

Senate Study Bill 3145 - Introduced

SENATE FILE _____

BY (PROPOSED COMMITTEE ON HEALTH
AND HUMAN SERVICES BILL BY
CHAIRPERSON WARME)

A BILL FOR

1 An Act relating to the taxation of cigarettes, tobacco products,
2 vapor products, and consumable hemp products, and making
3 appropriations to the department of health and human services
4 and the department of justice.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
CIGARETTE TAXATION

Section 1. 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~~ ten and ~~eight-tenths~~ five hundredths cents on each cigarette.

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

DIVISION II
TAX ON TOBACCO PRODUCTS

Sec. 3. Section 453A.43, Code 2026, is amended to read as follows:

453A.43 Tax on tobacco products.

1. a. A tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor of tobacco products, at the rate of ~~twenty-two~~ fifty-five percent of the wholesale sales price of the tobacco products, ~~except little cigars and snuff as defined in section 453A.42.~~ Notwithstanding the rate of tax imposed under this paragraph "a" on tobacco products, little cigars shall be subject to the tax as specified pursuant to paragraph "c", and snuff shall be subject to the tax as specified in paragraph "d".

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

1 ~~e.~~ b. Notwithstanding the rate of tax imposed pursuant to
2 ~~paragraphs~~ paragraph "a" and "~~b~~", if the tobacco product is a
3 cigar, the total amount of the tax imposed pursuant to ~~paragraphs~~
4 paragraph "a" and "~~b~~" combined shall not exceed ~~fifty~~ fifty-five
5 cents per cigar.

6 ~~d.~~ c. Little cigars shall be subject to the same rate of tax
7 imposed upon cigarettes in section 453A.6, payable at the time
8 and in the manner provided in section 453A.6; and stamps shall be
9 affixed as provided in subchapter I of this chapter.

10 d. Snuff shall be subject to the tax as provided in
11 subsections 3 and 4.

12 e. The taxes on tobacco products, ~~excluding little cigars and~~
13 ~~snuff~~, shall be imposed at the time the distributor does any of
14 the following:

15 (1) Brings, or causes to be brought, into this state from
16 outside the state tobacco products for sale.

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

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

21 2. a. A tax is imposed upon the use or storage by consumers
22 of tobacco products in this state, and upon the consumers, at the
23 rate of ~~twenty-two~~ fifty-five percent of the cost of the tobacco
24 products.

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

29 ~~e.~~ b. Notwithstanding the rate of tax imposed pursuant to
30 ~~paragraphs~~ paragraph "a" and "~~b~~", if the tobacco product is a
31 cigar, the total amount of the tax imposed pursuant to ~~paragraphs~~
32 paragraph "a" and "~~b~~" combined shall not exceed ~~fifty~~ fifty-five
33 cents per cigar.

34 ~~d.~~ c. The taxes imposed by this subsection shall not apply
35 if the taxes imposed by subsection 1 on the tobacco products have

1 been paid.

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

4 (1) Less than twenty-five cigars.

5 (2) Less than one pound smoking or chewing tobacco or other
6 tobacco products not specifically mentioned herein in this
7 chapter, in the possession of any one consumer.

8 3. A tax is imposed upon all snuff in this state and upon any
9 person engaged in business as a distributor of snuff at the rate
10 of ~~one dollar and nineteen cents per ounce, with a proportionate~~
11 ~~tax at the same rate on all fractional parts of an ounce of snuff~~
12 fifty-five percent of the wholesale sales price. ~~The tax shall~~
13 ~~be computed based on the net weight listed by the manufacturer.~~
14 The tax on snuff shall be imposed at the time the distributor
15 does any of the following:

16 a. Brings or causes to be brought into this state from
17 outside the state, snuff for sale.

18 b. Makes, manufactures, or fabricates snuff in this state for
19 sale in this state.

20 c. Ships or transports snuff to retailers in this state, to
21 be sold by those retailers.

22 4. a. A tax is imposed upon the use or storage by consumers
23 of snuff in this state, and upon the consumers, at the rate of
24 ~~one dollar and nineteen cents per ounce with a proportionate~~
25 ~~tax at the same rate on all fractional parts of an ounce of~~
26 snuff fifty-five percent of the wholesale sales price. ~~The tax~~
27 ~~shall be computed based on the net weight as listed by the~~
28 ~~manufacturer.~~

29 b. The tax imposed by this subsection shall not apply if the
30 tax imposed by subsection 3 on snuff has been paid.

