

# Legislative Services Agency Cigarette and Tobacco Tax Calculations

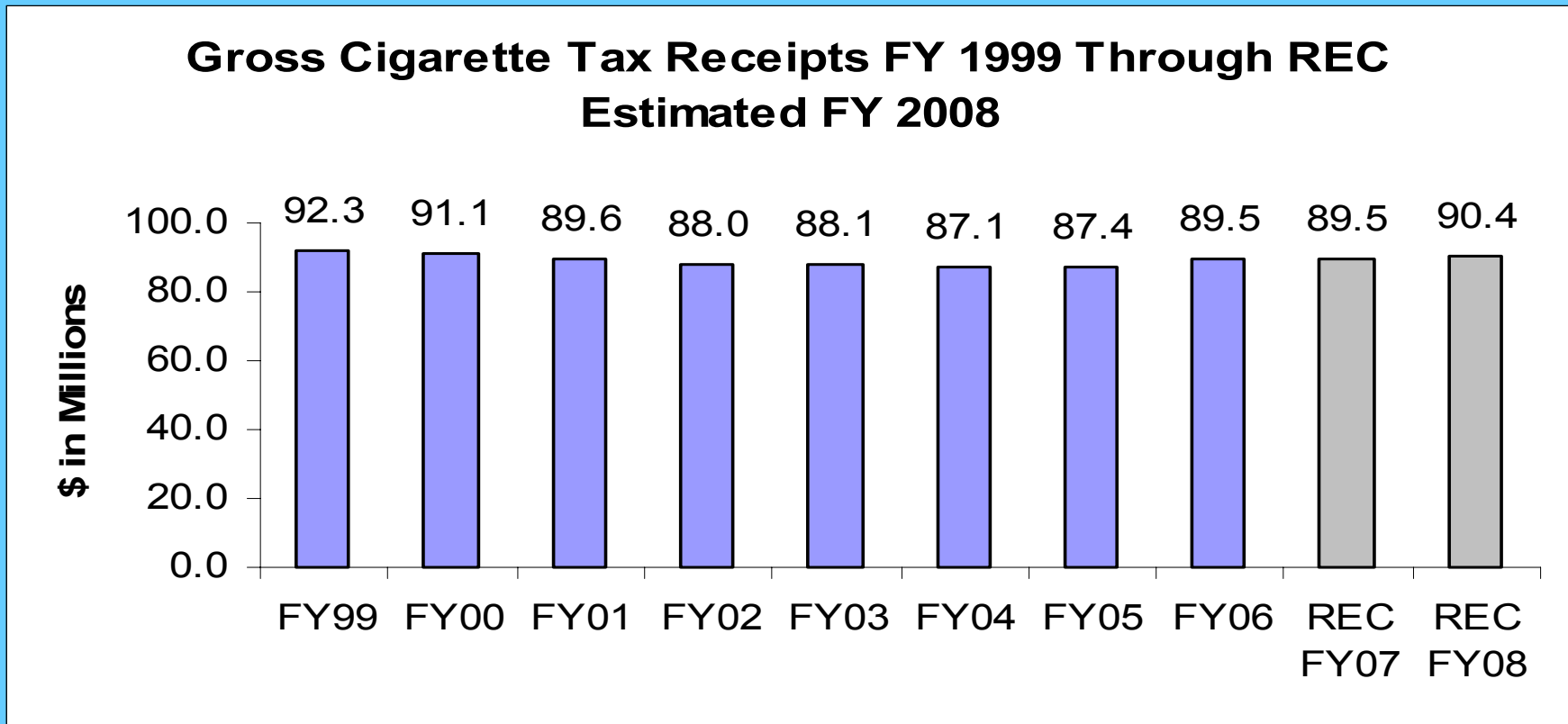
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# Cigarette/Tobacco Tax

- **Iowa Code, Chapter 453A**
- **Cigarette Tax** – Current tax rate of \$0.36 per package of 20 cigarettes (1.8 cents per cigarette). Rate last changed in 1991 – increased from \$0.31 per pack.
- **Tobacco Tax** – Current tax rate of 22% of the wholesale price. Rate last changed in 1991 – increased from 19%.

