

House File 395 - Introduced

HOUSE FILE _____
BY LENSING

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 2298HH 82
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1 1 Section 1. Section 12.65, subsections 1 and 2, Code 2007,
1 2 are 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 "b",
1 9 section 453A.43, subsection 1, paragraph "b", and section
1 10 453A.43, subsection 2, paragraph "b"; and moneys appropriated
1 11 or transferred from any other source shall be deposited in the
1 12 healthy Iowans tobacco trust.

1 13 2. Moneys deposited in the healthy Iowans tobacco trust
1 14 shall be used only in accordance with appropriations from the
1 15 healthy Iowans tobacco trust for purposes related to health
1 16 care, substance abuse treatment and enforcement, tobacco use
1 17 prevention and control, and other purposes related to the
1 18 needs of children, adults, and families in the state.
1 19 However, moneys deposited in the healthy Iowans tobacco trust
1 20 which are proceeds derived from payment of taxes pursuant to
1 21 section 453A.6, subsection 1, paragraph "b", section 453A.43,
1 22 subsection 1, paragraph "b", and section 453A.43, subsection
1 23 2, paragraph "b", shall only be used for health care and
1 24 tobacco use prevention, cessation, and control.

1 25 Sec. 2. Section 453A.6, subsection 1, Code 2007, is
1 26 amended to read as follows:
1 27 1. There is imposed, and shall be collected and paid to
1 28 the department, the following taxes on all cigarettes used or
1 29 otherwise disposed of in this state for any purpose
1 30 whatsoever:

1 31 ~~a. CLASS A. On cigarettes weighing not more than three~~
1 32 ~~pounds per thousand, eighteen mills on each such cigarette.~~
1 33 ~~CLASS B. On cigarettes weighing more than three pounds per~~
1 34 ~~thousand, eighteen mills. One and eight-tenths cents on each~~
1 35 ~~such cigarette.~~

2 1 ~~b. In addition to the tax imposed in paragraph "a", five~~
2 2 ~~and eighty-five one-hundredths cents on each cigarette.~~

2 3 Sec. 3. Section 453A.35, Code 2007, is amended to read as
2 4 follows:

2 5 453A.35 TAX AND FEES PAID TO GENERAL FUND.

2 6 The proceeds derived from the sale of stamps and the
2 7 payment of taxes, fees and penalties provided for under this
2 8 chapter, and the permit fees received from all permits issued
2 9 by the department, shall be credited to the general fund of
2 10 the state, with the exception of the proceeds derived from
2 11 payment of taxes pursuant to section 453A.6, subsection 1,
2 12 paragraph "b", section 453A.43, subsection 1, paragraph "b",
2 13 and section 453A.43, subsection 2, paragraph "b", which shall
2 14 be credited to the healthy Iowans tobacco trust created in
2 15 section 12.65. All permit fees provided for in this chapter
2 16 and collected by cities in the issuance of permits granted by
2 17 the cities shall be paid to the treasurer of the city where
2 18 the permit is effective, or to another city officer as

2 19 designated by the council, and credited to the general fund of
2 20 the city. Permit fees so collected by counties shall be paid
2 21 to the county treasurer.

2 22 Sec. 4. Section 453A.40, subsection 1, Code 2007, is
2 23 amended to read as follows:

2 24 1. All persons required to obtain a permit or to be
2 25 licensed under section 453A.13 ~~as distributors or 453A.44~~
2 26 having in their possession and held for resale on the
2 27 effective date of an increase in the tax rate cigarettes, ~~or~~
2 28 little cigars, ~~or tobacco products~~ upon which the tax under
2 29 section 453A.6 or 453A.43 has been paid, unused cigarette tax
2 30 stamps which have been paid for under section 453A.8, ~~or~~
2 31 unused metered imprints which have been paid for under section
2 32 453A.12, ~~or tobacco products for which the tax has not been~~
2 33 paid under section 453A.46 shall be subject to an inventory
2 34 tax on the items as provided in this section.

2 35 Sec. 5. Section 453A.43, subsections 1, 2, and 3, Code
3 1 2007, are amended to read as follows:

3 2 1. a. A tax is imposed upon all tobacco products in this
3 3 state and upon any person engaged in business as a distributor
3 4 of tobacco products, at the rate of twenty-two percent of the
3 5 wholesale sales price of the tobacco products, except little
3 6 cigars as defined in section 453A.42.