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

33 5. Any tobacco product with respect to which a tax has once
34 been imposed under this subchapter shall not again be subject to
35 tax under this subchapter, except as provided in section 453A.40.

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

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

8 8. All excise taxes collected under this chapter by a
9 distributor or any individual are deemed to be held in trust for
10 the state of Iowa.

11 DIVISION III

12 EXCISE TAX ON VAPOR PRODUCTS

13 Sec. 4. Section 331.303, subsection 3, Code 2026, is amended
14 to read as follows:

15 3. Act upon applications for cigarette, tobacco product, and
16 vapor product tax permits in accordance with chapter 453A.

17 Sec. 5. Section 331.653, subsection 11, Code 2026, is amended
18 to read as follows:

19 11. Carry out duties relating to the seizure and forfeiture
20 of cigarettes, tobacco products, and vapor products, vehicles,
21 and other property used in violation of cigarette, tobacco
22 product, and vapor product tax laws as provided in section
23 453A.32.

24 Sec. 6. Section 331.756, subsection 19, Code 2026, is amended
25 to read as follows:

26 19. Assist, at the request of the director of revenue, in the
27 enforcement of ~~cigar and~~ cigarette, tobacco product, and vapor
28 product tax laws as provided in sections 453A.32 and 453A.49.

29 Sec. 7. Section 453A.1, subsection 21, Code 2026, is amended
30 to read as follows:

31 21. "Place of business" is construed to mean and include any
32 place where cigarettes, tobacco products, or vapor products are
33 sold or where cigarettes, tobacco products, or vapor products are
34 stored within or without the state of Iowa by the holder of an
35 Iowa permit or kept for the purpose of sale or consumption; or if

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

8 Sec. 8. Section 453A.15, subsections 1, 2, and 4, Code 2026,
9 are amended to read as follows:

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

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

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

33 Sec. 9. Section 453A.24, Code 2026, is amended to read as
34 follows:

35 **453A.24 Carrier to permit access to records.**

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

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

14 Sec. 10. Section 453A.32, subsection 6, Code 2026, is amended
15 to read as follows:

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

20 Sec. 11. Section 453A.33, Code 2026, is amended to read as
21 follows:

22 **453A.33 Seizure not to affect criminal prosecution.**

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

31 Sec. 12. Section 453A.35, subsection 1, paragraph b, Code
32 2026, is amended to read as follows:

33 b. The revenues generated from the tax on consumable hemp
34 products as specified in section 453F.2, from the tax on
35 cigarettes pursuant to section 453A.6, ~~subsection 1~~ subsections

1 1 and 8, from the tax on tobacco products as specified in section
2 453A.43, subsections 1, 2, 3, and 4, from the tax on vapor
3 products as specified in section 453A.47D, and from the fees and
4 penalties specified in subchapter III shall be credited to the
5 health care trust fund created in section 453A.35A.

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

8 1. A health care trust fund is created in the office of
9 the treasurer of state. The fund consists of the revenues
10 generated from the tax on consumable hemp products as specified
11 in section 453F.2, from the tax on cigarettes pursuant to section
12 453A.6, ~~subsection 1~~ subsections 1 and 8, from the tax on tobacco
13 products as specified in section 453A.43, subsections 1, 2, 3,
14 and 4, from the tax on vapor products as specified in section
15 453A.47D, and from the fees and penalties specified in subchapter
16 III, that are credited to the health care trust fund, annually,
17 pursuant to section 453A.35. Moneys in the fund shall be
18 separate from the general fund of the state and shall not be
19 considered part of the general fund of the state. Moneys Except
20 as otherwise provided, moneys in the fund shall be used only as
21 specified in this section and shall be appropriated only for the
22 uses specified. Moneys in the fund are not subject to section
23 8.33 and shall not be transferred, used, obligated, appropriated,
24 or otherwise encumbered, except as provided in this section.
25 Notwithstanding section 12C.7, subsection 2, interest or earnings
26 on moneys deposited in the fund shall be credited to the fund.

27 Sec. 14. 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, or vapor products
33 at any time in connection with the manufacturer's, distributor's,
34 wholesaler's, retailer's, or distributing agent's business or
35 for promotion of the business or product, except as provided in

1 subsection 2.

