

105TH CONGRESS  
1ST SESSION

# H. R. 1620

To amend the Internal Revenue Code of 1986 to repeal the special taxes on wholesale and retail dealers in liquor and beer, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 15, 1997

Mr. RADANOVICH (for himself, Mr. BUNNING, and Mr. ROHRABACHER) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to repeal the special taxes on wholesale and retail dealers in liquor and beer, 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 SPECIAL TAX ON RETAIL DEALERS**

4 **IN LIQUOR AND BEER, AND ON RECTIFIERS,**

5 **BREWERS, AND MANUFACTURERS OF STILLs.**

6 (a) IN GENERAL.—Part II of subchapter A of chap-  
7 ter 51 of the Internal Revenue Code of 1986 (relating to  
8 occupational tax) is amended by striking the following  
9 subparts:

---

1 (1) Subpart A (relating to rectifier).

2 (2) Subpart B (relating to brewer).

3 (3) Subpart C (relating to manufacturers of  
4 stills).

5 (4) Subpart D (relating to wholesale dealers).

6 (5) Subpart E (relating to retail dealers).

7 (b) CLERICAL AND CONFORMING AMENDMENTS.—

8 (1) The table of subparts for part II of sub-  
9 chapter A of chapter 51 of such Code is amended by  
10 striking items relating to subparts A, B, C, D, and  
11 E.

12 (2) Subchapter B of chapter 51 of such Code  
13 is amended by striking section 5182 (relating to  
14 cross references).

15 (3) The table of sections for subchapter B of  
16 chapter 51 of such Code is amended by striking the  
17 item relating to section 5182.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect on the date of the enactment  
20 of this Act.

21 **SEC. 2. PROHIBITION OF ASSESSMENT AND COLLECTION**  
22 **OF OUTSTANDING TAXES.**

23 Notwithstanding any other provision of law—

24 (1) no assessment of any tax imposed by sub-  
25 part A, B, C, D, or E of part II of subchapter A

1 of chapter 51 of the Internal Revenue Code of 1986  
2 may be made after the date of the enactment of this  
3 Act, and

4 (2) if such tax was assessed (but not collected)  
5 on or before such date, such assessment shall be  
6 abated.

7 **SEC. 3. SIMPLIFICATION OF TAX ON CERTAIN DISTILLED**  
8 **SPIRITS USED IN NONBEVERAGE PRODUCTS.**

9 (a) IN GENERAL.—Subpart F of part II of sub-  
10 chapter A of chapter 51 of the Internal Revenue Code of  
11 1986 (relating to nonbeverage domestic drawback claim-  
12 ants) is amended to read as follows:

“Subpart F—Special Rules for Nonbeverage Domestic Products

“Sec. 5131. Eligibility and rate of tax.

“Sec. 5132. