

Senate File 2480 - Introduced

SENATE FILE 2480
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 3193)

A BILL FOR

1 An Act relating to the taxation and regulation of alternative
2 nicotine products and vapor products, making appropriations,
3 and including effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 453A.1, subsections 1 and 29, Code 2026,
2 are amended to read as follows:

3 1. "Alternative nicotine product" means a product, not
4 consisting of or containing tobacco, that provides for the
5 ingestion into the body of nicotine, or a nicotine analog,
6 whether by chewing, absorbing, dissolving, inhaling, snorting, or
7 sniffing, or by any other means. "Alternative nicotine product"
8 does not include cigarettes, tobacco products, or vapor products,
9 or a product that is regulated as a drug or device by the
10 United States food and drug administration under chapter V of the
11 Federal Food, Drug, and Cosmetic Act.

12 29. a. "Vapor product" means any noncombustible product,
13 which may or may not contain nicotine or a nicotine analog, that
14 employs a heating element, power source, electronic circuit, or
15 other electronic, chemical, or mechanical means, regardless of
16 shape or size, that can be used to produce vapor from a solution
17 or other substance. "Vapor product" includes ~~an~~ but is not
18 limited to the following:

19 (1) Any product or device marketed, manufactured,
20 distributed, or sold as an electronic cigarette, electronic
21 cigar, electronic cigarillo, electronic pipe, or similar product
22 or device, ~~and any.~~

23 (2) Any cartridge or other container of a solution or other
24 substance, which may or may not contain nicotine or a nicotine
25 analog, that is intended to be used with or in an electronic
26 cigarette, electronic cigar, electronic cigarillo, electronic
27 pipe, or similar product or device.

28 (3) Any component, part, or accessory of such a product or
29 device that is used during the operation of the product or device
30 when sold in combination with any substance containing nicotine,
31 a nicotine analog, tobacco, or tobacco derivative.

32 b. "Vapor product" does not include a any of the following:

33 (1) A product regulated as a drug or device by the United
34 States food and drug administration under chapter V of the
35 Federal Food, Drug, and Cosmetic Act.

1 (2) Any component, part, or accessory of such a product or
2 device that is used during the operation of the product or
3 device when not sold in combination with any substance containing
4 nicotine, a nicotine analog, tobacco, or tobacco derivative.

5 Sec. 2. Section 453A.1, Code 2026, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 18A. "*Nicotine analog*" means a substance
8 that has a chemical structure that is substantially similar to
9 nicotine, or that has an effect on the central nervous system
10 that is substantially similar to, or greater than, the effects of
11 nicotine on the central nervous system.

12 Sec. 3. Section 453A.35A, subsection 1, Code 2026, is amended
13 to read as follows:

14 1. a. A health care trust fund is created in the office
15 of the treasurer of state. The fund consists of the revenues
16 generated from the tax on cigarettes pursuant to section 453A.6,
17 subsection 1, from the tax on tobacco products as specified in
18 section 453A.43, subsections 1, 2, 3, and 4, from the additional
19 taxes on alternative nicotine and vapor products pursuant to
20 section 453A.43A, and from the fees and penalties specified in
21 subchapter III, that are credited to the health care trust fund,
22 annually, pursuant to section 453A.35. Moneys in the fund shall
23 be separate from the general fund of the state and shall not be
24 considered part of the general fund of the state. Moneys Except
25 as otherwise provided, moneys in the fund shall be used only as
26 specified in this section and shall be appropriated only for the
27 uses specified. Moneys in the fund are not subject to section
28 8.33 and shall not be transferred, used, obligated, appropriated,
29 or otherwise encumbered, except as provided in this section.
30 Notwithstanding section 12C.7, subsection 2, interest or earnings
31 on moneys deposited in the fund shall be credited to the fund.

32 b. (1) For the fiscal year beginning July 1, 2027, and each
33 fiscal year thereafter, an amount not to exceed three million
34 dollars from the amount of tax collected that is attributable
35 to the additional taxes on alternative nicotine products and

1 vapor products pursuant to section 453A.43A shall be appropriated
2 to the state board of regents for the purpose of conducting
3 pediatric cancer research, clinical therapy access, and for
4 providing physician-scientist leadership at the university of
5 Iowa stead family children's hospital.

6 (2) By December 1, 2028, and each December 1 thereafter,
7 the state board of regents shall submit a report to the
8 general assembly describing the research programs initiated or
9 advanced as a result of the appropriations made to the hospital,
10 the number of patients served, including patients enrolled in
11 clinical trials or therapy, and any outcomes to the extent
12 available, on the efficacy of the funded programs, trials, or
13 therapies.

