

103^D CONGRESS
1ST SESSION

S. 513

To amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products, and to use the resulting revenues to fund a trust fund for health care reform, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 4 (legislative day, MARCH 3), 1993

Mr. BRADLEY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products, and to use the resulting revenues to fund a trust fund for health care reform, 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. SHORT TITLE.**

4 This Act may be cited as the “Tobacco Consumption
5 Reduction and Health Improvement Act of 1993”.

6 **SEC. 2. INCREASE IN TAXES ON TOBACCO PRODUCTS.**

7 (a) IN GENERAL.—

1 (1) CIGARS.—Subsection (a) of section 5701 of
2 the Internal Revenue Code of 1986 (relating to rate
3 of tax on cigars) is amended—

4 (A) by striking “\$1.125 cents per thou-
5 sand (93.75 cents per thousand on cigars re-
6 moved during 1991 and 1992)” in paragraph
7 (1) and inserting “\$4.6875 per thousand”; and

8 (B) by striking paragraph (2) and insert-
9 ing the following new paragraph:

10 “(2) LARGE CIGARS.—On cigars weighing more
11 than 3 pounds per thousand, a tax equal to 50 per-
12 cent of the price for which sold but not more than
13 \$120 per thousand.”

14 (2) CIGARETTES.—Subsection (b) of section
15 5701 of such Code (relating to rate of tax on ciga-
16 rettes) is amended—

17 (A) by striking “\$12 per thousand (\$10
18 per thousand on cigarettes removed during
19 1991 and 1992)” in paragraph (1) and insert-
20 ing “\$50 per thousand”; and

21 (B) by striking “\$25.20 per thousand (\$21
22 per thousand on cigarettes removed during
23 1991 and 1992)” in paragraph (2) and insert-
24 ing “\$105 per thousand”.

1 (3) CIGARETTE PAPERS.—Subsection (c) of sec-
2 tion 5701 of such Code (relating to rate of tax on
3 cigarette papers) is amended by striking “0.75 cent
4 (0.625 cent on cigarette papers removed during
5 1991 or 1992)” and inserting “3.12 cents”.

6 (4) CIGARETTE TUBES.—Subsection (d) of sec-
7 tion 5701 of such Code (relating to rate of tax on
8 cigarette tubes) is amended by striking “1.5 cents
9 (1.25 cents on cigarette tubes removed during 1991
10 or 1992)” and inserting “6.25 cents”.

11 (5) SNUFF.—Paragraph (1) of section 5701(e)
12 of such Code (relating to rate of tax on smokeless
13 tobacco) is amended by striking “36 cents (30 cents
14 on snuff removed during 1991 or 1992)” and insert-
15 ing “\$1.50”.

16 (6) CHEWING TOBACCO.—Paragraph (2) of sec-
17 tion 5701(e) of such Code is amended by striking
18 “12 cents (10 cents on chewing tobacco removed
19 during 1991 or 1992)” and inserting “50 cents”.

20 (7) PIPE TOBACCO.—Subsection (f) of section
21 5701 of such Code (relating to rate of tax on pipe
22 tobacco) is amended by striking “67.5 cents (56.25
23 cents on chewing tobacco removed during 1991 or
24 1992)” and inserting “\$2.8125”.

25 (b) FLOOR STOCKS.—

1 (1) IMPOSITION OF TAX.—On cigars, cigarettes,
2 cigarette paper, cigarette tubes, snuff, chewing to-
3 bacco, and pipe tobacco manufactured in or im-
4 ported into the United States which is removed be-
5 fore January 1, 1994, and held on such date for sale
6 by any person, there shall be imposed the following
7 taxes:

8 (A) SMALL CIGARS.—On cigars, weighing
9 not more than 3 pounds per thousand, \$3.5625
10 per thousand.

11 (B) LARGE CIGARS.—On cigars, weighing
12 more than 3 pounds per thousand, a tax equal
13 to 37.25 percent of the price for which sold, but
14 not more than \$90 per thousand.

