

FEB 5 2002
WAYS AND MEANS

HOUSE FILE 2205
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(COMPANION TO LSB 5778SS
BY HAMMOND)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

HF 2205

1 An Act relating to an increase in the tax imposed on cigarettes
2 and tobacco products, establishing a health care access fund
3 in the state treasury, and providing for the use of the moneys
4 deposited in the health care access fund.

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

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1 Section 1. NEW SECTION. 135.39A HEALTH CARE ACCESS FUND
2 -- ESTABLISHED -- USES.

3 1. A health care access fund is established in the state
4 treasury. Two and four-tenths cents of the four and two-
5 tenths cents collected of the tax imposed on each cigarette
6 pursuant to section 453A.6, subsection 1, shall be deposited
7 in the fund. Additionally, of the tax imposed on tobacco
8 products pursuant to section 453A.43, subsections 1 and 2,
9 fifty percent of the seventy-two percent of the wholesale
10 sales price or cost of tobacco products collected shall be
11 deposited in the health care access fund. Notwithstanding
12 section 8.33, any unexpended balances in the fund at the end
13 of each fiscal year shall be retained in the fund.

14 Notwithstanding section 12C.7, subsection 2, interest or
15 earnings on investments or time deposits of the moneys in the
16 fund shall be credited to the fund.

17 2. Moneys in the health care access fund shall be used
18 only for the purpose of increasing Iowans' access to health
19 care.

20 Sec. 2. Section 453A.6, subsection 1, Code 2001, is
21 amended to read as follows:

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

26 CLASS A. On cigarettes weighing not more than three pounds
27 per thousand, ~~eighteen-mills~~ four and two-tenths cents on each
28 such cigarette.

29 CLASS B. On cigarettes weighing more than three pounds per
30 thousand, ~~eighteen-mills~~ four and two-tenths cents on each
31 such cigarette.

32 Sec. 3. Section 453A.43, subsections 1 and 2, Code 2001,
33 are amended to read as follows:

34 1. A tax is imposed upon all tobacco products in this
35 state and upon any person engaged in business as a distributor

1 of tobacco products, at the rate of ~~twenty-two~~ seventy-two
2 percent of the wholesale sales price of the tobacco products,
3 except little cigars as defined in section 453A.42. Little
4 cigars shall be subject to the same rate of tax imposed upon
5 cigarettes in section 453A.6, payable at the time and in the
6 manner provided in section 453A.6; and stamps shall be affixed
7 as provided in division I of this chapter. The tax on tobacco
8 products, excluding little cigars, shall be imposed at the
9 time the distributor does any of the following:

10 a. Brings, or causes to be brought, into this state from
11 without the state tobacco products for sale.

12 b. Makes, manufactures, or fabricates tobacco products in
13 this state for sale in this state.

14 c. Ships or transports tobacco products to retailers in
15 this state, to be sold by those retailers.

16 2. A tax is imposed upon the use or storage by consumers
17 of tobacco products in this state, and upon the consumers, at
18 the rate of ~~twenty-two~~ seventy-two percent of the cost of the
19 tobacco products.

20 The tax imposed by this subsection shall not apply if the
21 tax imposed by subsection 1 on the tobacco products has been
22 paid.

23 This tax shall not apply to the use or storage of tobacco
24 products in quantities of:

25 a. Less than 25 cigars.

26 b. Less than 10 oz. snuff or snuff powder.

27 c. Less than 1 lb. smoking or chewing tobacco or other
28 tobacco products not specifically mentioned herein, in the
29 possession of any one consumer.

30 EXPLANATION

31 This bill increases the tax on cigarettes from 1.8 cents
32 per cigarette to 4.2 cents per cigarette. The bill also
33 changes the use of mills in assessing the tax to the use of
34 cents. One mill equals one one-thousandth of a cent. The
35 effect of the bill, as an example, is to increase the tax on a

1 pack of 20 cigarettes from 36 cents per pack to 86 cents per
2 pack. Additionally, the bill increases the tax on tobacco
3 products from 22 percent of the wholesale sales price for
4 distributors and 22 percent of the cost of tobacco products
5 for the use or storage by consumers of tobacco products to 72
6 percent of the wholesale sales price and of the cost. Of the
7 72 percent of the wholesale sales price and of the cost
8 collected, 50 percent is to be deposited in the health care
9 access fund.

10 The bill establishes a health care access fund in the state
11 treasury. Two and four-tenths cents per cigarette of the 4.2
12 cents per cigarette collected from the cigarette tax and 50
13 percent of the 72 percent of the wholesale sales price or cost
14 of the tobacco products collected from the tax on tobacco
15 products are to be deposited in the health care access fund.
16 Moneys in the fund are to be used solely for the purpose of
17 increasing Iowans' access to health care.

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