14 Sec. 4. Section 453A.40, subsections 1 and 3, Code 2026, are
15 amended to read as follows:

16 1. All persons required to obtain a permit or to be
17 licensed under section 453A.13 or section 453A.44 having in their
18 possession and held for resale on the effective date of an
19 increase in the tax rate cigarettes, little cigars, ~~or~~ tobacco
20 products, alternative nicotine products, or vapor products upon
21 which the tax under section 453A.6, ~~or~~ 453A.43, or 453A.43A has
22 been paid, unused cigarette tax stamps which have been paid for
23 under section 453A.8, unused metered imprints which have been
24 paid for under section 453A.12, or tobacco products, alternative
25 nicotine products, or vapor products for which the tax has not
26 been paid under section 453A.46 shall be subject to an inventory
27 tax on the items as provided in this section.

28 3. The rate of the inventory tax on each item subject to
29 the tax as specified in subsection 1 is equal to the difference
30 between the amount paid on each item under section 453A.6,
31 453A.8, 453A.12, ~~or~~ 453A.43, or 453A.43A prior to the tax
32 increase and the amount that is to be paid on each similar item
33 under section 453A.6, 453A.8, 453A.12, ~~or~~ 453A.43, or 453A.43A
34 after the tax increase except that in computing the rate of the
35 inventory tax any discount allowed or allowable under section

1 453A.8 shall not be considered.

2 Sec. 5. Section 453A.42, subsections 5, 7, 15, and 18, Code
3 2026, are amended to read as follows:

4 5. "Distributor" means any and each of the following:

5 a. Any person engaged in the business of selling tobacco
6 products, alternative nicotine products, or vapor products in
7 this state who brings, or causes to be brought, into this state
8 from without the state any tobacco products, alternative nicotine
9 products, or vapor products for sale.

10 b. Any person who makes, manufactures, or fabricates tobacco
11 products, alternative nicotine products, or vapor products in
12 this state for sale in this state.

13 c. Any person engaged in the business of selling tobacco
14 products, alternative nicotine products, or vapor products
15 without this state who ships or transports tobacco products,
16 alternative nicotine products, or vapor products to retailers in
17 this state, to be sold by those retailers.

18 7. "Manufacturer" means a person who manufactures and sells
19 tobacco products, alternative nicotine products, or vapor
20 products.

21 15. "Subjobber" means any person, other than a manufacturer
22 or distributor, who buys tobacco products, alternative nicotine
23 products, or vapor products from a distributor and sells them to
24 persons other than the ultimate consumers.

25 18. "Wholesale sales price" means the established price
26 for which a manufacturer sells a tobacco product, alternative
27 nicotine product, or vapor product to a distributor, exclusive of
28 any discount or other reduction.

29 Sec. 6. NEW SECTION. **453A.43A Additional taxes on**
30 **alternative nicotine and vapor products.**

31 1. a. (1) A tax is imposed upon all alternative nicotine
32 products and all vapor products in this state and upon any person
33 engaged as a distributor of alternative nicotine products and
34 vapor products, at the following rates:

35 (a) On alternative nicotine products, five cents per

1 container containing up to twenty units, and a proportionate tax
2 at the same rate on each unit in excess of twenty units.

3 (b) On vapor products, five cents per milliliter of nicotine
4 in a solution and a proportionate tax at the same rate on any
5 fractions of a milliliter.

6 (2) The tax imposed pursuant to subparagraph (1) shall be
7 imposed based on the net volume of the solution as listed by the
8 manufacturer.

9 b. The tax on alternative nicotine products and vapor
10 products shall be imposed at the time the distributor does any
11 of the following:

12 (1) Brings, or causes to be brought, into this state from
13 outside the state alternative nicotine products or vapor products
14 for sale.

15 (2) Makes, manufactures, or fabricates alternative nicotine
16 products or vapor products in this state for sale in this state.

17 (3) Ships or transports alternative nicotine products or
18 vapor products to retailers in this state, to be sold by the
19 retailers.

20 2. A tax is imposed upon the use or storage of alternative
21 nicotine products or vapor products in this state, and upon
22 any person who uses or stores alternative nicotine products or
23 vapor products, at the following rates, if the tax imposed under
24 subsection 1 has not been paid:

25 a. (1) On alternative nicotine products, five cents per
26 container containing up to twenty units, and a proportionate tax
27 at the same rate on each unit in excess of twenty units.

28 (2) On vapor products, five cents per milliliter of nicotine
29 in a solution and a proportionate tax at the same rate on any
30 fractions of a milliliter.

