

CHAPTER 1130

TAXATION AND REGULATION OF ALTERNATIVE NICOTINE PRODUCTS AND VAPOR PRODUCTS — HEALTH CARE TRUST FUND ALLOCATIONS

S.F. 2480

AN ACT relating to the taxation and regulation of alternative nicotine products and vapor products, making appropriations, and including effective date provisions.

Be It Enacted by the General Assembly of the State of Iowa:

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

1. “*Alternative nicotine product*” means a product, not consisting of or containing tobacco, that provides for the ingestion into the body of nicotine, or a nicotine analog, whether by chewing, absorbing, dissolving, inhaling, snorting, or sniffing, or by any other means. “*Alternative nicotine product*” does not include cigarettes, tobacco products, or vapor products, or a product that is 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.

29. a. “Vapor product” means any noncombustible product, which may or may not contain nicotine or a nicotine analog, 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. “Vapor product” includes an but is not limited to the following:

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

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

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

b. “Vapor product” does not include a any of the following:

(1) 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.

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

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

NEW SUBSECTION. 18A. “Nicotine analog” means a substance that has a chemical structure that is substantially similar to nicotine, or that has an effect on the central nervous system that is substantially similar to, or greater than, the effects of nicotine on the central nervous system.

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

1. a. A health care trust fund is created in the office of the treasurer of state. The fund consists of the revenues generated from the tax on cigarettes pursuant to section 453A.6, subsection 1, from the tax on tobacco products as specified in section 453A.43, subsections 1, 2, 3, and 4, from the additional taxes on alternative nicotine and vapor products pursuant to section 453A.43A, and from the fees and penalties specified in subchapter III, that are credited to the health care trust fund, annually, pursuant to section 453A.35. Moneys in the fund shall be separate from the general fund of the state and shall not be considered part of the general fund of the state. Moneys Except as otherwise provided, moneys in the fund shall be used only as specified in this section and shall be appropriated only for the uses specified. Moneys in the fund are not subject to section

8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered, except as provided in this section. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the fund shall be credited to the fund.

b. (1) For the fiscal year beginning July 1, 2027, and each fiscal year thereafter, the first three million dollars from the amount of tax collected that is attributable to the additional taxes on alternative nicotine products and vapor products pursuant to section 453A.43A is appropriated from the health care trust fund to the state board of regents for the purpose of conducting pediatric cancer research, clinical therapy access, and providing physician-scientist leadership at the state university of Iowa stead family children's hospital.

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

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

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

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

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

5. “*Distributor*” means any and each of the following:

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

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

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

7. “*Manufacturer*” means a person who manufactures and sells tobacco products, alternative nicotine products, or vapor products.

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

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

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

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

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

(b) On vapor products, five cents per milliliter of a solution containing nicotine or a nicotine analog and a proportionate tax at the same rate on any fractions of a milliliter.

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

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

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

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

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

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

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

(2) On vapor products, five cents per milliliter of a solution containing nicotine or a nicotine analog and a proportionate tax at the same rate on any fractions of a milliliter.

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

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

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

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

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

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

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

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

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

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

453A.45 Licensees, duties.

1. a. Every distributor shall keep at each licensed place of business complete and

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

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

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

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

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

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

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

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

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

c. Common carriers transporting tobacco products, alternative nicotine products, or

vapor products into this state shall file with the director reports of all such shipments other than those which are delivered to public warehouses of first destination in this state which are licensed under the provisions of chapter 554. Such reports shall be filed electronically with the department on or before the tenth day of each month and shall show with respect to deliveries made in the preceding month all of the following:

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

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

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

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

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

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

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

453A.47 Refunds, credits.

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

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

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

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

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

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

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

Approved May 26, 2026