

House File 2406 - Introduced

HOUSE FILE 2406
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A BILL FOR

1 An Act relating to administration of and taxation on
2 tobacco-related products including imposing a tax on
3 alternative nicotine products and vapor products.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

TAXATION ON TOBACCO-RELATED PRODUCTS

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

NEW SUBSECTION. 18A. "Nicotine" means any form of the chemical nicotine, including any salt or complex, from any source, and includes nicotinic alkaloids and nicotine analogs and any substance intended to mimic or replicate the pharmacological effect of nicotine. For purposes of this subsection, any communication by, or on behalf of, the manufacturer, distributor, or retailer of a tobacco product that indicates that the product contains a nicotine analog constitutes presumptive evidence that the product contains a nicotine analog and meets the definition of nicotine.

Sec. 2. Section 453A.1, subsection 28, Code 2026, is amended to read as follows:

28. "Tobacco products" means cigars; little cigars as defined in section 453A.42, subsection 6; cheroots; stogies; periques; granulated; plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff, snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobaccos; shorts; or refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise, or both for chewing and smoking consumption in any manner; but does not mean cigarettes.

Sec. 3. Section 453A.6, subsection 1, Code 2026, is amended to read as follows:

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 equal to ~~six~~ fourteen and ~~eight-tenths~~ three-tenths cents on each cigarette.

Sec. 4. Section 453A.6, subsection 8, paragraph a, Code 2026, is amended to read as follows:

a. Pay directly to the department, in lieu of the tax under

1 subsection 1, a tax equal to ~~three and six~~ six and forty-three
2 hundredths cents on each cigarette dispensed from such machine.
3 Payments made under this paragraph shall be remitted to the
4 department electronically.

5 Sec. 5. Section 453A.6, Code 2026, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 9. a. Beginning on January 1, 2029, and for
8 each January 1 thereafter, the department shall adjust the rate
9 of the tax imposed in subsections 1 and 8 if required under
10 paragraph "b", which shall include any adjustment made in prior
11 calendar years under this subsection, by multiplying the rate
12 of tax imposed under subsections 1 and 8, respectively, by the
13 inflation adjustment determined under paragraph "b" to determine
14 the new rate of tax for the calendar year.

15 b. (1) Beginning with the calendar year January 1, 2027, and
16 for each calendar year thereafter, the department shall determine
17 the average retail price by surveying cigarette retailers and
18 vendors on a statewide basis in a manner and time determined
19 by the department. The department shall calculate the inflation
20 adjustment for the calendar year in which the new tax rate takes
21 effect by comparing the average retail price of cigarettes in the
22 current survey with the average retail price of cigarettes in the
23 survey from the previous calendar year.

24 (a) If the survey indicates the average retail sales price
25 of cigarettes has increased relative to the average retail
26 sales price in the survey from the previous calendar year, the
27 inflation adjustment used in paragraph "a" shall be the quotient
28 of the average retail sales price of the current survey and
29 the average retail sales price of the survey from the previous
30 calendar year.

31 (b) If the survey indicates that the average retail price
32 of cigarettes has not increased relative to the average retail
33 price of the survey from the previous calendar year, then the
34 department shall not make an inflation adjustment.

35 (2) The department shall exclude from the survey any price

1 increase attributable to any increase in state or federal tax
2 rates.

3 c. If a tax rate is adjusted pursuant to this subsection, the
4 department shall cause an advisory notice containing the new tax
5 rate to be published in the Iowa administrative bulletin and on
6 the internet site of the department of revenue. The calculation
7 and publication of the adjusted tax rate by the director of
8 revenue is exempt from chapter 17A, and shall be submitted for
9 publication by the first December 31 following the determination
10 date to adjust a tax rate.

11 Sec. 6. Section 453A.39, Code 2026, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 3. A package of alternative nicotine
14 products shall not contain more than twenty separately consumable
15 products within the package.

16 Sec. 7. Section 453A.42, subsections 2 and 16, Code 2026, are
17 amended to read as follows:

18 2. "Consumer" means any person who has title to or possession
19 of tobacco products, alternative nicotine products, or vapor
20 products in storage, for use or other consumption in this state.