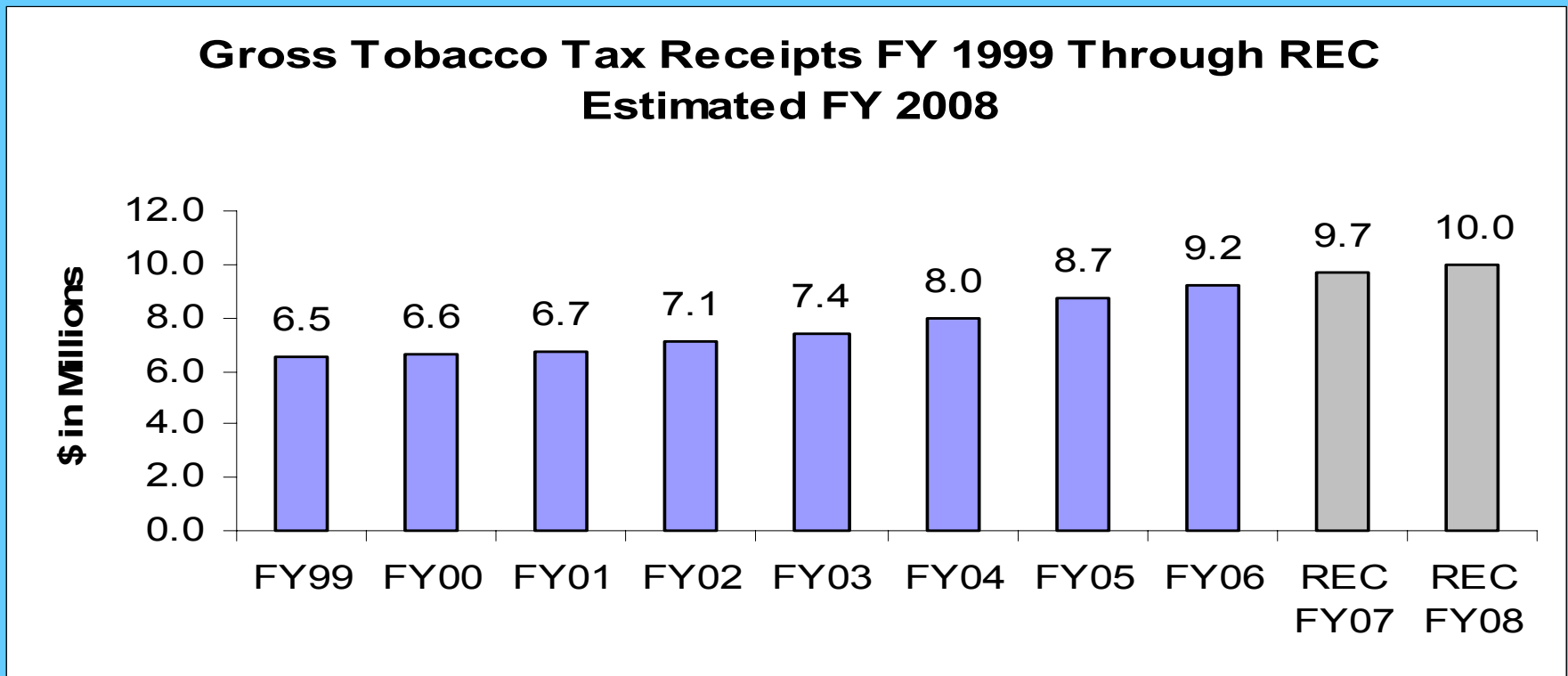
# Cigarette Tax

Revenue from the cigarette tax is deposited in the State General Fund.