2 Sec. 15. Section 453A.40, subsections 1 and 3, Code 2026, are
3 amended 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, or vapor products upon which the tax under section
9 453A.6, ~~or~~ 453A.43, or 453A.47D has been paid, unused cigarette
10 tax stamps which have been paid for under section 453A.8, unused
11 metered imprints which have been paid for under section 453A.12,
12 or tobacco products for which the tax has not been paid under
13 section 453A.46 shall be subject to an inventory tax on the items
14 as provided in this section.

15 3. The rate of the inventory tax on each item subject to
16 the tax as specified in subsection 1 is equal to the difference
17 between the amount paid on each item under section 453A.6,
18 453A.8, 453A.12, ~~or~~ 453A.43, or 453A.47D prior to the tax
19 increase and the amount that is to be paid on each similar item
20 under section 453A.6, 453A.8, 453A.12, ~~or~~ 453A.43, or 453A.47D
21 after the tax increase except that in computing the rate of the
22 inventory tax any discount allowed or allowable under section
23 453A.8 shall not be considered.

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

26 1. "Business" means any trade, occupation, activity, or
27 enterprise engaged in for the purpose of selling or distributing
28 tobacco products or vapor products in this state.

29 2. "Consumer" means any person who has title to or possession
30 of tobacco products or vapor products in storage, for use or
31 other consumption in this state.

32 8. "Person" means any individual, firm, association,
33 partnership, joint stock company, joint ~~adventure~~ venture,
34 corporation, trustee, agency, or receiver, or any legal
35 representative of any ~~of the foregoing~~ individual, firm,

1 association, partnership, joint stock company, joint venture,
2 corporation, trustee, agency, or receiver.

3 9. "Place of business" means any place where tobacco products
4 are sold or where tobacco products or vapor products are
5 manufactured, stored, or kept for the purpose of sale or
6 consumption, including any vessel, vehicle, airplane, train,
7 or vending machine; or for a business within or without the
8 state that conducts delivery sales, any place where alternative
9 nicotine products or vapor products are sold or where alternative
10 nicotine products or vapor products are kept for the purpose of
11 sale, including delivery sales.

12 10. "Retail outlet" means each place of business from which
13 tobacco products or vapor products are sold to consumers.

14 12. "Sale" means any transfer, exchange, or barter, in any
15 manner or by any means whatsoever, for a consideration, and
16 includes and means all sales made by any person. It includes
17 a gift by a person engaged in the business of selling tobacco
18 products or vapor products, for advertising, as a means of
19 evading the provisions of this subchapter, or for any other
20 purposes whatsoever.

21 14. "Storage" means any keeping or retention of tobacco
22 products or vapor products for use or consumption in this state.

23 17. "Use" means the exercise of any right or power incidental
24 to the ownership of tobacco products or vapor products.

25 Sec. 17. Section 453A.42, Code 2026, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 10A. "Retail sales price" means the same as
28 "sales price" as defined in section 423.1.

29 Sec. 18. Section 453A.45, subsection 3, Code 2026, is amended
30 to read as follows:

31 3. Every retailer and subjobber shall procure itemized
32 invoices of all tobacco products and vapor products purchased.
33 The invoices shall show the name and address of the seller and
34 the date of purchase. The retailer and subjobber shall preserve
35 a legible copy of each invoice for three years from the date

1 of purchase. Invoices shall be available for inspection by the
2 director or the director's authorized agents or employees at the
3 retailer's or subjobber's place of business.

4 Sec. 19. NEW SECTION. **453A.47D Excise tax on vapor**
5 **products.**

6 1. An excise tax at a rate of fifteen percent is imposed
7 on the retail sales price from the retail sale of, including
8 a delivery sale, of a vapor product. The amount of tax shall
9 be added to the retail sales price at the point of sale to the
10 consumer and shall be collected from the consumer.

11 2. The tax imposed by this section shall not apply with
12 respect to any vapor product which under the Constitution and
13 laws of the United States may not be made the subject of taxation
14 by this state.

15 3. The director shall administer the excise tax imposed under
16 this section as nearly as possible in conjunction with the
17 administration of the state sales and use tax law, except that
18 portion of the law that implements the streamlined sales and use
19 tax agreement. The director shall provide appropriate forms,
20 or provide on the regular state tax forms, for reporting vapor
21 product excise tax liability, and for ease of administration
22 may require vapor product excise tax liability to be identified,
23 reported, and remitted to the department as sales and use tax
24 liability, provided the department has the ability to properly
25 identify such amounts as vapor product excise tax revenues upon
26 receipt.

