

106TH CONGRESS  
1ST SESSION

# S. 213

To amend the Internal Revenue Code of 1986 to repeal the limitation of the cover over of tax on distilled spirits, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. MOYNIHAN (for himself and Mr. SCHUMER) 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 repeal the limitation of the cover over of tax on distilled spirits, and for other purposes.

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

3       **SECTION 1. REPEAL OF LIMITATION OF COVER OVER OF**  
4       **TAX ON DISTILLED SPIRITS.**

5       (a) IN GENERAL.—Section 7652 (relating to limita-  
6       tion on cover over of tax on distilled spirits) is amended  
7       by striking subsection (f) and by redesignating subsection  
8       (g) as subsection (f).

9       (b) CONFORMING AMENDMENTS.—Section 7652(f) of  
10      such Code (as so redesignated) is amended by striking

1 “subsection (f) of this section” in paragraph (1)(B) and  
 2 inserting “section 5001(a)(1)”.

3 (c) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendments made by  
 5 this section shall apply to articles containing distilled  
 6 spirits that are tax-determined after September 30,  
 7 1999.

8 (2) SPECIAL RULE.—

9 (A) IN GENERAL.—For the 5-year period  
 10 beginning after September 30, 1999, the treas-  
 11 ury of Puerto Rico shall make a Conservation  
 12 Trust Fund transfer within 30 days from the  
 13 date of each cover over payment made during  
 14 such period to such treasury under section  
 15 7652(e) of the Internal Revenue Code of 1986.

16 (B) CONSERVATION TRUST FUND TRANS-  
 17 FER.—

18 (i) IN GENERAL.—For purposes of  
 19 this paragraph, the term “Conservation  
 20 Trust Fund transfer” means a transfer to  
 21 the Puerto Rico Conservation Trust Fund  
 22 of an amount equal to 50 cents per proof  
 23 gallon of the taxes imposed under section  
 24 5001 or section 7652 of such Code on dis-  
 25 tilled spirits that are covered over to the

treasury of Puerto Rico under section 7652(e) of such Code.

(ii) TREATMENT OF TRANSFER.—

Each Conservation Trust Fund transfer shall be treated as principal for an endowment, the income from which to be available for use by the Puerto Rico Conservation Trust Fund for the purposes for which the Trust Fund was established.

(ii) RESULT OF NONTRANSFER.—

(I) IN GENERAL.—Upon notification by the Secretary of the Interior

that a Conservation Trust Fund transfer has not been made by the treasury of Puerto Rico during the period described in subparagraph (A), the Secretary of the Treasury shall, except as provided in subclause (II), deduct and withhold from the next cover over payment to be made to the treasury of Puerto Rico under section 7652(e) of such Code an amount equal to the appropriate Conservation Trust Fund transfer and interest thereon at the underpayment rate es-

1           tablished under section 6621 of such  
 2           Code as of the due date of such trans-  
 3           fer. The Secretary of the Treasury  
 4           shall transfer such amount deducted  
 5           and withheld, and the interest there-  
 6           on, directly to the Puerto Rico Con-  
 7           servation Trust Fund.

8                   (II) GOOD CAUSE EXCEPTION.—

9           If the Secretary of the Interior finds,  
 10          after consultation with the Governor  
 11          of Puerto Rico, that the failure by the  
 12          treasury of Puerto Rico to make a re-  
 13          quired transfer was for good cause,  
 14          and notifies the Secretary of the  
 15          Treasury of the finding of such good  
 16          cause before the due date of the next  
 17          cover over payment following the noti-  
 18          fication of nontransfer, then the Sec-  
 19          retary of the Treasury shall not de-  
 20          duct the amount of such nontransfer  
 21          from any cover over payment.

22                   (C) PUERTO RICO CONSERVATION TRUST  
 23          FUND.—For purposes of this paragraph, the  
 24          term “Puerto Rico Conservation Trust Fund”  
 25          means the fund established pursuant to a

1           Memorandum of Understanding between the  
2           United States Department of the Interior and  
3           the Commonwealth of Puerto Rico, dated De-  
4           cember 24, 1968.

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