

---

## BUDGET UNIT BRIEF – FY 2024

Fiscal Services Division

July 1, 2023



---

Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Medical Assistance — Health Care Trust Fund

### Background

[2007 Iowa Acts, chapter 17](#) (Cigarette/Tobacco Tax Increases and Health Care Trust Fund Act) increased the cigarette tax rate from \$0.36 per pack of 20 cigarettes to \$1.36 per pack and increased the tobacco tax rate from 22.0% of the wholesale cost to 50.0% of the wholesale cost. In addition, language in [2007 Iowa Acts, chapter 186](#) (Department of Revenue Technical and Policy Act) taxed cigars at 50.0% of the wholesale price or \$0.50 per cigar, whichever is less.

The revenues from the tax increases were deposited in the newly created Health Care Trust Fund (HCTF) beginning July 1, 2007. [2013 Iowa Acts, chapter 138](#) (FY 2014 Health and Human Services Appropriations Act) amended the law so that all tax receipts related to the sale of tobacco are deposited into the HCTF beginning July 1, 2013.

### Revenues

Revenues deposited to the HCTF from the sale of tobacco averaged around \$106.0 million prior to the law change in 2013 Iowa Acts, chapter 138 (FY 2014 Health and Human Services Appropriations Act) and are estimated to be approximately \$183.8 million in FY 2023. Revenues to the HCTF have been decreasing as individuals have quit or reduced their use of tobacco products or switched to e-cigarette products, which are not taxed. All revenues from the HCTF are appropriated to the Medicaid Program.

### Related Statutes and Administrative Rules

Iowa Code sections [453A.35](#) and [453A.35A](#)

**Budget Unit Number** 4130N450955

Doc ID 1366917

---

### More Information

LSA Staff Contact: Eric M. Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)