# Tobacco Tax

Revenue from the tobacco tax is deposited in the State General Fund.



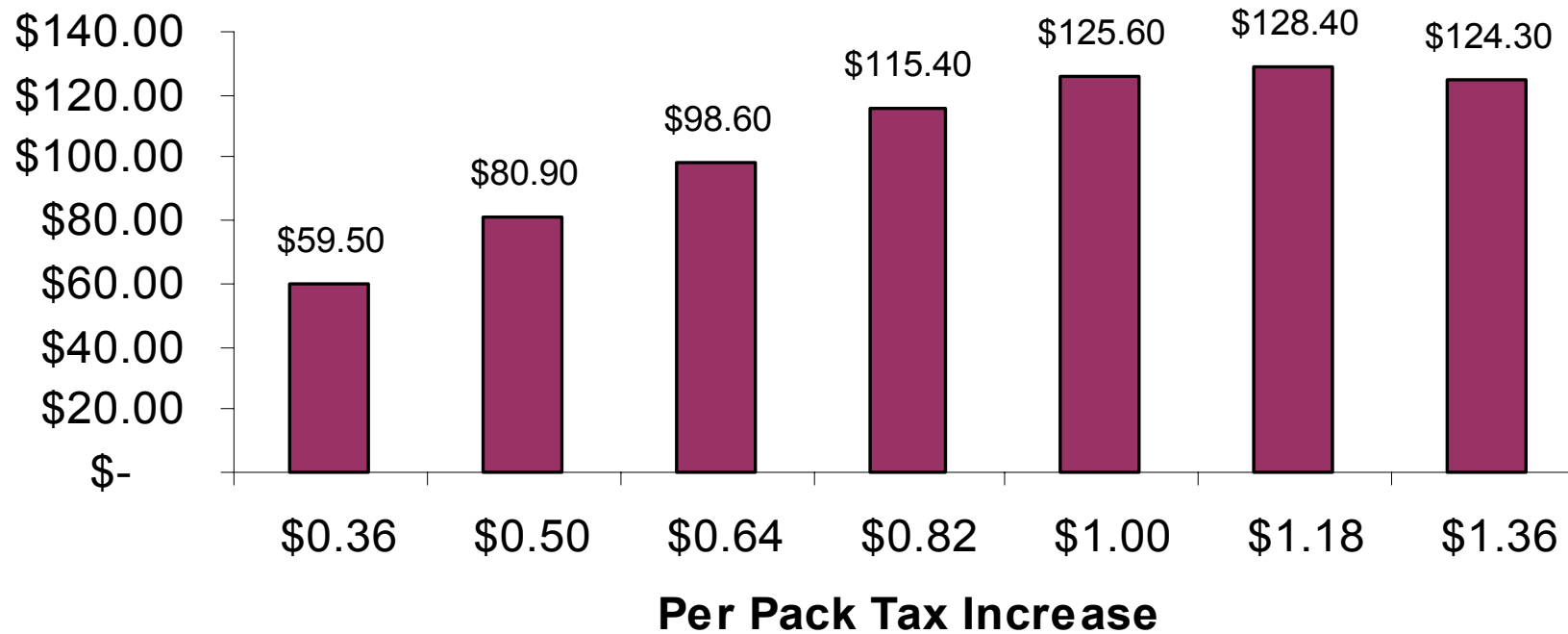
# Increasing Cigarette/Tobacco Tax

## Issues:

- Demand is inelastic – in general, increasing the price will not have a large effect consumer demand (to a point)
- Tax Evasion – the higher the tax, the higher the rate of tax evasion
- Timing – Implementation date will impact estimates (larger demand directly before increase and lower demand directly after increase)
- Sales Tax – these products are also subject to sales tax and a decrease in demand will lead to lesser sales tax receipts (may be minimal impact)

