
BUDGET UNIT BRIEF – FY 2022

Fiscal Services Division

July 1, 2021



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tobacco Reporting Requirements

Background

The Tobacco Reporting Requirements standing limited appropriation supports the Department of Revenue's enforcement of Iowa Code chapter [453D](#) (Tobacco Product Manufacturers – Enforcement of Financial Obligations). In 1998, Iowa and 45 other states, the District of Columbia, and five United States Territories settled claims against the four largest tobacco manufacturers through the Master Settlement Agreement (MSA). The MSA changed how tobacco companies selling cigarettes and roll-your-own tobacco do business in Iowa. According to the MSA, the manufacturers agreed to certain restrictions on their marketing and to make payments perpetually to the plaintiff states. The payments are to offset the State's cost of tobacco-related health care costs.

Tobacco manufacturers that sell their products in Iowa are affected by two requirements. The first relates to financial obligations for tobacco product manufacturers. Tobacco manufacturers are required to either join the MSA and comply with its terms and obligations or to establish a qualified escrow account and make payments as a "nonparticipating manufacturer" (NPM). The quarterly escrow payments are to be used to offset the State's tobacco-related health care costs.

The second piece of legislation enforces tobacco manufacturers' financial obligations and their certification for the Iowa Directory of Certified Tobacco Product Manufacturers by the Iowa Attorney General. A tobacco manufacturer that markets its product in Iowa, whether through a distributor, retailer, or similar intermediary, and without either joining the MSA or becoming an NPM, is subject to litigation and civil penalties.

It is unlawful to stamp, sell, offer, or possess for sale cigarettes from a tobacco product manufacturer or a brand family that is not published in the Directory. Persons found in violation of these requirements are guilty of a serious misdemeanor. Violations also carry civil penalties. The minimum civil penalty is \$5,000 per violation or 500.0% of the retail value of the product sold, whichever is greater. In addition, persons who stamp, sell, or possess for sale a brand not included in the Directory may have their licenses suspended or revoked, and any product found in their possession is deemed contraband and seized and destroyed. Profits gained in violation of this legislation are to be confiscated and paid to the State Treasurer.

Funding

Iowa Code section [453D.8](#) provides a standing limited appropriation of \$25,000 annually to the Department of Revenue for enforcement of Iowa Code chapter 453D. The General Assembly routinely applies limits to this appropriation within the Administration and Regulation Appropriations Act.

Related Statutes and Administrative Rules

Iowa Code chapter [453D](#)

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More Information

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