15 (C) SMALL CIGARETTES.—On cigarettes,
16 weighing not more than 3 pounds per thousand,
17 \$38 per thousand.

18 (D) LARGE CIGARETTES.—On cigarettes,
19 weighing more than 3 pounds per thousand,
20 \$79.80 per thousand; except that, if more than
21 6½ inches in length, they shall be taxable at
22 the rate prescribed for cigarettes weighing not
23 more than 3 pounds per thousand, counting
24 each 2¾ inches, or fraction thereof, of the
25 length of each as one cigarette.

1 (E) CIGARETTE PAPERS.—On cigarette pa-
2 pers, 2.37 cents for each 50 papers or frac-
3 tional part thereof; except that, if cigarette pa-
4 pers measure more than $6\frac{1}{2}$ inches in length,
5 they shall be taxable at the rate prescribed,
6 counting each $2\frac{3}{4}$ inches, or fraction thereof, of
7 the length of each as one cigarette paper.

8 (F) CIGARETTE TUBES.—On cigarette
9 tubes, 4.75 cents for each 50 tubes or fractional
10 part thereof; except that, if cigarette tubes
11 measure more than $6\frac{1}{2}$ inches in length, they
12 shall be taxable at the rate prescribed, counting
13 each $2\frac{3}{4}$ inches, or fraction thereof, of the
14 length of each as one cigarette tube.

15 (G) SNUFF.—On snuff, \$1.14 per pound
16 and a proportionate tax at the like rate on all
17 fractional parts of a pound.

18 (H) CHEWING TOBACCO.—On chewing to-
19 bacco, 38 cents per pound and a proportionate
20 tax at the like rate on all fractional parts of a
21 pound.

22 (I) PIPE TOBACCO.—On pipe tobacco,
23 \$2.1375 per pound and a proportionate tax at
24 the like rate on all fractional parts of a pound.

1 (2) LIABILITY FOR TAX AND METHOD OF PAY-
2 MENT.—

3 (A) LIABILITY FOR TAX.—A person hold-
4 ing cigars, cigarettes, cigarette paper, cigarette
5 tubes, snuff, chewing tobacco, and pipe tobacco
6 on January 1, 1994, to which any tax imposed
7 by paragraph (1) applies shall be liable for such
8 tax.

9 (B) METHOD OF PAYMENT.—The tax im-
10 posed by paragraph (1) shall be treated as a
11 tax imposed under section 5701 of the Internal
12 Revenue Code of 1986 and shall be due and
13 payable on February 15, 1994, in the same
14 manner as the tax imposed under such section
15 is payable with respect to cigars, cigarettes, cig-
16 arette paper, cigarette tubes, snuff, chewing to-
17 bacco, and pipe tobacco removed on January 1,
18 1994.

19 (3) CIGARS, CIGARETTES, CIGARETTE PAPER,
20 CIGARETTE TUBES, SNUFF, CHEWING TOBACCO, AND
21 PIPE TOBACCO.—For purposes of this subsection,
22 the terms “cigar”, “cigarette”, “cigarette paper”,
23 “cigarette tubes”, “snuff”, “chewing tobacco”, and
24 “pipe tobacco” shall have the meaning given to such
25 terms by subsections (a), (b), (e), and (g), para-

1 graphs (2) and (3) of subsection (n), and subsection
2 (o) of section 5702 of the Internal Revenue Code of
3 1986, respectively.

4 (4) EXCEPTION FOR RETAIL STOCKS.—The
5 taxes imposed by paragraph (1) shall not apply to
6 cigars, cigarettes, cigarette paper, cigarette tubes,
7 snuff, chewing tobacco, and pipe tobacco in retail
8 stocks held on January 1, 1994, at the place where
9 intended to be sold at retail.

