

105TH CONGRESS  
1ST SESSION

# S. 526

To amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products for the purpose of offsetting the Federal budgetary costs associated with the Child Health Insurance and Lower Deficit Act.

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## IN THE SENATE OF THE UNITED STATES

APRIL 8, 1997

Mr. HATCH (for himself, Mr. KENNEDY, Mr. BENNETT, Mr. BINGAMAN, Mrs. BOXER, Mr. DODD, Mr. DURBIN, Mr. JEFFORDS, Mr. KERRY, Mr. LAUTENBERG, Mrs. MURRAY, Mr. REED, Mr. REID, Mr. ROCKEFELLER, Ms. SNOWE, and Mr. WELLSTONE) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products for the purpose of offsetting the Federal budgetary costs associated with the Child Health Insurance and Lower Deficit Act.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INCREASE IN EXCISE TAXES ON TOBACCO**  
2 **PRODUCTS TO FUND THE CHILD HEALTH IN-**  
3 **SURANCE AND LOWER DEFICIT ACT.**

4 (a) CIGARETTES.—Section 5701(b) of the Internal  
5 Revenue Code of 1986 is amended—

6 (1) in paragraph (1), by striking “\$12 per  
7 thousand (\$10 per thousand on cigarettes removed  
8 during 1991 or 1992)” and inserting “\$33.50 per  
9 thousand”, and

10 (2) in paragraph (2), by striking “\$25.20 per  
11 thousand (\$21 per thousand on cigarettes removed  
12 during 1991 or 1992)” and inserting “\$70.35 per  
13 thousand”.

14 (b) CIGARS.—Section 5701(a) of the Internal Reve-  
15 nue Code of 1986 is amended—

16 (1) in paragraph (1), by striking “\$1.125 cents  
17 per thousand (93.75 cents per thousand on cigars  
18 removed during 1991 or 1992)” and inserting  
19 “\$3.141 cents per thousand”, and

20 (2) by striking “equal to” and all that follows  
21 in paragraph (2) and inserting “equal to 35.59 per-  
22 cent of the price for which sold but not more than  
23 \$83.75 per thousand.”

24 (c) CIGARETTE PAPERS.—Section 5701(c) of the In-  
25 ternal Revenue Code of 1986 is amended by striking “0.75

1 cent (0.625 cent on cigarette papers removed during 1991  
2 or 1992)" and inserting "2.09 cents".

3 (d) CIGARETTE TUBES.—Section 5701(d) of the In-  
4 ternal Revenue Code of 1986 is amended by striking "1.5  
5 cents (1.25 cents on cigarette tubes removed during 1991  
6 or 1992)" and inserting "4.18 cents".

7 (e) SMOKELESS TOBACCO.—Section 5701(e) of the  
8 Internal Revenue Code of 1986 is amended—

9 (1) in paragraph (1), by striking "36 cents (30  
10 cents on snuff removed during 1991 or 1992)" and  
11 inserting "\$6.09", and

12 (2) by striking "12 cents (10 cents on chewing  
13 tobacco removed during 1991 or 1992)" in para-  
14 graph (2) and inserting "\$2.41".

15 (f) PIPE TOBACCO.—Section 5701(f) of the Internal  
16 Revenue Code of 1986 is amended by striking "67.5 cents  
17 (56.25 cents on pipe tobacco removed during 1991 or  
18 1992)" and inserting "\$1.88".

19 (g) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to articles removed (as defined in  
21 section 5702(k) of the Internal Revenue Code of 1986)  
22 after September 30, 1997.

23 (h) FLOOR STOCKS TAXES.—

24 (1) IMPOSITION OF TAX.—On tobacco products  
25 and cigarette papers and tubes manufactured in or

1       imported into the United States which are removed  
2       before October 1, 1997, and held on such date for  
3       sale by any person, there is hereby imposed a tax in  
4       an amount equal to the excess of—

5               (A) the tax which would be imposed under  
6       section 5701 of the Internal Revenue Code of  
7       1986 on the article if the article had been re-  
8       moved on such date, over

9               (B) the prior tax (if any) imposed under  
10      section 5701 or 7652 of such Code on such ar-  
11      ticle.

12               (2) AUTHORITY TO EXEMPT CIGARETTES HELD  
13      IN VENDING MACHINES.—To the extent provided in  
14      regulations prescribed by the Secretary, no tax shall  
15      be imposed by paragraph (1) on cigarettes held for  
16      retail sale on October 1, 1997, by any person in any  
17      vending machine. If the Secretary provides such a  
18      benefit with respect to any person, the Secretary  
19      may reduce the \$500 amount in paragraph (3) with  
20      respect to such person.

21               (3) CREDIT AGAINST TAX.—Each person shall  
22      be allowed as a credit against the taxes imposed by  
23      paragraph (1) an amount equal to \$500. Such credit  
24      shall not exceed the amount of taxes imposed by

1       paragraph (1) on October 1, 1997, for which such  
2       person is liable.

3                   (4) LIABILITY FOR TAX AND METHOD OF PAY-  
4       MENT.—

5                   (A) LIABILITY FOR TAX.—A person hold-  
6       ing cigarettes on October 1, 1997, to which any  
7       tax imposed by paragraph (1) applies shall be  
8       liable for such tax.

9                   (B) METHOD OF PAYMENT.—The tax im-  
10       posed by paragraph (1) shall be paid in such  
11       manner as the Secretary shall prescribe by reg-  
12       ulations.

13                   (C) TIME FOR PAYMENT.—The tax im-  
14       posed by paragraph (1) shall be paid on or be-  
15       fore January 1, 1998.

16                   (5) ARTICLES IN FOREIGN TRADE ZONES.—  
17       Notwithstanding the Act of June 18, 1934 (48 Stat.  
18       998, 19 U.S.C. 81a) and any other provision of law,  
19       any article which is located in a foreign trade zone  
20       on October 1, 1997, shall be subject to the tax im-  
21       posed by paragraph (1) if—

22                   (A) internal revenue taxes have been deter-  
23       mined, or customs duties liquidated, with re-  
24       spect to such article before such date pursuant

1 to a request made under the 1st proviso of sec-  
2 tion 3(a) of such Act, or

3 (B) such article is held on such date under  
4 the supervision of a customs officer pursuant to  
5 the 2d proviso of such section 3(a).

6 (6) DEFINITIONS.—For purposes of this sub-  
7 section—

8 (A) IN GENERAL.—Terms used in this sub-  
9 section which are also used in section 5702 of  
10 the Internal Revenue Code of 1986 shall have  
11 the respective meanings such terms have in  
12 such section, as amended by this Act.

13 (B) SECRETARY.—The term “Secretary”  
14 means the Secretary of the Treasury or the  
15 Secretary’s delegate.

16 (7) CONTROLLED GROUPS.—Rules similar to  
17 the rules of section 5061(e)(3) of such Code shall  
18 apply for purposes of this subsection.

19 (8) OTHER LAWS APPLICABLE.—All provisions  
20 of law, including penalties, applicable with respect to  
21 the taxes imposed by section 5701 of such Code  
22 shall, insofar as applicable and not inconsistent with  
23 the provisions of this subsection, apply to the floor  
24 stocks taxes imposed by paragraph (1), to the same  
25 extent as if such taxes were imposed by such section

1       5701. The Secretary may treat any person who bore  
2       the ultimate burden of the tax imposed by para-  
3       graph (1) as the person to whom a credit or refund  
4       under such provisions may be allowed or made.

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