3 7 b. In addition to the tax imposed under paragraph "a", a
3 8 tax is imposed upon all tobacco products in this state and
3 9 upon any person engaged in business as a distributor of
3 10 tobacco products, at the rate of thirty-three percent of the
3 11 wholesale sales price of the tobacco products, except little
3 12 cigars as defined in section 453A.42.

3 13 c. Little cigars shall be subject to the same rate of tax
3 14 imposed upon cigarettes in section 453A.6, payable at the time
3 15 and in the manner provided in section 453A.6; and stamps shall
3 16 be affixed as provided in division I of this chapter.

3 17 d. The ~~tax taxes~~ on tobacco products, excluding little
3 18 cigars, shall be imposed at the time the distributor does any
3 19 of the following:

3 20 a- (1) Brings, or causes to be brought, into this state
3 21 from without the state tobacco products for sale.

3 22 b- (2) Makes, manufactures, or fabricates tobacco
3 23 products in this state for sale in this state.

3 24 c- (3) Ships or transports tobacco products to retailers
3 25 in this state, to be sold by those retailers.

3 26 2. a. A tax is imposed upon the use or storage by
3 27 consumers of tobacco products in this state, and upon the
3 28 consumers, at the rate of twenty-two percent of the cost of
3 29 the tobacco products.

3 30 b. In addition to the tax imposed in paragraph "a", a tax
3 31 is imposed upon the use or storage by consumers of tobacco
3 32 products in this state, and upon the consumers, at a rate of
3 33 thirty-three percent of the cost of the tobacco products.

3 34 c. The ~~tax taxes~~ imposed by this subsection shall not
3 35 apply if the ~~tax taxes~~ imposed by subsection 1 on the tobacco
4 1 products ~~has have~~ been paid.

4 2 d. ~~This tax~~ The taxes imposed under this subsection shall
4 3 not apply to the use or storage of tobacco products in
4 4 quantities of:

4 5 a- (1) Less than 25 cigars.

4 6 b- (2) Less than 10 oz. snuff or snuff powder.

4 7 c- (3) Less than 1 lb. smoking or chewing tobacco or
4 8 other tobacco products not specifically mentioned herein, in
4 9 the possession of any one consumer, except as provided in
4 10 section 453A.40.

4 11 3. Any tobacco product with respect to which a tax has
4 12 once been imposed under this division shall not again be
4 13 subject to tax under said division, except as provided in
4 14 section 453A.40.

4 15 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
4 16 immediate importance, takes effect on the first day of the
4 17 second month that begins following enactment of this Act.

4 18 EXPLANATION

4 19 This bill relates to an increase in the taxes imposed on
4 20 cigarettes and tobacco products and to the deposit of the
4 21 increased revenue generated in the healthy Iowans tobacco
4 22 trust.

4 23 The bill imposes a tax on cigarettes, in addition to the
4 24 tax of 18 mills (1.8 cents) imposed on each cigarette, of 7.65
4 25 cents on each cigarette. The effect of the bill is to
4 26 increase the tax on a pack of 20 cigarettes from 36 cents per
4 27 pack to \$1.53 per pack.

4 28 The bill also imposes a tax on tobacco products, in
4 29 addition to the 22 percent of the wholesale sales price for

4 30 distributors and 22 percent of the cost of tobacco products
4 31 for the use or storage by consumers of tobacco products, of 33
4 32 percent of the wholesale sales price and the cost.

4 33 The bill also provides for payment of the inventory tax by
4 34 all persons required to obtain a permit as a distributor,
4 35 wholesaler, or retailer of cigarettes or to be licensed as a
5 1 distributor or subjobber of tobacco products having in their
5 2 possession and holding for resale on the effective date of an
5 3 increase in the tax rate, cigarettes, little cigars, or
5 4 tobacco products upon which the tax has been paid, unused
5 5 cigarette tax stamps which have been paid for, unused metered
5 6 imprints which have been paid for, or tobacco products for
5 7 which the tax has not been paid.

5 8 The bill provides that the additional revenue generated
5 9 (the 7.65 cents per cigarette and the 33 percent on tobacco
5 10 products) is to be deposited in the healthy Iowans tobacco
5 11 trust and used specifically for health care and tobacco use
5 12 prevention, cessation, and control. The section of the bill
5 13 relating to the tax increase on cigarettes and tobacco
5 14 products takes effect on the first day of the second month
5 15 that begins following enactment.

5 16 LSB 2298HH 82

5 17 pf:rj/gg/14