

SENATE FILE 130 WAYS & MEANS  
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and TINSMAN

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to an increase in the taxes on cigarettes and  
2 tobacco products, creating a medical assistance and health  
3 promotion fund, providing for appropriations, and providing an  
4 effective date.

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

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SC 130  
WAYS & MEANS

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~~ a tax on all cigarettes  
5 used or otherwise disposed of in this state for any purpose  
6 whatsoever:

7 ~~CLASS-A.--On cigarettes weighing not more than three pounds~~  
8 ~~per thousand, eighteen mills on each such cigarette.~~

9 ~~CLASS-B.--On cigarettes weighing more than three pounds per~~  
10 ~~thousand, eighteen mills on each such~~ equal to six and eight-  
11 tenths cents on each cigarette.

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

14 453A.35 ~~TAX~~ TAXES AND FEES PAID TO GENERAL FUND --  
15 EXCEPTIONS.

16 The proceeds derived from the sale of stamps and the  
17 payment of taxes, fees, and penalties provided for under this  
18 chapter, with the exception of taxes paid on cigarettes  
19 pursuant to section 453A.6 and on tobacco products pursuant to  
20 section 453A.43, and the permit fees received from all permits  
21 issued by the department, shall be credited to the general  
22 fund of the state. All taxes paid on cigarettes pursuant to  
23 section 453A.6 and on tobacco products pursuant to section  
24 453A.43 shall be credited to the medical assistance and health  
25 promotion fund created pursuant to section 453A.35A. All  
26 permit fees provided for in this chapter and collected by  
27 cities in the issuance of permits granted by the cities shall  
28 be paid to the treasurer of the city where the permit is  
29 effective, or to another city officer as designated by the  
30 council, and credited to the general fund of the city. Permit  
31 fees so collected by counties shall be paid to the county  
32 treasurer.

33 Sec. 3. NEW SECTION. 453A.35A MEDICAL ASSISTANCE AND  
34 HEALTH PROMOTION FUND -- CREATED -- APPROPRIATIONS.

35 1. A medical assistance and health promotion fund is

1 created in the office of the treasurer of state. The fund  
2 consists of the revenues generated from the tax imposed on  
3 cigarettes pursuant to section 453A.6 and the tax imposed on  
4 tobacco products pursuant to section 453A.43. Moneys in the  
5 fund shall be used only as specified in this section. Moneys  
6 deposited in the fund shall not be transferred, used,  
7 obligated, appropriated, or otherwise encumbered except as  
8 provided in this section. Notwithstanding section 8.33, any  
9 unexpended balance in the fund at the end of the fiscal year  
10 shall be retained in the fund. Notwithstanding section 12C.7,  
11 subsection 2, interest or earnings on investments or time  
12 deposits on the moneys in the fund shall be credited to the  
13 fund.

14 2. Moneys in the fund are appropriated for the fiscal year  
15 beginning July 1, 2005, and annually thereafter, as follows:

16 a. To the department of human services, an amount  
17 sufficient to supplement general fund expenditures for the  
18 medical assistance program.

19 b. If there is a remaining balance in the fund after  
20 expenditures are made pursuant to paragraph "a", to the Iowa  
21 department of public health, an amount sufficient for health  
22 promotion activities, including comprehensive substance abuse  
23 treatment efforts.

24 Sec. 4. Section 453A.40, subsection 1, Code 2005, is  
25 amended to read as follows:

26 1. All of the following persons shall be subject to an  
27 inventory tax on the following items as provided in this  
28 section:

29 a. All persons required to obtain a permit or to be  
30 licensed under section 453A.13 as-distributors or 453A.44,  
31 having in their possession and held for resale on the  
32 effective date of an increase in the tax rate cigarettes, or  
33 little cigars, or tobacco products upon which the tax under  
34 section 453A.6 or 453A.43 has been paid, unused cigarette tax  
35 stamps which have been paid for under section 453A.8, or

1 unused metered imprints which have been paid for under section  
2 453A.12 ~~shall be subject to an inventory tax on the items as~~  
3 ~~provided in this section.~~

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

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

12 Sec. 5. Section 453A.43, subsections 1, 2, and 3, Code  
13 2005, are amended to read as follows:

14 1. A tax is imposed upon all tobacco products in this  
15 state and upon any person engaged in business as a distributor  
16 of tobacco products, at the rate of twenty-two fifty-five  
17 percent of the wholesale sales price of the tobacco products,  
18 except little cigars as defined in section 453A.42. Little  
19 cigars shall be subject to the same rate of tax imposed upon  
20 cigarettes in section 453A.6, payable at the time and in the  
21 manner provided in section 453A.6; and stamps shall be affixed  
22 as provided in division I of this chapter. The tax on tobacco  
23 products, excluding little cigars, shall be imposed at the  
24 time the distributor does any of the following:

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

27 b. Makes, manufactures, or fabricates tobacco products in  
28 this state for sale in this state.

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

31 2. A tax is imposed upon the use or storage by consumers  
32 of tobacco products in this state, and upon the consumers, at  
33 the rate of twenty-two fifty-five percent of the cost of the  
34 tobacco products.

35 The tax imposed by this subsection shall not apply if the

1 tax imposed by subsection 1 on the tobacco products has been  
2 paid.

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

- 5 a. Less than 25 cigars.
- 6 b. Less than 10 oz. snuff or snuff powder.
- 7 c. Less than 1 lb. smoking or chewing tobacco or other  
8 tobacco products not specifically mentioned herein, in the  
9 possession of any one consumer.

10 3. Any tobacco product with respect to which a tax has  
11 once been imposed under this division shall not again be  
12 subject to tax under ~~said~~ this division, except as provided in  
13 section 453A.40.

14 Sec. 6. EFFECTIVE DATE. This Act takes effect on the  
15 first day of the month following enactment.

16 EXPLANATION

17 This bill increases the tax on cigarettes and little cigars  
18 from 36 cents to \$1.36 per package of 20 cigarettes or little  
19 cigars and on tobacco products from 22 percent to 55 percent  
20 of the wholesale price. The bill subjects tobacco products to  
21 an inventory tax which is imposed when the tax rate is  
22 increased. The bill also creates a medical assistance and  
23 health promotion fund. Revenues generated from imposition of  
24 the taxes on cigarettes and tobacco products are to be  
25 deposited in the fund and are appropriated annually for  
26 supplementation of the expenditures for the medical assistance  
27 program and for health promotion efforts.

28 The bill takes effect the first day of the month following  
29 enactment.

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