21 16. "Tobacco products" means cigars; little cigars as defined
22 herein; cheroots; stogies; periques; granulated, plug cut, crimp
23 cut, ready rubbed, and other smoking tobacco; snuff; snuff flour;
24 cavendish; plug and twist tobacco; fine-cut and other chewing
25 tobaccos; shorts; or refuse scraps, clippings, cuttings and
26 sweepings of tobacco, and other kinds and forms of tobacco,
27 prepared in such manner as to be suitable for chewing or
28 smoking in a pipe or otherwise, or both for chewing and smoking
29 consumption in any manner; but shall not include does not mean
30 cigarettes as defined in section 453A.1, subsection 4.

31 Sec. 8. Section 453A.43, Code 2026, is amended to read as
32 follows:

33 **453A.43 Tax on tobacco products.**

34 1. a. A tax is imposed upon all tobacco products,
35 alternative nicotine products, and vapor products in this state

1 and upon any person engaged in business as a distributor
2 of tobacco products, alternative nicotine products, or vapor
3 products at the rate of ~~twenty-two~~ fifty percent of the wholesale
4 sales price of the tobacco products, ~~except little cigars~~
5 ~~and snuff as defined in section 453A.42~~ alternative nicotine
6 products, or vapor products. Notwithstanding the rate of tax
7 imposed in this paragraph "a", a different rate of tax shall
8 be imposed on the wholesale sales price if applicable under
9 paragraph "b", and little cigars shall be subject to the tax as
10 specified pursuant to paragraph "c".

11 ~~b.~~ In addition to the tax imposed under paragraph "a", a
12 tax is imposed upon all tobacco products in this state and
13 upon any person engaged in business as a distributor of tobacco
14 products, at the rate of ~~twenty-eight~~ percent of the wholesale
15 sales price of the tobacco products, ~~except little cigars and~~
16 ~~snuff as defined in section 453A.42.~~

17 ~~c.~~ Notwithstanding the rate of tax imposed pursuant to
18 paragraphs "a" and "b", if the tobacco product is a cigar, the
19 total amount of the tax imposed pursuant to paragraphs "a" and
20 "b" combined shall not exceed fifty cents per cigar.

21 b. When the rate of tax imposed on the wholesale sales
22 price equals less than two dollars and eighty-six cents under
23 paragraph "a", the rate of tax imposed on the wholesale sales
24 price under paragraph "a" shall be recalculated and imposed at a
25 rate equaling two dollars and eighty-six cents.

26 ~~d.~~ c. Little cigars shall be subject to the same rate of tax
27 imposed upon cigarettes in section 453A.6, payable at the time
28 and in the manner provided in section 453A.6; and stamps shall be
29 affixed as provided in subchapter I of this chapter. Snuff shall
30 be subject to the tax as provided in subsections 3 and 4.

31 ~~e.~~ d. The taxes on tobacco products, alternative nicotine
32 products, vapor products, excluding little cigars and snuff,
33 shall be imposed at the time the distributor does any of the
34 following:

35 (1) Brings, or causes to be brought, into this state from

1 outside the state tobacco products for sale.

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

4 (3) Ships or transports tobacco products to retailers in this
5 state, to be sold by those retailers.

6 2. a. A tax is imposed upon the use or storage by
7 consumers of tobacco products, alternative nicotine products, and
8 vapor products in this state, and upon the consumers, at the
9 rate of ~~twenty-two~~ fifty percent of the cost of the tobacco
10 products, alternative nicotine products, or vapor products.

11 Notwithstanding the rate of tax imposed in this paragraph "a",
12 a different rate of tax shall be imposed on the use or storage,
13 if applicable, under paragraph "b".

14 ~~b. In addition to the tax imposed in paragraph "a", a tax is~~
15 ~~imposed upon the use or storage by consumers of tobacco products~~
16 ~~in this state, and upon the consumers, at a rate of twenty-eight~~
17 ~~percent of the cost of the tobacco products.~~

18 ~~c. Notwithstanding the rate of tax imposed pursuant to~~
19 ~~paragraphs "a" and "b", if the tobacco product is a cigar, the~~
20 ~~total amount of the tax imposed pursuant to paragraphs "a" and~~
21 ~~"b" combined shall not exceed fifty cents per cigar.~~

22 b. When the rate of tax imposed on the use or storage equals
23 less than two dollars and eighty-six cents under paragraph "a",
24 the rate of tax imposed on the use or storage under paragraph "a"
25 shall be recalculated and imposed at a rate equaling two dollars
26 and eighty-six cents.