27 4. The director may require all persons who are engaged
28 in the business of deriving any sales price or purchase
29 price subject to tax under this section to register with
30 the department. The director may also require a tax permit
31 applicable only to this section for any vapor product retailer
32 not collecting, or any vapor product user not paying, taxes under
33 chapter 423.

34 5. Section 422.25, subsection 4, sections 422.30, 422.67,
35 and 422.68, section 422.69, subsection 1, sections 422.70,

1 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
2 1, and sections 423.23, 423.24, 423.25, 423.31 through 423.35,
3 423.37, 423.39 through 423.42, and 423.47, consistent with the
4 provisions of this chapter, shall apply with respect to the tax
5 authorized under this section in the same manner and with the
6 same effect as if the excise taxes on the sale of vapor products
7 were retail sales taxes within the meaning of those statutes.
8 Notwithstanding this subsection, the director shall provide for
9 monthly filing of returns and for other than monthly filing of
10 returns both as prescribed in section 423.31.

11 6. The tax imposed by this section shall be in addition to
12 any other taxes imposed by law.

13 7. All excise taxes collected under this section by any
14 person are deemed to be held in trust for the state of Iowa.

15 8. The department shall adopt rules pursuant to chapter 17A
16 to administer this section.

17 Sec. 20. Section 453A.51, Code 2026, is amended to read as
18 follows:

19 **453A.51 Assessment of cost of audit.**

20 The department may employ auditors or other persons to
21 audit and examine the books and records of a permit holder or
22 other person dealing in tobacco products and vapor products to
23 ascertain whether the permit holder or other person has paid the
24 amount of the taxes required to be paid by the permit holder or
25 other person under the provisions of this chapter. If the taxes
26 have not been paid, as required, the department shall assess
27 against the permit holder or other person, as additional penalty,
28 the reasonable expenses and costs of the investigation and audit.

29

DIVISION IV

30

EXCISE TAX ON CONSUMABLE HEMP

31 Sec. 21. Section 204.7, subsection 4, Code 2026, is amended
32 to read as follows:

33 4. A person selling a consumable hemp product in this state
34 shall register with the department of health and human services
35 on a form prescribed by the department of health and human

1 services by rule and shall keep on the premises of the person's
2 business a copy of the certificate of analysis issued pursuant
3 to section 204.8 for the hemp contained in the consumable hemp
4 products sold by the person. The department of health and
5 human services may impose a fee, established by the department
6 of health and human services by rule, on a registrant not to
7 exceed the cost of processing the registration. The department
8 of health and human services shall provide the names of persons
9 registering to sell consumable hemp products to the department of
10 revenue for the purpose of collecting the excise tax in section
11 453F.2. The department of health and human services shall adopt
12 rules for the revocation of a registration issued to a person
13 who sells a consumable hemp product not in compliance with this
14 section.

15 Sec. 22. NEW SECTION. **453F.1 Definitions.**

16 As used in this chapter:

17 1. "*Consumable hemp product*" means the same as defined in
18 section 204.2.

19 2. "*Delivery sale*" means any sale of a consumable hemp
20 product to a purchaser in this state where the purchaser submits
21 the order for such sale by means of a telephonic or other method
22 of voice transmission, mail or any other delivery service, or
23 the internet or other online service and the consumable hemp
24 product is delivered by use of mail or a delivery service.
25 The sale of consumable hemp product shall constitute a delivery
26 sale regardless of whether the seller is located in this state.
27 "*Delivery sale*" does not include a sale to a distributor
28 or retailer of any consumable hemp product not for personal
29 consumption.

30 3. "*Department*" means the department of revenue.

31 4. "*Director*" means the director of revenue.

32 5. "*Retail sales price*" means the same as "*sales price*" as
33 defined in section 423.1.

34 Sec. 23. NEW SECTION. **453F.2 Excise tax — rules.**

35 1. An excise tax at a rate of fifteen percent is imposed on

1 the retail sales price from the retail sale, including a delivery
2 sale, of a consumable hemp product. The amount of the tax shall
3 be added to the retail sales price at the point of sale to the
4 consumer and shall be collected from the consumer.

5 2. a. An excise tax at a rate of fifteen percent is imposed
6 upon the use and storage by a consumer of a consumable hemp
7 product in this state at a rate of fifteen percent of the cost
8 of the consumable hemp product.

