House Study Bill 321 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON WAYS AND MEANS BILL BY CHAIRPERSON KAUFMANN)

A BILL FOR

An Act relating to the regulation and taxation of tobacco products and heated tobacco products.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 421B.2, subsection 2, Code 2025, is amended to read as follows:

2. "*Cigarettes*" shall mean and include any roll for smoking, made wholly or in part of tobacco, irrespective of size or shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material except tobacco, and include a heated tobacco product as defined in section 453A.1.

Sec. 2. Section 453A.1, subsection 4, Code 2025, is amended to read as follows:

4. "*Cigarette*" means any roll for smoking made wholly or in part of tobacco, or any substitute for tobacco, irrespective of size or shape and irrespective of tobacco or any substitute for tobacco being flavored, adulterated, or mixed with any other ingredient, where such roll has a wrapper or cover made of paper or any other material. "*Cigarette*" shall be construed to include heated tobacco products. However, "*cigarette*" shall not be construed to include cigars.

Sec. 3. Section 453A.1, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 15A. "*Heated tobacco product*" means a product containing tobacco that produces an inhalable aerosol by heating the tobacco by means of a device without combustion of the tobacco or by heat generated from a combustion source that only or primarily heats rather than burns the tobacco.

Sec. 4. Section 453A.1, subsection 29, Code 2025, is amended to read as follows:

29. "*Vapor product*" means any noncombustible product, which may or may not contain nicotine, that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from a solution or ~~other substance~~ liquid. "*Vapor product*" includes an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any cartridge or other container of a solution or

~~other substance~~ liquid, which may or may not contain nicotine, that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. *"Vapor product"* does not include a product regulated as a drug or device by the United States food and drug administration under chapter V of the federal Food, Drug, and Cosmetic Act.

Sec. 5. Section 453A.6, subsection 1, Code 2025, is amended to read as follows:

1. *a.* ~~There~~ Except as provided in paragraph *"b"*, 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 and eight-tenths cents on each cigarette.

b. There is imposed, and shall be collected and paid to the department, a tax on heated tobacco products used or otherwise disposed of in this state for any purpose equal to three and four-tenths cents on each consumable unit containing a heated tobacco product.

Sec. 6. Section 453A.42, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 5A. *"Heated tobacco product"* means the same as defined in section 453A.1, except *"heated tobacco product"* does not include a vapor product.

Sec. 7. Section 453A.42, subsection 16, Code 2025, is amended to read as follows:

16. *"Tobacco products"* means cigars; little cigars as defined herein; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; cavendish; plug and twist tobacco; fine-cut and other chewing tobaccos; shorts; 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; but shall not include cigarettes or heated tobacco products as defined in section

453A.1~~, subsection 4~~.

Sec. 8. Section 453C.1, subsection 4, paragraph a, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) Any heated tobacco product as defined in section 453A.1.

EXPLANATION

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

This bill relates to the regulation and taxation of tobacco products and heated tobacco products.

The bill amends Code section 421B.2 by including heated tobacco products in the definition of cigarette for the purpose of cigarette sales including the determining of the basic cost of cigarettes and the selling of cigarettes at less than cost under Code chapter 421B.

The bill amends Code section 453A.1(4) to provide that the definition of "cigarette" includes heated tobacco products for purposes of Code chapter 453A (cigarette and tobacco taxes and regulation of alternative nicotine products and vapor products).

The bill defines "heated tobacco products" for purposes of Code chapter 453A, subchapter I (cigarettes and alternative nicotine products and vapor products), to mean a product containing tobacco that produces an inhalable aerosol by heating the tobacco by means of a device without combustion of the tobacco or by heat generated from a combustion source that only or primarily heats rather than burns the tobacco. The bill defines "heated tobacco products" the same for the purposes of Code chapter 453, subchapter II (cigars, other tobacco products, and alternative nicotine and vapor products), except the definition specifically excludes "vapor products" defined in Code section 453A.1(29).

The bill amends Code section 453A.1(29) to provide that the definition of "vapor product" include liquid nicotine rather than just nicotine, and replaces the use of the term "other substance" in the definition with the term "liquid".

Under current law in Code chapter 453A, subchapter I, a tax is imposed under Code section 453A.6 on all cigarettes equal to 6.80 cents on each cigarette. However, the bill imposes a tax on each cigarette that is a unit containing a heated tobacco product under Code chapter 453A, subchapter I, that is equal to 3.40 cents.

Under current law in Code chapter 453A, subchapter II, a tax is imposed under Code section 453A.43 on all tobacco products in this state at a rate of 22 percent of the wholesale price of the tobacco products, except little cigars and snuff. Currently, cigarettes are also excluded from the 22 percent tax on the wholesale price. By amending the definition of "tobacco products" in Code chapter 453A, subchapter II, to exclude heated tobacco products, the bill excludes heated tobacco products including vapor products from the 22 percent tax on the wholesale price of tobacco products.

The bill defines "cigarette" to include heated tobacco products for purposes of regulating cigarettes under Code chapter 453C (tobacco product manufacturers —— financial obligations).