27 ~~d. c.~~ The taxes imposed by this subsection shall not apply
28 if the taxes imposed by subsection 1 on the tobacco products have
29 been paid.

30 ~~e. d.~~ The taxes imposed under this subsection shall not
31 apply to the use or storage of tobacco products in quantities of:

32 (1) Less than twenty-five cigars.

33 (2) Less than one pound smoking or chewing tobacco or other
34 tobacco products not specifically mentioned herein, in the
35 possession of any one consumer.

1 ~~3. A tax is imposed upon all snuff in this state and upon any~~
2 ~~person engaged in business as a distributor of snuff at the rate~~
3 ~~of one dollar and nineteen cents per ounce, with a proportionate~~
4 ~~tax at the same rate on all fractional parts of an ounce of~~
5 ~~snuff. The tax shall be computed based on the net weight listed~~
6 ~~by the manufacturer. The tax on snuff shall be imposed at the~~
7 ~~time the distributor does any of the following:~~

8 ~~a. Brings or causes to be brought into this state from~~
9 ~~outside the state, snuff for sale.~~

10 ~~b. Makes, manufactures, or fabricates snuff in this state for~~
11 ~~sale in this state.~~

12 ~~c. Ships or transports snuff to retailers in this state, to~~
13 ~~be sold by those retailers.~~

14 ~~4. a. A tax is imposed upon the use or storage by consumers~~
15 ~~of snuff in this state, and upon the consumers, at the rate of~~
16 ~~one dollar and nineteen cents per ounce with a proportionate tax~~
17 ~~at the same rate on all fractional parts of an ounce of snuff.~~
18 ~~The tax shall be computed based on the net weight as listed by~~
19 ~~the manufacturer.~~

20 ~~b. The tax imposed by this subsection shall not apply if the~~
21 ~~tax imposed by subsection 3 on snuff has been paid.~~

22 ~~c. The tax shall not apply to the use or storage of snuff in~~
23 ~~quantities of less than ten ounces.~~

24 ~~5. 3. Any tobacco product, alternative nicotine product,~~
25 ~~or vapor product with respect to which a tax has once been~~
26 ~~imposed under this subchapter shall not again be subject to tax~~
27 ~~under this subchapter, except as provided in section 453A.40 or~~
28 ~~453A.47C.~~

29 ~~6. 4. The tax imposed by this section shall not apply with~~
30 ~~respect to any tobacco product which under the Constitution and~~
31 ~~laws of the United States may not be made the subject of taxation~~
32 ~~by this state.~~

33 ~~7. 5. The tax imposed by this section shall be in addition~~
34 ~~to all other occupation or privilege taxes or license fees now or~~
35 ~~hereafter imposed by any city or county.~~

1 purpose of sale or consumption; or if sold from any vehicle
2 or train, the vehicle or train on which or from which such
3 cigarettes, alternative nicotine products, or vapor products are
4 sold shall constitute a place of business; or for a business
5 within or without the state that conducts delivery sales, any
6 place where alternative nicotine products or vapor products are
7 sold or where alternative nicotine products or vapor products are
8 kept for the purpose of sale.

9 Sec. 13. Section 453A.15, subsections 1, 2, and 4, Code 2026,
10 are amended to read as follows:

11 1. The director may prescribe the forms necessary for the
12 efficient administration of this subchapter and may require
13 uniform books and records to be used and kept by each permit
14 holder or other person as deemed necessary. The director
15 may also require each permit holder or other person to keep
16 and retain in the director's possession evidence on prescribed
17 forms of all transactions involving the purchase and sale of
18 cigarettes, tobacco products, alternative nicotine products, or
19 vapor products, or the purchase and use of stamps. The evidence
20 shall be kept for a period of three years from the date of each
21 transaction, for the inspection at all times by the department.

22 2. Where a state permit holder sells cigarettes, tobacco
23 products, alternative nicotine products, or vapor products at
24 retail, the holder shall be required to maintain detailed records
25 for sales of cigarettes, tobacco products, alternative nicotine
26 products, or vapor products to be sold at retail and ~~the~~
27 ~~cigarette~~ such sales records shall be kept separate and apart.

