

JAN 9 2006

WAYS AND MEANS

HOUSE FILE 2022

BY TOMENGA and R. OLSON

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 deposit of the increased revenue
3 generated in the senior living trust fund, and providing an
4 applicability date and an effective date.

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

- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

HF 2022

1 Section 1. Section 249H.4, subsection 1, Code Supplement
2 2005, is amended to read as follows:

3 1. A senior living trust fund is created in the state
4 treasury under the authority of the department of human
5 services. Moneys received through intergovernmental
6 agreements for the senior living program and moneys received
7 from sources, including grants, contributions, and participant
8 payments, shall be deposited in the fund. Additionally,
9 proceeds derived from payment of taxes pursuant to section
10 453A.6, subsection 1, paragraph "a", subparagraph (2); section
11 453A.6, subsection 1, paragraph "b", subparagraph (2); section
12 453A.43, subsection 1, paragraph "b"; and section 453A.43,
13 subsection 2, paragraph "b", shall be credited to the fund.

14 Sec. 2. NEW SECTION. 422.11M SMOKING CESSATION PRODUCTS
15 TAX CREDIT.

16 1. The taxes imposed under this division, less the credits
17 allowed under sections 422.12 and 422.12B, shall be reduced by
18 a smoking cessation products tax credit. To be eligible for
19 the credit, the taxpayer shall purchase smoking cessation
20 products. For the purposes of this section, "smoking
21 cessation products" means tobacco cessation products approved
22 by the United States food and drug administration.

23 2. The amount of the smoking cessation products tax credit
24 shall equal the cost of any unreimbursed smoking cessation
25 products, not to exceed four hundred dollars, annually,
26 incurred by the taxpayer and related to smoking cessation.

27 3. If the tax credit is claimed under this section, the
28 expenses shall not be considered medical care expenses under
29 section 213 of the Internal Revenue Code for the same tax year
30 for state tax purposes.

31 4. Any credit in excess of the tax liability is
32 nonrefundable but may be credited to the tax liability for the
33 following ten years or until depleted, whichever is the
34 earlier.

35 Sec. 3. Section 453A.6, subsection 1, Code 2005, is

1 amended to read as follows:

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

6 a. CLASS A.

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

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

13 b. CLASS B.

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

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

20 Sec. 4. Section 453A.35, Code 2005, is amended to read as
21 follows:

22 453A.35 TAX AND FEES PAID TO GENERAL FUND.

23 The proceeds derived from the sale of stamps and the
24 payment of taxes, fees and penalties provided for under this
25 chapter, and the permit fees received from all permits issued
26 by the department, with the exception of the proceeds derived
27 from payment of taxes pursuant to section 453A.6, subsection
28 1, paragraph "a", subparagraph (2); section 453A.6, subsection
29 1, paragraph "b", subparagraph (2); section 453A.43,
30 subsection 1, paragraph "b"; and section 453A.43, subsection
31 2, paragraph "b", which shall be credited to the senior living
32 trust fund created in section 249H.4, shall be credited to the
33 general fund of the state. All permit fees provided for in
34 this chapter and collected by cities in the issuance of
35 permits granted by the cities shall be paid to the treasurer

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

5 Sec. 5. Section 453A.40, subsection 1, Code 2005, is
6 amended to read as follows:

7 1. All of the following persons shall be subject to an
8 inventory tax on the following items as provided in this
9 section:

10 a. All persons required to be-licensed obtain a permit
11 under section 453A.13 as distributors or to be licensed under
12 section 453A.44 as a distributor or subjobber, having in their
13 possession and held for resale on the effective date of an
14 increase in the tax rate cigarettes, or little cigars, or
15 tobacco products upon which the tax under section 453A.6 or
16 453A.43 has been paid, unused cigarette tax stamps which have
17 been paid for under section 453A.8, or unused metered imprints
18 which have been paid for under section 453A.12 shall-be
19 subject-to-an-inventory-tax-on-the-items-as-provided-in-this
20 section.

21 b. All consumers having for use or storage on the
22 effective date of an increase in the tax rate, tobacco
23 products upon which the tax under section 453A.43 has been
24 paid.

25 c. All consumers subject to section 453A.46, subsection 6,
26 who have acquired title to or possession of tobacco products
27 for storage in this state, upon which tobacco products the tax
28 imposed by section 453A.43 has not been paid.

29 Sec. 6. Section 453A.43, subsections 1 and 2, Code 2005,
30 are amended to read as follows:

31 1. a. A tax is imposed upon all tobacco products in this
32 state and upon any person engaged in business as a distributor
33 of tobacco products, at the rate of twenty-two percent of the
34 wholesale sales price of the tobacco products, except little
35 cigars as defined in section 453A.42.

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

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

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

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

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

18 c- (3) Ships or transports tobacco products to retailers
19 in this state, to be sold by those retailers.

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

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

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

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

34 a- (1) Less than 25 cigars.

35 b- (2) Less than 10 oz. snuff or snuff powder.

1 e- (3) Less than 1 lb. smoking or chewing tobacco or
2 other tobacco products not specifically mentioned herein, in
3 the possession of any one consumer.

4 Sec. 7. EFFECTIVE DATE. The sections of this Act amending
5 section 249H.4, subsection 1; section 453A.6, subsection 1;
6 section 453A.35; section 453A.40, subsection 1; and section
7 453A.43, subsections 1 and 2, being deemed of immediate
8 importance, take effect on the first day of the month that
9 begins following enactment of this Act.

10 Sec. 8. APPLICABILITY DATE. The section of this Act
11 enacting section 422.11M applies for tax years beginning on or
12 after January 1, 2007.

13 EXPLANATION

14 This bill relates to an increase in the taxes imposed on
15 cigarettes and tobacco products and to the deposit of the
16 increased revenue generated in the senior living trust fund.

17 The bill provides for a tax on cigarettes, in addition to
18 the tax of 18 mills (1.8 cents) imposed on each cigarette, of
19 3.2 cents on each cigarette. The effect of the bill is to
20 increase the tax on a pack of 20 cigarettes from 36 cents per
21 pack to \$1 per pack.

22 The bill also provides for a tax on tobacco products, in
23 addition to the 22 percent of the wholesale sales price for
24 distributors and 22 percent of the cost of tobacco products
25 for the use or storage by consumers of tobacco products, of 33
26 percent of the wholesale sales price and the cost.

27 The bill also provides for payment of the inventory tax by
28 all persons required to obtain a permit as a distributor of
29 cigarettes or to be licensed as a distributor or subjobber of
30 tobacco products who have in their possession and hold for
31 resale on the effective date of an increase in the tax rate,
32 cigarettes, little cigars, or tobacco products upon which the
33 tax has been paid, unused cigarette tax stamps which have been
34 paid for, or unused metered imprints which have been paid for.
35 The inventory tax also applies to consumers who have for use

1 or storage on the effective date of the increase in the tax
2 rate tobacco products upon which the tax has already been paid
3 and to consumers who have acquired title to or possession of
4 tobacco products for storage in this state upon which the
5 tobacco tax has not been paid.

6 The bill provides that the additional revenue generated
7 (the 3.2 cents per cigarette and the 33 percent on tobacco
8 products) is to be deposited in the senior living trust fund.
9 The bill also provides for a smoking cessation products tax
10 credit not to exceed \$400 annually. The section of the bill
11 relating to the tax increase on cigarettes and tobacco
12 products takes effect on the first day of the month that
13 begins following enactment and the tax credit applies to tax
14 years beginning on or after January 1, 2007.

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35