

Senate Study Bill 3193 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON KRAAYENBRINK)

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:

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,
7 or sniffing, or by any other means. *“Alternative nicotine*
8 *product”* does not include cigarettes, tobacco products, or vapor
9 products, or a product that is regulated as a drug or device by
10 the United States food and drug administration under chapter V
11 of the 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,
14 that employs a heating element, power source, electronic
15 circuit, or other electronic, chemical, or mechanical means,
16 regardless of shape or size, that can be used to produce vapor
17 from a solution or other substance. *“Vapor product”* includes an
18 but is not 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
22 product 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
29 or device that is used during the operation of the product or
30 device when sold in combination with any substance containing
31 nicotine, 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
2 or device that is used during the operation of the product
3 or device when not sold in combination with any substance
4 containing nicotine, a nicotine analog, tobacco, or tobacco
5 derivative.

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

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

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

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

35 b. (1) For the fiscal year beginning July 1, 2027, and

1 each fiscal year thereafter, an amount not to exceed three
2 million dollars from the amount of tax collected that is
3 attributable to the additional taxes on alternative nicotine
4 products and vapor products pursuant to section 453A.43A shall
5 be appropriated to the state board of regents for the purpose
6 of conducting pediatric cancer research, clinical therapy
7 access, and for providing physician-scientist leadership at the
8 university of Iowa stead family children's hospital.

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

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

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

31 3. The rate of the inventory tax on each item subject to
32 the tax as specified in [subsection 1](#) is equal to the difference
33 between the amount paid on each item under [section 453A.6](#),
34 [453A.8](#), [453A.12](#), ~~or~~ [453A.43](#), or [453A.43A](#) prior to the tax
35 increase and the amount that is to be paid on each similar item

1 under section 453A.6, 453A.8, 453A.12, or 453A.43, or 453A.43A
2 after the tax increase except that in computing the rate of the
3 inventory tax any discount allowed or allowable under section
4 453A.8 shall not be considered.

5 Sec. 5. Section 453A.42, subsections 5, 7, 15, and 18, Code
6 2026, are amended to read as follows:

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

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

13 b. Any person who makes, manufactures, or fabricates tobacco
14 products, alternative nicotine products, or vapor products in
15 this state for sale in this state.

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

21 7. "*Manufacturer*" means a person who manufactures and sells
22 tobacco products, alternative nicotine products, or vapor
23 products.

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

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

32 Sec. 6. NEW SECTION. 453A.43A Additional taxes on
33 alternative nicotine and vapor products.

34 1. a. (1) A tax is imposed upon all alternative nicotine
35 products and all vapor products in this state and upon any

1 person engaged as a distributor of alternative nicotine
2 products and vapor products, at the following rates:

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

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

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

12 b. The tax on alternative nicotine products and vapor
13 products shall be imposed at the time the distributor does any
14 of the following:

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

18 (2) Makes, manufactures, or fabricates alternative nicotine
19 products or vapor products in this state for sale in this
20 state.

21 (3) Ships or transports alternative nicotine products or
22 vapor products to retailers in this state, to be sold by the
23 retailers.

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

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

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

35 b. The tax imposed pursuant to paragraph "a" shall be

1 imposed based on the net volume of the solution as listed by
2 the manufacturer.

3 3. Any alternative nicotine product or vapor product
4 with respect to which a tax has once been imposed under
5 this subchapter shall not again be subject to tax under this
6 subchapter.

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

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

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

15 Sec. 7. Section 453A.44, subsections 1, 3, and 10, Code
16 2026, are amended to read as follows:

17 1. ~~No~~ A person shall not engage in the business of a
18 distributor or subjobber ~~of tobacco products~~ at any place of
19 business without first having received a license from the
20 director to engage in that business at that place of business.

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

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

1 as provided in [section 453A.48](#).

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

4 **453A.45 Licensees, duties.**

5 1. *a.* Every distributor shall keep at each licensed
6 place of business complete and accurate records for that
7 place of business, including itemized invoices, of tobacco
8 products, alternative nicotine products, or vapor products
9 held, purchased, manufactured, brought in or caused to be
10 brought in from without the state, or shipped or transported to
11 retailers in this state, and of all sales of tobacco products,
12 alternative nicotine products, or vapor products made, except
13 sales to the ultimate consumer.

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

1 license of the distributor at that premises is subject to
2 revocation by the director.

3 2. Every person who sells tobacco products, alternative
4 nicotine products, or vapor products to persons other than the
5 ultimate consumer shall render with each sale itemized invoices
6 showing the seller's name and address, the purchaser's name and
7 address, the date of sale, and all prices and discounts. The
8 person shall preserve legible copies of all these invoices for
9 three years from the date of sale.

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

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

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

35 (1) The transportation of not more than fifty cigars, not

1 more than ten ounces of snuff or snuff powder, or not more
2 than one pound of smoking or chewing tobacco or other tobacco
3 products not specifically mentioned herein;

4 (2) Transportation by a person with a place of business
5 outside the state, who is licensed as a distributor under
6 section 453A.44, or tobacco products, alternative nicotine
7 products, or vapor products sold by such person to a retailer
8 in this state.

9 b. The report shall be made on forms provided by the
10 director. A report required under [this subsection](#) shall be
11 filed electronically. A report required to be submitted
12 electronically under [this subsection](#) that is filed in a manner
13 other than in an electronic format specified by the department
14 shall not be considered a valid submission unless the director
15 has permitted the submission of such a report through an
16 alternative method pursuant to [section 453A.57](#).