28 4. Every permit holder or other person shall, when requested
29 by the department, make additional reports as the department
30 deems necessary and proper and shall at the request of the
31 department furnish full and complete information pertaining to
32 any transaction of the permit holder or other person involving
33 the purchase or sale or use of cigarettes, tobacco products,
34 alternative nicotine products, or vapor products, or purchase of
35 cigarette stamps.

1 Sec. 14. Section 453A.24, Code 2026, is amended to read as
2 follows:

3 **453A.24 Carrier to permit access to records.**

4 1. Every common carrier or person in this state having
5 custody of books or records showing the transportation of
6 cigarettes, tobacco products, alternative nicotine products, or
7 vapor products, both interstate and intrastate, shall give and
8 allow the department free access to those books and records.

9 2. The director may require by rule that common carriers or
10 the appropriate persons provide monthly reports to the department
11 detailing all information the department deems necessary on
12 shipments into and out of Iowa of cigarettes, and tobacco
13 products, alternative nicotine products, or vapor products as set
14 forth in this subchapter I and subchapter II of this chapter. A
15 report required to be submitted by the director pursuant to this
16 section shall be filed electronically.

17 Sec. 15. Section 453A.32, subsection 6, Code 2026, is amended
18 to read as follows:

19 6. The provisions of this section applying to cigarettes
20 shall also apply to tobacco products, alternative nicotine
21 products, and vapor products taxed under subchapter II of this
22 chapter.

23 Sec. 16. Section 453A.33, Code 2026, is amended to read as
24 follows:

25 **453A.33 Seizure not to affect criminal prosecution.**

26 The seizure, forfeiture, and sale of cigarettes, tobacco
27 products, alternative nicotine products, vapor products, and
28 other property under the terms and conditions set out in section
29 453A.32, shall not constitute any defense to the person owning
30 or having control or possession of the property from criminal
31 prosecution for any act or omission made or offense committed
32 under this chapter or from liability to pay penalties provided by
33 this chapter.

34 Sec. 17. Section 453A.35, subsection 1, paragraph b, Code
35 2026, is amended to read as follows:

1 b. The revenues generated from the tax on cigarettes pursuant
2 to section 453A.6, ~~subsection 1~~ subsections 1 and 8, from the tax
3 on tobacco products as specified in section 453A.43, subsections
4 1, 2, 3, and 4, and from the fees and penalties specified in
5 subchapter III shall be credited to the health care trust fund
6 created in section 453A.35A.

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

9 1. A health care trust fund is created in the office of
10 the treasurer of state. The fund consists of the revenues
11 generated from the tax on cigarettes pursuant to section 453A.6,
12 ~~subsection 1~~ subsections 1 and 8, from the tax on tobacco
13 products, alternative nicotine products, and vapor products as
14 specified in section 453A.43, subsections ~~1, 2, 3,~~ and 4 2, and
15 from the fees and penalties specified in subchapter III, that
16 are credited to the health care trust fund, annually, pursuant
17 to section 453A.35. Moneys in the fund shall be separate from
18 the general fund of the state and shall not be considered part
19 of the general fund of the state. Moneys in the fund shall be
20 used only as specified in this section and shall be appropriated
21 only for the uses specified. Moneys in the fund are not subject
22 to section 8.33 and shall not be transferred, used, obligated,
23 appropriated, or otherwise encumbered, except as provided in this
24 section. Notwithstanding section 12C.7, subsection 2, interest
25 or earnings on moneys deposited in the fund shall be credited to
26 the fund.

27 Sec. 19. Section 453A.39, subsection 1, Code 2026, is amended
28 to read as follows:

29 1. A manufacturer, distributor, wholesaler, retailer, or
30 distributing agent, or an agent thereof of a manufacturer,
31 distributor, wholesaler, retailer, or distributing agent, shall
32 not give away cigarettes, ~~or tobacco products,~~ alternative
33 nicotine products, or vapor products at any time in connection
34 with the manufacturer's, distributor's, wholesaler's, retailer's,
35 or distributing agent's business or for promotion of the business

1 or product, except as provided in subsection 2.

2 Sec. 20. Section 453A.40, subsection 1, Code 2026, is amended
3 to read as follows:

4 1. All persons required to obtain a permit or to be
5 licensed under section 453A.13 or section 453A.44 having in their
6 possession and held for resale on the effective date of an
7 increase in the tax rate cigarettes, little cigars, ~~or~~ tobacco
8 products, alternative nicotine products, or vapor products upon
9 which the tax under section 453A.6 or 453A.43 has been paid,
10 unused cigarette tax stamps which have been paid for under
11 section 453A.8, unused metered imprints which have been paid for
12 under section 453A.12, or tobacco products for which the tax
13 has not been paid under section 453A.46 shall be subject to an
14 inventory tax on the items as provided in this section.