9 b. The taxes imposed pursuant to this subsection shall not
10 apply if the taxes imposed by subsection 1 on the consumable hemp
11 product have been paid.

12 3. The director shall administer the excise tax imposed under
13 this section as nearly as possible in conjunction with the
14 administration of the state sales and use tax law, except that
15 portion of the law that implements the streamlined sales and use
16 tax agreement. The director shall provide appropriate forms, or
17 provide on the regular state tax forms, for reporting consumable
18 hemp product excise tax liability, and for ease of administration
19 may require consumable hemp product excise tax liability to be
20 identified, reported, and remitted to the department as sales and
21 use tax liability, provided the department has the ability to
22 properly identify such amounts as consumable hemp product excise
23 tax revenues upon receipt.

24 4. The director may require all persons who are engaged
25 in the business of deriving any sales price or purchase
26 price subject to tax under this chapter to register with
27 the department. The director may also require a tax permit
28 applicable only to this section for any consumable hemp product
29 retailer not collecting, or any consumable hemp product user not
30 paying, taxes under chapter 423.

31 5. Section 422.25, subsection 4, sections 422.30, 422.67, and
32 422.68, section 422.69, subsection 1, sections 422.70, 422.71,
33 422.72, 422.74, and 422.75, section 423.14, subsection 1, and
34 sections 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37,
35 423.39 through 423.42, and 423.47, consistent with the provisions

1 of this chapter, shall apply with respect to the tax authorized
2 under this section in the same manner and with the same effect
3 as if the excise taxes on the sale of consumable hemp products
4 were retail sales taxes within the meaning of those statutes.
5 Notwithstanding this subsection, the director shall provide for
6 monthly filing of returns and for other than monthly filing of
7 returns both as prescribed in section 423.31.

8 6. The tax imposed by this section shall not apply
9 with respect to any consumable hemp product which under the
10 Constitution and laws of the United States may not be made the
11 subject of taxation by this state.

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

14 8. All excise taxes collected under this section by any
15 person are deemed to be held in trust for the state of Iowa
16 and shall be credited to the health care trust fund created in
17 section 453A.35A.

18 9. The department shall adopt rules pursuant to chapter 17A
19 to administer this chapter.

20 DIVISION V

21 APPROPRIATIONS

22 Sec. 24. DEPARTMENT OF HEALTH AND HUMAN SERVICES — DOUBLE UP
23 FOOD BUCKS PROGRAM — APPROPRIATION. There is appropriated from
24 the health care trust fund created in section 453A.35A to the
25 department of health and human services for the fiscal year
26 beginning July 1, 2026, and ending June 30, 2027, in addition to
27 any other funding appropriated for such purpose for the same
28 fiscal year, the following amount, or so much thereof as is
29 necessary, to be used for the purposes designated:

30 \$ 1,000,000

31 The appropriation made in this section shall be used to
32 provide a grant to the Iowa healthiest state initiative to
33 support the double up food bucks program to make fresh fruits and
34 vegetables sold at farmers markets, grocery stores, and other
35 participating locations accessible to individuals and families

1 who reside in this state and receive assistance through the
2 federal supplemental nutrition assistance program.

3 Sec. 25. DEPARTMENT OF JUSTICE — HUMAN TRAFFICKING —
4 APPROPRIATION. There is appropriated from the health care trust
5 fund created in section 453A.35A to the department of justice for
6 the fiscal year beginning July 1, 2026, and ending June 30, 2027,
7 in addition to any other funding appropriated for such purpose
8 for the same fiscal year, the following amount, or so much
9 thereof as is necessary, to be used for the purposes designated:
10 \$ 1,000,000

11 The appropriation made in this section shall be used to
12 provide grants to care providers providing services to victims of
13 human trafficking.

14 EXPLANATION

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

17 This bill relates to the taxation of cigarettes, tobacco
18 products, vapor products, and consumable hemp products, and makes
19 appropriations to the department of health and human services and
20 the department of justice.

21 DIVISION I — CIGARETTE TAXATION. The bill raises the
22 cigarette tax from 6.8 cents per cigarette to 10.05 cents
23 per cigarette. The overall tax on a pack of cigarettes (20
24 cigarettes) goes from \$1.36 to \$2.01.