31 b. The tax imposed pursuant to paragraph "a" shall be imposed
32 based on the net volume of the solution as listed by the
33 manufacturer.

34 3. Any alternative nicotine product or vapor product with
35 respect to which a tax has once been imposed under this

1 subchapter shall not again be subject to tax under this
2 subchapter.

3 4. The tax imposed by this section shall not apply with
4 respect to any alternative nicotine product or vapor product
5 which under the constitution and laws of the United States may
6 not be made the subject of taxation by this state.

7 5. The tax imposed by this section shall be in addition to
8 any other taxes imposed by law.

9 6. All excise taxes collected under this section by any
10 person are deemed to be held in trust for the state of Iowa.

11 Sec. 7. Section 453A.44, subsections 1, 3, and 10, Code 2026,
12 are amended to read as follows:

13 1. ~~No~~ A person shall not engage in the business of a
14 distributor or subjobber ~~of tobacco products~~ at any place of
15 business without first having received a license from the
16 director to engage in that business at that place of business.

17 3. A person without this state who ships or transports
18 tobacco products, alternative nicotine products, or vapor
19 products to retailers in this state, to be sold by those
20 retailers, may make application for a license as a distributor,
21 be granted a license by the director, and thereafter be subject
22 to all the provisions of this subchapter and entitled to act as a
23 licensed distributor.

24 10. The director may revoke, cancel, or suspend the license
25 or licenses of any distributor or subjobber for violation of any
26 of the provisions of this subchapter, or any other act applicable
27 to the sale of tobacco products, alternative nicotine products,
28 or vapor products, or any rule or regulations promulgated by the
29 director in furtherance of this subchapter. ~~No~~ A license shall
30 not be revoked, canceled, or suspended except after notice and a
31 hearing by the director as provided in section 453A.48.

32 Sec. 8. Section 453A.45, Code 2026, is amended to read as
33 follows:

34 **453A.45 Licensees, duties.**

35 1. a. Every distributor shall keep at each licensed place

1 of business complete and accurate records for that place of
2 business, including itemized invoices, of tobacco products,
3 alternative nicotine products, or vapor products held, purchased,
4 manufactured, brought in or caused to be brought in from without
5 the state, or shipped or transported to retailers in this state,
6 and of all sales of tobacco products, alternative nicotine
7 products, or vapor products made, except sales to the ultimate
8 consumer.

9 b. When a licensed distributor sells tobacco products,
10 alternative nicotine products, or vapor products exclusively to
11 the ultimate consumer at the address given in the license, an
12 invoice of those sales is not required, but itemized invoices
13 shall be made of all tobacco products, alternative nicotine
14 products, or vapor products transferred to other retail outlets
15 owned or controlled by that licensed distributor. All books,
16 records, and other papers and documents required by this
17 subsection to be kept shall be preserved for a period of at
18 least three years after the date of the documents or the date
19 of the entries appearing in the records, unless the director, in
20 writing, authorized their destruction or disposal at an earlier
21 date. At any time during usual business hours, the director,
22 or the director's duly authorized agents or employees, may enter
23 any place of business of a distributor, without a search warrant,
24 and inspect the premises, the records required to be kept under
25 this subsection, and the tobacco products, alternative nicotine
26 products, or vapor products contained therein, to determine if
27 all the provisions of this subchapter are being fully complied
28 with. If the director, or any such agent or employee, is denied
29 free access or is hindered or interfered with in making the
30 examination, the license of the distributor at that premises is
31 subject to revocation by the director.

32 2. Every person who sells tobacco products, alternative
33 nicotine products, or vapor products to persons other than the
34 ultimate consumer shall render with each sale itemized invoices
35 showing the seller's name and address, the purchaser's name and

1 address, the date of sale, and all prices and discounts. The
2 person shall preserve legible copies of all these invoices for
3 three years from the date of sale.

4 3. Every retailer and subjobber shall procure itemized
5 invoices of all tobacco products, alternative nicotine products,
6 or vapor products purchased. The invoices shall show the name
7 and address of the seller and the date of purchase. The retailer
8 and subjobber shall preserve a legible copy of each invoice
9 for three years from the date of purchase. Invoices shall
10 be available for inspection by the director or the director's
11 authorized agents or employees at the retailer's or subjobber's
12 place of business.