15 Sec. 21. Section 453A.42, subsections 1, 2, 8, 9, 10, 12, 14,
16 and 17, Code 2026, are amended to read as follows:

17 1. "Business" means any trade, occupation, activity, or
18 enterprise engaged in for the purpose of selling or distributing
19 tobacco products, alternative nicotine products, or vapor
20 products in this state.

21 2. "Consumer" means any person who has title to or possession
22 of tobacco products, alternative nicotine products, or vapor
23 products in storage, for use or other consumption in this state.

24 8. "Person" means any individual, firm, association,
25 partnership, joint stock company, joint ~~adventure~~ venture,
26 corporation, trustee, agency, or receiver, or any legal
27 representative of any ~~of the foregoing~~ individual, firm,
28 association, partnership, joint stock company, joint venture,
29 corporation, trustee, agency, or receiver.

30 9. "Place of business" means any place where tobacco products
31 are sold or where tobacco products, alternative nicotine
32 products, or vapor products are manufactured, stored, or kept
33 for the purpose of sale or consumption, including any vessel,
34 vehicle, airplane, train, or vending machine; or for a business
35 within or without the state that conducts delivery sales, any

1 place where alternative nicotine products or vapor products are
2 sold or where alternative nicotine products or vapor products are
3 kept for the purpose of sale, including delivery sales.

4 10. "Retail outlet" means each place of business from
5 which tobacco products, alternative nicotine products, or vapor
6 products are sold to consumers.

7 12. "Sale" means any transfer, exchange, or barter, in any
8 manner or by any means whatsoever, for a consideration, and
9 includes and means all sales made by any person. It includes
10 a gift by a person engaged in the business of selling tobacco
11 products, alternative nicotine products, or vapor products for
12 advertising, as a means of evading the provisions of this
13 subchapter, or for any other purposes whatsoever.

14 14. "Storage" means any keeping or retention of tobacco
15 products, alternative nicotine products, or vapor products for
16 use or consumption in this state.

17 17. "Use" means the exercise of any right or power incidental
18 to the ownership of tobacco products, alternative nicotine
19 products, or vapor products.

20 Sec. 22. Section 453A.45, subsection 3, Code 2026, is amended
21 to read as follows:

22 3. Every retailer and subjobber shall procure itemized
23 invoices of all tobacco products, alternative nicotine products,
24 and vapor products purchased. The invoices shall show the name
25 and address of the seller and the date of purchase. The retailer
26 and subjobber shall preserve a legible copy of each invoice
27 for three years from the date of purchase. Invoices shall
28 be available for inspection by the director or the director's
29 authorized agents or employees at the retailer's or subjobber's
30 place of business.

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

33 3. The director may exchange information with the officers
34 and agencies of other states administering laws relating to the
35 taxation of tobacco products, alternative nicotine products, or

1 vapor products.

2 Sec. 24. Section 453A.51, Code 2026, is amended to read as
3 follows:

4 **453A.51 Assessment of cost of audit.**

5 The department may employ auditors or other persons to
6 audit and examine the books and records of a permit holder or
7 other person dealing in tobacco products, alternative nicotine
8 products, and vapor products to ascertain whether the permit
9 holder or other person has paid the amount of the taxes required
10 to be paid by the permit holder or other person under the
11 provisions of this chapter. If the taxes have not been paid, as
12 required, the department shall assess against the permit holder
13 or other person, as additional penalty, the reasonable expenses
14 and costs of the investigation and audit.

15 EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 This bill relates to administration of and taxation on
19 tobacco-related products including imposing a tax on alternative
20 nicotine products and vapor products.

21 DIVISION I — TAXATION ON TOBACCO-RELATED PRODUCTS.

22 TOBACCO PRODUCTS DEFINITION. The bill modifies the definition
23 of tobacco products to include any form of tobacco for chewing or
24 smoking consumption in any manner.