17 c. Common carriers transporting tobacco products,
18 alternative nicotine products, or vapor products into this
19 state shall file with the director reports of all such
20 shipments other than those which are delivered to public
21 warehouses of first destination in this state which are
22 licensed under the provisions of [chapter 554](#). Such reports
23 shall be filed electronically with the department on or before
24 the tenth day of each month and shall show with respect to
25 deliveries made in the preceding month all of the following:

- 26 (1) The date.
- 27 (2) The point of origin.
- 28 (3) The point of delivery.
- 29 (4) The name of the consignee.
- 30 (5) A description and the quantity of tobacco products,
31 alternative nicotine products, or vapor products delivered.
- 32 (6) Such other information as the director may require.

33 d. Any person who fails or refuses to transmit to the
34 director the required reports or whoever refuses to permit the
35 examination of the records by the director shall be guilty

1 of a serious misdemeanor. In addition, any person who fails
2 to timely submit a report required under [this section](#) is
3 subject to a penalty in the amount of fifty dollars for each
4 occurrence.

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

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

35 Sec. 10. Section 453A.46, subsection 6, Code 2026, is

1 amended to read as follows:

2 6. On or before the twentieth day of each calendar month,
3 every consumer who, during the preceding calendar month,
4 has acquired title to or possession of tobacco products,
5 alternative nicotine products, or vapor products for use or
6 storage in this state, and upon which ~~tobacco products~~ the
7 ~~tax~~ taxes imposed by section 453A.43 ~~has~~ or 453A.43A have not
8 been paid, shall file a return with the director showing the
9 quantity of tobacco products, alternative nicotine products,
10 or vapor products so acquired. The return shall be made upon
11 a form furnished and prescribed by the director, and shall
12 contain other information as the director may require. The
13 return shall be accompanied by a remittance for the full unpaid
14 tax liability shown by it. Within three years after the return
15 is filed or within three years after the return became due,
16 whichever is later, the department shall examine it, determine
17 the correct amount of tax, and assess the tax against the
18 taxpayer for any deficiency. The period for examination and
19 determination of the correct amount of tax is unlimited in the
20 case of a false or fraudulent return made with the intent to
21 evade tax, or in the case of a failure to file a return.

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

24 **453A.47 Refunds, credits.**

25 Where tobacco products, alternative nicotine products, or
26 vapor products upon which the tax imposed by this subchapter
27 has been reported and paid are shipped or transported by the
28 distributor to consumers to be consumed without the state or
29 to retailers or subjobbers without the state to be sold by
30 those retailers or subjobbers without the state or are returned
31 to the manufacturer by the distributor or destroyed by the
32 distributor, refund of such tax or credit may be made to the
33 distributor in accordance with regulations prescribed by the
34 director. Any overpayment of the tax imposed under section
35 453A.43 or 453A.43A may be made to the taxpayer in accordance

1 with regulations prescribed by the director. The director
2 shall cause any such refund of tax to be paid out of the general
3 fund of the state, and so much of said fund as may be necessary
4 is hereby appropriated for that purpose.

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

7 3. A retailer required to possess or possessing a permit
8 under [section 453A.13](#) or [453A.47A](#) to make delivery sales
9 of alternative nicotine products or vapor products within
10 this state shall be deemed to have waived all claims that
11 such retailer lacks physical presence within this state for
12 purposes of collecting and remitting sales and use tax and the
13 additional tax provided in section 453A.43A.

14 4. A retailer making taxable delivery sales of alternative
15 nicotine products or vapor products within this state shall
16 remit to the department all sales and use tax due on such sales
17 at the times and in the manner provided by [chapter 423](#), and
18 remit the additional tax as provided in section 453A.43A.

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

21 3. The director may exchange information with the officers
22 and agencies of other states administering laws relating to the
23 taxation of tobacco products, alternative nicotine products,
24 and vapor products.

25 Sec. 14. EFFECTIVE DATE. This Act takes effect January 1,
26 2027.

27

EXPLANATION

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

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

34 The bill defines "nicotine analog" to mean a substance that
35 has a chemical structure that is substantially similar to

1 nicotine, or that has an effect on the central nervous system
2 that is substantially similar to, or greater than, the effects
3 of nicotine on the central nervous system.

4 The bill adds "nicotine analog" to the definitions of
5 "alternative nicotine product" and "vapor product".

6 The bill imposes an additional tax on alternative
7 nicotine products upon any person engaged as a distributor
8 of alternative nicotine products, at the rate of 5 cents per
9 container containing up to 20 units, and a proportionate tax at
10 the same rate on each unit in excess of 20 units.

11 The bill imposes an additional tax on vapor products upon
12 any person engaged as a distributor of vapor products, at the
13 rate of 5 cents per milliliter of nicotine in a solution and
14 a proportionate tax at the same rate on any fractions of a
15 milliliter. The tax imposed upon the vapor products shall be
16 imposed based on the net volume of the solution as listed by
17 the manufacturer.

18 In the alternative, the bill imposes the additional
19 alternative nicotine products tax or vapor products tax, as
20 applicable, upon the use or storage of the alternative nicotine
21 products or vapor products, at the same rates as the tax on the
22 distributor, if the tax on the distributor has not been paid
23 by the distributor.

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

26 Beginning with FY 2027-2028, and for each fiscal year
27 thereafter, the bill appropriates not more than \$3 million
28 of the taxes that are attributable to the additional taxes
29 on alternative nicotine products or vapor products from the
30 health care trust fund to the state board of regents. The bill
31 specifies the purpose of the appropriation is for conducting
32 pediatric cancer research, clinical therapy access, and for
33 providing physician-scientist leadership at the university
34 of Iowa Stead family children's hospital. The bill requires
35 the state board of regents to file an annual report with the

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1 general assembly about the programs funded by the appropriation
2 beginning December 2028.

3 The bill takes effect January 1, 2027.