13 4. Records of all deliveries or shipments of tobacco
14 products, alternative nicotine products, or vapor products from
15 any public warehouse of first destination in this state which is
16 subject to the provisions of and licensed under chapter 554 shall
17 be kept by the warehouse and be available to the director for
18 inspection. ~~They~~ The records shall show the name and address
19 of the consignee, the date, the quantity of tobacco products,
20 alternative nicotine products, or vapor products delivered, and
21 such other information as the commissioner may require. ~~These~~
22 The records shall be preserved for three years from the date of
23 delivery of the tobacco products, alternative nicotine products,
24 or vapor products.

25 5. a. The transportation of tobacco products, alternative
26 nicotine products, or vapor products into this state by means
27 other than common carrier must be reported to the director within
28 thirty days with the following exceptions:

29 (1) The transportation of not more than fifty cigars, not
30 more than ten ounces of snuff or snuff powder, or not more than
31 one pound of smoking or chewing tobacco or other tobacco products
32 not specifically mentioned herein;

33 (2) Transportation by a person with a place of business
34 outside the state, who is licensed as a distributor under section
35 453A.44, or tobacco products, alternative nicotine products, or

1 vapor products sold by such person to a retailer in this state.

2 b. The report shall be made on forms provided by the
3 director. A report required under this subsection shall be filed
4 electronically. A report required to be submitted electronically
5 under this subsection that is filed in a manner other than in
6 an electronic format specified by the department shall not be
7 considered a valid submission unless the director has permitted
8 the submission of such a report through an alternative method
9 pursuant to section 453A.57.

10 c. Common carriers transporting tobacco products, alternative
11 nicotine products, or vapor products into this state shall file
12 with the director reports of all such shipments other than those
13 which are delivered to public warehouses of first destination in
14 this state which are licensed under the provisions of chapter
15 554. Such reports shall be filed electronically with the
16 department on or before the tenth day of each month and shall
17 show with respect to deliveries made in the preceding month all
18 of the following:

- 19 (1) The date.
- 20 (2) The point of origin.
- 21 (3) The point of delivery.
- 22 (4) The name of the consignee.
- 23 (5) A description and the quantity of tobacco products,
24 alternative nicotine products, or vapor products delivered.
- 25 (6) Such other information as the director may require.

26 d. Any person who fails or refuses to transmit to the
27 director the required reports or whoever refuses to permit the
28 examination of the records by the director shall be guilty of
29 a serious misdemeanor. In addition, any person who fails to
30 timely submit a report required under this section is subject to
31 a penalty in the amount of fifty dollars for each occurrence.

32 Sec. 9. Section 453A.46, subsection 1, paragraph a,
33 subparagraph (1), Code 2026, is amended to read as follows:

34 (1) On or before the twentieth day of each calendar month
35 every distributor with a place of business in this state shall

1 file a return with the director showing for the preceding
2 calendar month the quantity and wholesale sales price of each
3 tobacco product, alternative nicotine product, or vapor product
4 brought, or caused to be brought, into this state for sale;
5 made, manufactured, or fabricated in this state for sale in this
6 state; and any other information the director may require. Every
7 licensed distributor outside this state shall in like manner file
8 a return with the director showing for the preceding calendar
9 month the quantity and wholesale sales price of each tobacco
10 product, alternative nicotine product, or vapor product shipped
11 or transported to retailers in this state to be sold by those
12 retailers and any other information the director may require.
13 Returns shall be made upon forms made available in electronic
14 form and prescribed by the director and shall contain other
15 information as the director may require. Each return shall be
16 accompanied by a remittance for the full tax liability shown
17 on the return, less a discount as fixed by the director not
18 to exceed five percent of the tax. Within three years after
19 the return is filed or within three years after the return
20 became due, whichever is later, the department shall examine it,
21 determine the correct amount of tax, and assess the tax against
22 the taxpayer for any deficiency. The period for examination and
23 determination of the correct amount of tax is unlimited in the
24 case of a false or fraudulent return made with the intent to
25 evade tax, or in the case of a failure to file a return.

26 Sec. 10. Section 453A.46, subsection 6, Code 2026, is amended
27 to read as follows:

28 6. On or before the twentieth day of each calendar month,
29 every consumer who, during the preceding calendar month, has
30 acquired title to or possession of tobacco products, alternative
31 nicotine products, or vapor products for use or storage in this
32 state, and upon which ~~tobacco products~~ the tax taxes imposed
33 by section 453A.43 ~~has~~ or 453A.43A have not been paid, shall
34 file a return with the director showing the quantity of tobacco
35 products, alternative nicotine products, or vapor products so

1 acquired. The return shall be made upon a form furnished and
2 prescribed by the director, and shall contain other information
3 as the director may require. The return shall be accompanied
4 by a remittance for the full unpaid tax liability shown by
5 it. Within three years after the return is filed or within
6 three years after the return became due, whichever is later, the
7 department shall examine it, determine the correct amount of tax,
8 and assess the tax against the taxpayer for any deficiency. The
9 period for examination and determination of the correct amount of
10 tax is unlimited in the case of a false or fraudulent return made
11 with the intent to evade tax, or in the case of a failure to file
12 a return.