25 NICOTINE DEFINITION. The bill defines "nicotine" to mean any
26 form of the chemical nicotine, including any salt or complex,
27 from any source, and includes nicotinic alkaloids and nicotine
28 analogs and any substance intended to mimic or replicate the
29 pharmacological effect of nicotine. The bill specifies for
30 purposes of the definition of nicotine, any communication by,
31 or on behalf of, the manufacturer, distributor, or retailer of
32 a tobacco product that indicates that the product contains a
33 nicotine analog constitutes presumptive evidence that the product
34 contains a nicotine analog.

35 CIGARETTE TAXATION. The bill raises the cigarette tax from 6.8

1 cents per cigarette to 14.3 cents per cigarette. The overall tax
2 on a pack of cigarettes (20 cigarettes) goes from \$1.36 to \$2.86.

3 The bill also raises the tax on loose tobacco products
4 inserted into a vending machine from which assembled cigarettes
5 are dispensed. The tax is increased from 3.06 cents on each
6 cigarette dispensed from the vending machine to 6.43 cents.

7 The bill creates an administrative process where the cigarette
8 tax may be increased in proportion to any retail sales price
9 increases from year to year. The bill requires the department
10 of revenue (department) to conduct a statewide survey of retail
11 cigarette prices to determine the amount of increase from year
12 to year. The tax is not increased if the retail sales price of
13 cigarettes does not increase from year to year. In conducting
14 the statewide survey of retail cigarette prices, the bill
15 prohibits the department from considering state or federal tax
16 increases on cigarettes in the survey.

17 If the cigarette tax is increased through the administrative
18 process, the bill requires the department to publish the new rate
19 in the Iowa administrative bulletin and publish the new rate on
20 the internet site of the department by December 31 following the
21 determination date to adjust the tax rate. The calculation and
22 publication of the adjusted rate is exempt from Code chapter 17A
23 (Iowa administrative procedures Act).

24 By increasing the cigarette tax in the bill, the inventory
25 tax is also assessed on cigarettes remaining in inventories taxed
26 under the previous tax rate that is equal to the difference
27 between the previous tax rate and the new tax rate.

28 Code section 453A.35 specifies that revenues from the tax on
29 cigarettes are deposited into the health care trust fund created
30 in Code section 453A.35A.

31 ALTERNATIVE NICOTINE PRODUCTS — LIMITATIONS. The bill
32 prohibits a package of alternative nicotine products from
33 containing more than 20 separately consumable products within the
34 package.

35 TOBACCO PRODUCTS DEFINITION. The bill modifies the definition

1 of tobacco products to include snuff and snuff flour and makes
2 other changes to the definition.

3 TOBACCO PRODUCT, ALTERNATIVE NICOTINE PRODUCT, AND VAPOR
4 PRODUCT TAXATION. Currently, a tax is imposed on the distributor
5 of all tobacco products (excluding cigarettes, little cigars, and
6 snuff) at a rate of 22 percent of the wholesale sales price under
7 Code section 453A.43(1)(a) and at a rate of 28 percent under
8 Code section 453A.43(1)(b) for a combined rate of 50 percent
9 tax on the wholesale sales price. The bill combines the 22
10 percent rate and the 28 percent rate and imposes the combined
11 50 percent rate on the wholesale sales price on more products
12 including alternative nicotine products, vapor products, cigars,
13 and snuff. When the tax on the wholesale sales price of any
14 product is imposed in the bill, the bill specifies the resulting
15 amount shall not be below \$2.86. Due to the imposition of the
16 50 percent tax on the wholesale sales price of cigars and snuff,
17 the bill strikes the 50 cent taxation on cigars and the \$1.19 per
18 ounce tax imposed on snuff.

19 The bill applies the same minimum \$2.86 rate upon consumers
20 for the use or storage of tobacco products, alternative nicotine
21 products, and vapor products, if the tax imposed on wholesale
22 sales price tax has not otherwise been paid at the wholesale
23 level.

24 By imposing new tax rates on alternative nicotine products,
25 vapor products, cigars, and snuff, the inventory tax may be
26 assessed on any nicotine products, vapor products, cigars, and
27 snuff remaining in inventories taxed under the previous tax rate
28 that is equal to the difference between the previous tax rate and
29 the new tax rate.

30 DIVISION II — CONFORMING CHANGES. The bill make numerous
31 conforming changes by adding alternative nicotine products and
32 vapor products to reflect the changes made by the bill.