10 (5) FOREIGN TRADE ZONES.—Notwithstanding
11 the Act of June 18, 1934 (19 U.S.C. 81a et seq.)
12 or any other provision of law—

13 (A) cigars, cigarettes, cigarette paper, ciga-
14 rette tubes, snuff, chewing tobacco, and pipe to-
15 bacco—

16 (i) on which taxes imposed by Federal
17 law are determined, or customs duties are
18 liquidated, by a customs officer pursuant
19 to a request made under the first proviso
20 of section 3(a) of the Act of June 18, 1934
21 (19 U.S.C. 81c(a)) before January 1,
22 1994, and

23 (ii) which are entered into the cus-
24 toms territory of the United States on or

1 after January 1, 1994, from a foreign
2 trade zone, and

3 (B) cigars, cigarettes, cigarette paper, cig-
4 arette tubes, snuff, chewing tobacco, and pipe
5 tobacco which—

6 (i) are placed under the supervision of
7 a customs officer pursuant to the provi-
8 sions of the second proviso of section 3(a)
9 of the Act of June 18, 1934 (19 U.S.C.
10 81c(a)) before January 1, 1994, and

11 (ii) are entered into the customs terri-
12 tory of the United States on or after Janu-
13 ary 1, 1994, from a foreign trade zone,

14 shall be subject to the tax imposed by paragraph (1)
15 and such cigars, cigarettes, cigarette paper, cigarette
16 tubes, snuff, chewing tobacco, and pipe tobacco
17 shall, for purposes of paragraph (1), be treated as
18 being held on January 1, 1994, for sale.

19 (c) ESTABLISHMENT OF TRUST FUND.—

20 (1) IN GENERAL.—Subchapter A of chapter 98
21 of the Internal Revenue Code of 1986 (relating to
22 trust fund code) is amended by adding at the end
23 thereof the following new section:

1 **“SEC. 9512. HEALTH REFORM TRUST FUND.**

2 “(a) CREATION OF TRUST FUND.—There is estab-
3 lished in the Treasury of the United States a trust fund
4 to be known as the ‘Health Reform Trust Fund’ (hereafter
5 referred to in this section as the ‘Trust Fund’), consisting
6 of such amounts as may be appropriated or credited to
7 the Trust Fund as provided in this section or section
8 9602(b).

9 “(b) TRANSFERS TO TRUST FUND.—The Secretary
10 shall transfer to the Trust Fund an amount equivalent
11 to the net increase in revenues received in the Treasury
12 attributable to the amendments made to section 5701 by
13 section 2(a) and the provisions contained in section 2(b)
14 of the Tobacco Consumption Reduction and Health Re-
15 form Act of 1993, as estimated by the Secretary.

16 “(c) DISTRIBUTION OF AMOUNTS IN TRUST FUND.—

17 “(1) UNINSURED PERSONS.—Eighty percent of
18 the amounts in the Trust Fund shall be available in
19 each fiscal year, as provided by appropriation Acts,
20 to the Secretary for the provision of medical care
21 and medical insurance to persons without medical
22 insurance.

23 “(2) OTHER.—Twenty percent of the amounts
24 in the Health Reform Trust Fund shall be available
25 in each fiscal year, as provided by appropriation
26 Acts, to the Secretary to—

1 “(A) develop and implement health edu-
2 cation programs;

3 “(B) develop and implement smoking ces-
4 sation programs; and

5 “(C) distribute to each State that was re-
6 quired by State law to decrease State taxes on
7 the sale of tobacco products (as defined in sec-
8 tion 5702(c)) as a result of the increase in the
9 Federal excise tax on such products provided
10 for in section 2(a) of the Tobacco Consumption
11 Reduction and Health Reform Act of 1993.”

12 (2) CLERICAL AMENDMENT.—The table of sec-
13 tions for such subchapter A is amended by adding
14 at the end thereof the following new item:

 “Sec. 9512. Health Reform Trust Fund.”

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply with respect to cigars, cigarettes,
17 cigarette paper, cigarette tubes, snuff, chewing tobacco,
18 and pipe tobacco removed after December 31, 1993.

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