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WAYS AND MEANS

HOUSE FILE 215
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Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act increasing the taxes imposed on cigarettes and tobacco
2 products and providing for appropriation of the increased
3 revenue generated to the medical assistance program and for
4 tobacco control and prevention, and providing an effective
5 date.

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

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HF 215

1 Section 1. Section 453A.6, subsection 1, Code 2005, is
2 amended to read as follows:

3 1. There is imposed, and shall be collected and paid to
4 the department, the following taxes on all cigarettes used or
5 otherwise disposed of in this state for any purpose
6 whatsoever:

7 a. CLASS A.

8 (1) On cigarettes weighing not more than three pounds per
9 thousand, ~~eighteen-mills~~ one and eight-tenths cents on each
10 such cigarette.

11 (2) In addition to the tax imposed in subparagraph (1), on
12 cigarettes weighing not more than three pounds per thousand,
13 five cents on each cigarette.

14 b. CLASS B.

15 (1) On cigarettes weighing more than three pounds per
16 thousand, ~~eighteen-mills~~ one and eight-tenths cents on each
17 such cigarette.

18 (2) In addition to the tax imposed in subparagraph (1), on
19 cigarettes weighing more than three pounds per thousand, five
20 cents on each cigarette.

21 Sec. 2. Section 453A.35, Code 2005, is amended to read as
22 follows:

23 453A.35 TAX AND FEES PAID TO GENERAL FUND.

24 The proceeds derived from the sale of stamps and the
25 payment of taxes, fees and penalties provided for under this
26 chapter, and the permit fees received from all permits issued
27 by the department, with the exception of the proceeds derived
28 from payment of taxes pursuant to section 453A.6, subsection
29 1, paragraph "a", subparagraph (2); section 453A.6, subsection
30 1, paragraph "b", subparagraph (2); section 453A.43,
31 subsection 1, paragraph "b"; and section 453A.43, subsection
32 2, paragraph "b", shall be credited to the general fund of the
33 state. All permit fees provided for in this chapter and
34 collected by cities in the issuance of permits granted by the
35 cities shall be paid to the treasurer of the city where the

1 permit is effective, or to another city officer as designated
2 by the council, and credited to the general fund of the city.
3 Permit fees so collected by counties shall be paid to the
4 county treasurer.

5 Sec. 3. NEW SECTION. 453A.35A MEDICAL ASSISTANCE FUND --
6 TAX REVENUE DEPOSITED -- APPROPRIATION.

7 1. There is created in the office of the treasurer of
8 state a medical assistance fund. The fund consists of the
9 revenues generated from the taxes imposed on cigarettes and
10 tobacco products pursuant to section 453A.6, subsection 1,
11 paragraph "a", subparagraph (2); section 453A.6, subsection 1,
12 paragraph "b", subparagraph (2); section 453A.43, subsection
13 1, paragraph "b"; and section 453A.43, subsection 2, paragraph
14 "b". Moneys in the fund shall be used only as specified in
15 this section and are appropriated for the uses specified.
16 Moneys deposited in the fund shall not be transferred, used,
17 obligated, appropriated, or otherwise encumbered, except as
18 provided in this section. Any unexpended balance in the fund
19 and any interest or earnings on investments or time deposits
20 of the moneys in the fund at the end of a fiscal year shall be
21 deposited in the general fund of the state.

22 2. Moneys in the fund are appropriated for the fiscal year
23 beginning July 1, 2006, and for each fiscal year thereafter,
24 as follows:

25 a. To the department of human services, an amount
26 necessary, annually, for expenses incurred under the medical
27 assistance program.

28 b. To the Iowa department of public health, an amount
29 necessary, annually, for expenses relating to tobacco control
30 and prevention within the state.

31 Sec. 4. Section 453A.43, subsections 1 and 2, Code 2005,
32 are amended to read as follows:

33 1. a. A tax is imposed upon all tobacco products in this
34 state and upon any person engaged in business as a distributor
35 of tobacco products, at the rate of twenty-two percent of the

1 wholesale sales price of the tobacco products, except little
2 cigars as defined in section 453A.42.

3 b. In addition to the tax imposed under paragraph "a", a
4 tax is imposed upon all tobacco products in this state and
5 upon any person engaged in business as a distributor of
6 tobacco products, at the rate of thirty-three percent of the
7 wholesale sales price of the tobacco products, except little
8 cigars as defined in section 453A.42.

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

13 d. The tax taxes on tobacco products, excluding little
14 cigars, shall be imposed at the time the distributor does any
15 of the following:

16 a- (1) Brings, or causes to be brought, into this state
17 from without the state tobacco products for sale.

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

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

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

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

30 c. The tax taxes imposed by this subsection shall not
31 apply if the tax taxes imposed by subsection 1 on the tobacco
32 products has have been paid.

33 d. ~~This tax~~ The taxes imposed under this subsection shall
34 not apply to the use or storage of tobacco products in
35 quantities of:

- 1 a= (1) Less than 25 cigars.
2 b= (2) Less than 10 oz. snuff or snuff powder.
3 c= (3) Less than 1 lb. smoking or chewing tobacco or
4 other tobacco products not specifically mentioned herein, in
5 the possession of any one consumer.

6 Sec. 5. EFFECTIVE DATE. This Act, being deemed of
7 immediate importance, takes effect on the first day of the
8 month that begins following enactment.

9 EXPLANATION

10 This bill relates to an increase in the taxes imposed on
11 cigarettes and tobacco products and to the deposit and
12 appropriation of the increased revenue generated.

13 The bill provides for a tax on cigarettes, in addition to
14 the tax of 18 mills (1.8 cents) imposed on each cigarette, of
15 5 cents on each cigarette. The effect of the bill is to
16 increase the tax on a pack of 20 cigarettes from 36 cents per
17 pack to \$1.36 per pack.

18 The bill also provides for a tax on tobacco products, in
19 addition to the 22 percent of the wholesale sales price for
20 distributors and 22 percent of the cost of tobacco products
21 for the use or storage by consumers of tobacco products, of 33
22 percent of the wholesale sales price and the cost.

23 The bill provides that the additional revenue generated
24 (the 5 cents per cigarette and the 33 percent on tobacco
25 products) is to be deposited in the medical assistance fund
26 created in the bill. The bill provides that moneys in the
27 medical assistance fund are appropriated for the fiscal year
28 beginning July 1, 2006, and annually thereafter, to the
29 department of human services, an amount necessary, annually,
30 for expenses incurred under the medical assistance program and
31 to the Iowa department of public health, an amount necessary,
32 annually, for expenses relating to tobacco control and
33 prevention within the state.

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