

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 609

To amend the Internal Revenue Code of 1986 to limit deductions for advertising and promotional expenses for tobacco products, and to use the resulting revenues for advertising expenditures to persuade individuals not to use tobacco products and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 17 (legislative day, MARCH 3), 1993

Mr. HARKIN (for himself, Mr. BRADLEY, and Mr. BINGAMAN) 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 limit deductions for advertising and promotional expenses for tobacco products, and to use the resulting revenues for advertising expenditures to persuade individuals not to use tobacco products 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. ADVERTISING AND PROMOTIONAL EXPENSES**

4 **RELATING TO TOBACCO PRODUCT USE.**

5 (a) LIMITATION ON DEDUCTION.—

6 (1) IN GENERAL.—Part IX of subchapter B of  
7 chapter 1 of subtitle A of the Internal Revenue Code

1 of 1986 (relating to items not deductible) is amend-  
 2 ed by adding at the end thereof the following new  
 3 section:

4 **“SEC. 280I. LIMITATION ON DEDUCTION FOR TOBACCO AD-**  
 5 **VERTISING AND PROMOTIONAL EXPENSES.**

6 The amount allowable as a deduction under this  
 7 chapter for expenses relating to advertising or promoting  
 8 cigars, cigarettes, smokeless tobacco, pipe tobacco, or any  
 9 similar tobacco product shall not exceed 50 percent of the  
 10 amount of such expenses which would (but for this sec-  
 11 tion) be allowable as a deduction under this chapter. For  
 12 purposes of this section, any term used in this section  
 13 which is also used in section 5702 shall have the same  
 14 meaning given such term by section 5702.”

15 (2) CONFORMING AMENDMENT.—The table of  
 16 sections for such part IX is amended by adding after  
 17 the item relating to section 280H the following new  
 18 item:

“Sec. 280I. Limitation on deduction for tobacco advertising  
 and promotion expenses.”

19 (b) 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. TRUST FUND TO REDUCE TOBACCO USE.**

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 ‘Trust Fund to Reduce Tobacco Use’  
5 (hereafter referred to in this section as the ‘Trust Fund’),  
6 consisting of such amounts as may be appropriated or  
7 transferred to the Trust Fund as provided in this section  
8 or section 9602(b).

9       “(b) TRANSFERS TO TRUST FUND.—The Secretary  
10 shall transfer to the Trust Fund an amount equivalent  
11 to 40 percent of the net increase in revenues received in  
12 the Treasury attributable to section 280I, as estimated by  
13 the Secretary.

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

15               “(1) IN GENERAL.—The amounts in the Trust  
16 Fund shall be available in each fiscal year, as pro-  
17 vided by appropriation Acts, to the Secretary to dis-  
18 tribute to each State based upon such State’s popu-  
19 lation in relation to the population of all the States,  
20 as determined by using the most recent decennial  
21 census data.

22               “(2) USE OF DISTRIBUTIONS.—Each State,  
23 through its agency responsible for public health, may  
24 use its distribution to fund advertising programs de-  
25 signed to persuade individuals (especially children,  
26 pregnant women, and minorities) not to use cigars,

1 cigarettes, smokeless tobacco, pipe tobacco, or any  
2 similar tobacco product. For purposes of this para-  
3 graph, any term used in this paragraph which is also  
4 used in section 5702 shall have the same meaning  
5 given such term by section 5702.

6 “(3) LIMITATION ON ADMINISTRATIVE COSTS.—  
7 Each State may use not more than 3 percent of the  
8 amount described in paragraph (2) for administra-  
9 tive expenses.”

10 (2) CONFORMING AMENDMENT.—The table of  
11 sections for such subchapter A is amended by add-  
12 ing at the end thereof the following new item:

“Sec. 9512. Trust Fund to Reduce Tobacco Use.”

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years ending after  
15 December 31, 1993.

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