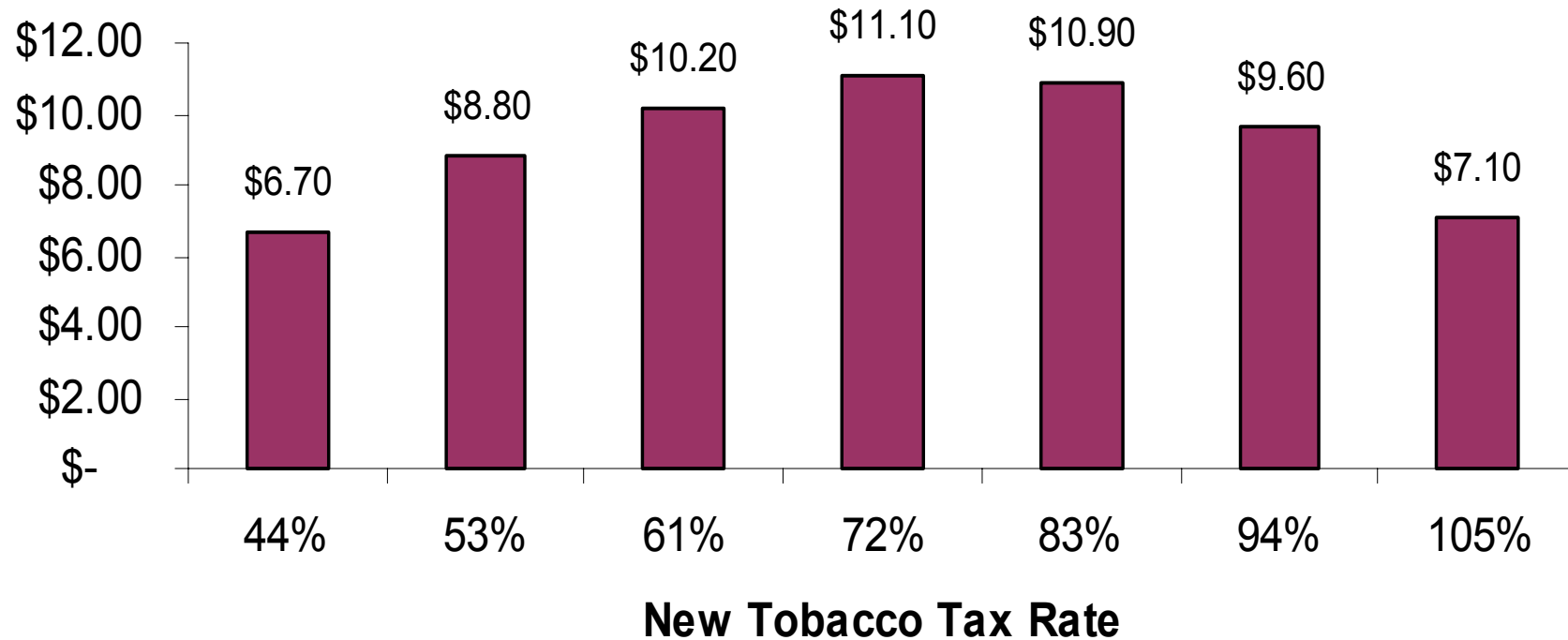
# Increasing Cigarette Tax - Estimates

**Estimated FY 2008 Additional Cigarette Tax Revenue  
(in Millions)**



# Increasing Tobacco Tax - Estimates

**Estimated Additional Tobacco Tax Revenue for FY08  
(in Millions)**



# Cigarette/Tobacco Tax Model - Estimates

The model is based on assumptions that may change, thus changing the estimates. This model provides a general indication of the impact of a cigarette and tobacco tax increase.

[http://staffweb.legis.state.ia.us/lfb/docs/ways\\_means/ways\\_means.htm](http://staffweb.legis.state.ia.us/lfb/docs/ways_means/ways_means.htm)