shall be subject to an
2 22 inventory tax on the following items as provided in this
2 23 section:

2 24 a. All persons required to be licensed obtain a permit
2 25 under section 453A.13 as distributors or to be licensed under
2 26 section 453A.44 as a distributor or subjobber, having in their
2 27 possession and held for resale on the effective date of an
2 28 increase in the tax rate cigarettes, or little cigars, or
2 29 tobacco products upon which the tax under section 453A.6 or
2 30 453A.43 has been paid, unused cigarette tax stamps which have
2 31 been paid for under section 453A.8, or unused metered imprints
2 32 which have been paid for under section 453A.12 shall be
2 33 subject to an inventory tax on the items as provided in this
2 34 section.

2 35 b. All consumers having for use or storage on the
3 1 effective date of an increase in the tax rate, tobacco
3 2 products upon which the tax under section 453A.43 has been
3 3 paid.

3 4 c. All consumers subject to section 453A.46, subsection 6,
3 5 who have acquired title to or possession of tobacco products
3 6 for storage in this state, upon which tobacco products the tax
3 7 imposed by section 453A.43 has not been paid.

3 8 Sec. 5. Section 453A.43, subsections 1 and 2, Code 2007,
3 9 are amended to read as follows:

3 10 1. a. A tax is imposed upon all tobacco products in this
3 11 state and upon any person engaged in business as a distributor
3 12 of tobacco products, at the rate of twenty-two percent of the
3 13 wholesale sales price of the tobacco products, except little
3 14 cigars as defined in section 453A.42.

3 15 b. In addition to the tax imposed under paragraph "a", a
3 16 tax is imposed upon all tobacco products in this state and
3 17 upon any person engaged in business as a distributor of
3 18 tobacco products, at the rate of sixty-one percent of the
3 19 wholesale sales price of the tobacco products, except little
3 20 cigars as defined in section 453A.42.

3 21 c. Little cigars shall be subject to the same rate of tax
3 22 imposed upon cigarettes in section 453A.6, payable at the time
3 23 and in the manner provided in section 453A.6; and stamps shall
3 24 be affixed as provided in division I of this chapter.

3 25 d. The tax taxes on tobacco products, excluding little
3 26 cigars, shall be imposed at the time the distributor does any
3 27 of the following:

3 28 a- (1) Brings, or causes to be brought, into this state
3 29 from without the state tobacco products for sale.

3 30 b- (2) Makes, manufactures, or fabricates tobacco
3 31 products in this state for sale in this state.

3 32 c- (3) Ships or transports tobacco products to retailers
3 33 in this state, to be sold by those retailers.

3 34 2. a. A tax is imposed upon the use or storage by
3 35 consumers of tobacco products in this state, and upon the
4 1 consumers, at the rate of twenty-two percent of the cost of
4 2 the tobacco products.

4 3 b. In addition to the tax imposed in paragraph "a", a tax
4 4 is imposed upon the use or storage by consumers of tobacco
4 5 products in this state, and upon the consumers, at a rate of
4 6 sixty-one percent of the cost of the tobacco products.

4 7 c. The tax taxes imposed by this subsection shall not
4 8 apply if the tax taxes imposed by subsection 1 on the tobacco
4 9 products has have been paid.

4 10 d. This tax The taxes imposed under this subsection shall
4 11 not apply to the use or storage of tobacco products in
4 12 quantities of:

4 13 a- (1) Less than 25 cigars.

4 14 b- (2) Less than 10 oz. snuff or snuff powder.

4 15 c- (3) Less than 1 lb. smoking or chewing tobacco or
4 16 other tobacco products not specifically mentioned herein, in
4 17 the possession of any one consumer.

4 18 Sec. 6. EFFECTIVE DATE. The sections of this Act amending
4 19 section 12.65; section 453A.6, subsection 1; section 453A.35;
4 20 section 453A.40, subsection 1; and section 453A.43,
4 21 subsections 1 and 2, being deemed of immediate importance,
4 22 take effect on the first day of the month that begins
4 23 following enactment of this Act.

4 24 EXPLANATION

4 25 This bill relates to an increase in the taxes imposed on
4 26 cigarettes and tobacco products and to the deposit of the
4 27 increased revenue generated in the healthy Iowans tobacco
4 28 trust.

4 29 The bill provides for a tax on cigarettes, in addition to

4 30 the tax of 18 mills (1.8 cents) imposed on each cigarette, of
4 31 5 cents on each cigarette. The effect of the bill is to
4 32 increase the tax on a pack of 20 cigarettes from 36 cents per
4 33 pack to \$1.36 per pack.

4 34 The bill also provides for a tax on tobacco products, in
4 35 addition to the 22 percent of the wholesale sales price for
5 1 distributors and 22 percent of the cost of tobacco products
5 2 for the use or storage by consumers of tobacco products, of 61
5 3 percent of the wholesale sales price and the cost.

5 4 The bill also provides for payment of the inventory tax by
5 5 all persons required to obtain a permit as a distributor of
5 6 cigarettes or to be licensed as a distributor or subjobber of
5 7 tobacco products who have in their possession and hold for
5 8 resale on the effective date of an increase in the tax rate,
5 9 cigarettes, little cigars, or tobacco products upon which the
5 10 tax has been paid, unused cigarette tax stamps which have been
5 11 paid for, or unused metered imprints which have been paid for.
5 12 The inventory tax also applies to consumers who have for use
5 13 or storage on the effective date of the increase in the tax
5 14 rate tobacco products upon which the tax has already been paid
5 15 and to consumers who have acquired title to or possession of
5 16 tobacco products for storage in this state upon which the
5 17 tobacco tax has not been paid.

5 18 The bill provides that the additional revenue generated
5 19 (the 5 cents per cigarette and the 61 percent on tobacco
5 20 products) is to be deposited in the healthy Iowans tobacco
5 21 trust. The section of the bill relating to the tax increase
5 22 on cigarettes and tobacco products takes effect on the first
5 23 day of the month that begins following enactment.

5 24 LSB 1799HH 82

5 25 pf:nh/gg/14