25 The bill also raises the tax on loose tobacco products
26 inserted into a vending machine from which assembled cigarettes
27 are dispensed. The tax is increased from 3.06 cents on each
28 cigarette dispensed from the vending machine to 4.52 cents.

29 By increasing the cigarette tax in the bill, the inventory
30 tax is also assessed on cigarettes remaining in inventories taxed
31 under the previous tax rate that is equal to the difference
32 between the previous tax rate and the new tax rate.

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

1 DIVISION II — TAX ON TOBACCO PRODUCTS. Currently, a tax is
2 imposed on the distributor of all tobacco products (excluding
3 cigarettes, little cigars, and snuff) at a rate of 22 percent
4 of the wholesale sales price under Code section 453A.43(1)(a) and
5 at a rate of 28 percent under Code section 453A.43(1)(b) for a
6 combined rate of 50 percent tax on the wholesale sales price.
7 The bill combines the 22 percent rate and the 28 percent rate and
8 raises the tax on tobacco products from the combined rate of 50
9 percent to 55 percent of the wholesale sales price.

10 Currently, the tax on cigars is capped at 50 cents per cigar.
11 The bill raises the cap on the tax on cigars to 55 cents to match
12 the percentage increase of the other tax increases within Code
13 section 453A.43(1).

14 The bill changes the tax on snuff to match the tax on other
15 tobacco products within Code section 453A.43(1) by taxing snuff
16 at 55 percent of the wholesale price rather than taxing snuff at
17 a rate of \$1.19 per ounce.

18 By increasing the tax on the wholesale sales price of
19 tobacco products in the bill, the inventory tax is assessed on
20 any tobacco products remaining in inventories taxed under the
21 previous tax rate that is equal to the difference between the
22 previous tax rate and the new tax rate.

23 Code section 453A.35 specifies that revenues from the tax on
24 tobacco products are deposited into the health care trust fund
25 created in Code section 453A.35A.

26 The bill also makes other conforming changes to Code section
27 453A.43.

28 DIVISION III — EXCISE TAX ON VAPOR PRODUCTS. The bill
29 creates an excise tax on vapor products at a rate of 15 percent
30 on the sales price from the retail sale, including a delivery
31 sale, of vapor products to consumers. The excise tax is in
32 addition to any other tax imposed by law. The excise tax
33 shall be collected at the point of sale from the consumer. The
34 bill requires the director of revenue to administer the vapor
35 product excise tax as nearly as possible in conjunction with the

1 administration of the state sales and use tax law, except that
2 portion of the law that implements the streamlined sales and use
3 tax agreement. The bill deposits all revenues raised from the
4 vapor products excise tax into the health care trust fund created
5 in Code section 453A.35A. The bill requires the department to
6 adopt rules to administer the new excise tax.

7 The bill makes other conforming changes to implement the new
8 tax.

9 DIVISION IV — EXCISE TAX ON CONSUMABLE HEMP PRODUCTS. The
10 bill creates an excise tax on consumable hemp products at a rate
11 of 15 percent on the sales price from the retail sale, including
12 a delivery sale, of consumable hemp products to consumers. The
13 excise tax is in addition to any other tax imposed by law. The
14 bill requires the department to adopt rules to administer the
15 new excise tax. The bill requires the director of revenue to
16 administer the consumable hemp excise tax as nearly as possible
17 in conjunction with the administration of the state sales and
18 use tax law, except that portion of the law that implements the
19 streamlined sales and use tax agreement. The bill deposits all
20 revenues raised from the consumable hemp excise tax into the
21 health care trust fund created in Code section 453A.35A.

22 DIVISION V — APPROPRIATIONS. For the fiscal year beginning
23 July 1, 2026, and ending June 30, 2027, the bill makes an
24 appropriation to the department of human services in the amount
25 of \$1 million from the health care trust fund created in Code
26 section 453A.35A, to be used to provide a grant to the Iowa
27 healthiest state initiative to support the double up food bucks
28 program to make fresh fruits and vegetables sold at farmers
29 markets, grocery stores, and other participating locations
30 accessible to individuals and families who reside in this state
31 and receive assistance through the federal supplemental nutrition
32 assistance program.

33 For the fiscal year beginning July 1, 2026, and ending June
34 30, 2027, the bill makes an appropriation to the department of
35 justice in the amount of \$1 million from the health care trust

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1 fund created in Code section 453A.35A, to be used to provide
2 victim assistance grants to care providers providing services to
3 victims of human trafficking.

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