13 Sec. 11. Section 453A.47, Code 2026, is amended to read as
14 follows:

15 **453A.47 Refunds, credits.**

16 Where tobacco products, alternative nicotine products, or
17 vapor products upon which the tax imposed by this subchapter
18 has been reported and paid are shipped or transported by the
19 distributor to consumers to be consumed without the state or
20 to retailers or subjobbers without the state to be sold by
21 those retailers or subjobbers without the state or are returned
22 to the manufacturer by the distributor or destroyed by the
23 distributor, refund of such tax or credit may be made to the
24 distributor in accordance with regulations prescribed by the
25 director. Any overpayment of the tax imposed under section
26 453A.43 or 453A.43A may be made to the taxpayer in accordance
27 with regulations prescribed by the director. The director shall
28 cause any such refund of tax to be paid out of the general fund
29 of the state, and so much of said fund as may be necessary is
30 hereby appropriated for that purpose.

31 Sec. 12. Section 453A.47C, subsections 3 and 4, Code 2026,
32 are amended to read as follows:

33 3. A retailer required to possess or possessing a permit
34 under section 453A.13 or 453A.47A to make delivery sales of
35 alternative nicotine products or vapor products within this

1 state shall be deemed to have waived all claims that such
2 retailer lacks physical presence within this state for purposes
3 of collecting and remitting sales and use tax and the additional
4 tax provided in section 453A.43A.

5 4. A retailer making taxable delivery sales of alternative
6 nicotine products or vapor products within this state shall remit
7 to the department all sales and use tax due on such sales at the
8 times and in the manner provided by chapter 423, and remit the
9 additional tax as provided in section 453A.43A.

10 Sec. 13. Section 453A.48, subsection 3, Code 2026, is amended
11 to read as follows:

12 3. The director may exchange information with the officers
13 and agencies of other states administering laws relating to the
14 taxation of tobacco products, alternative nicotine products, and
15 vapor products.

16 Sec. 14. EFFECTIVE DATE. This Act takes effect January 1,
17 2027.

18 EXPLANATION

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

21 This bill regulates alternative nicotine products and vapor
22 products and imposes taxes upon the wholesale sales price of such
23 products, and makes numerous conforming changes to Code chapter
24 453A (cigarettes and tobacco-related products).

25 The bill defines "nicotine analog" to mean a substance that
26 has a chemical structure that is substantially similar to
27 nicotine, or that has an effect on the central nervous system
28 that is substantially similar to, or greater than, the effects of
29 nicotine on the central nervous system.

30 The bill adds "nicotine analog" to the definitions of
31 "alternative nicotine product" and "vapor product".

32 The bill imposes an additional tax on alternative nicotine
33 products upon any person engaged as a distributor of alternative
34 nicotine products, at the rate of 5 cents per container
35 containing up to 20 units, and a proportionate tax at the same

1 rate on each unit in excess of 20 units.

2 The bill imposes an additional tax on vapor products upon
3 any person engaged as a distributor of vapor products, at the
4 rate of 5 cents per milliliter of nicotine in a solution and
5 a proportionate tax at the same rate on any fractions of a
6 milliliter. The tax imposed upon the vapor products shall be
7 imposed based on the net volume of the solution as listed by the
8 manufacturer.

9 In the alternative, the bill imposes the additional
10 alternative nicotine products tax or vapor products tax, as
11 applicable, upon the use or storage of the alternative nicotine
12 products or vapor products, at the same rates as the tax on the
13 distributor, if the tax on the distributor has not been paid by
14 the distributor.

15 The revenues generated in the bill are deposited into the
16 health care trust fund created in Code section 453A.35A.

17 Beginning with FY 2027-2028, and for each fiscal year
18 thereafter, the bill appropriates not more than \$3 million of
19 the taxes that are attributable to the additional taxes on
20 alternative nicotine products or vapor products from the health
21 care trust fund to the state board of regents. The bill
22 specifies the purpose of the appropriation is for conducting
23 pediatric cancer research, clinical therapy access, and for
24 providing physician-scientist leadership at the university of
25 Iowa Stead family children's hospital. The bill requires the
26 state board of regents to file an annual report with the general
27 assembly about the programs funded by the appropriation beginning
28 December 2028.

29 The bill takes effect January 1, 2027.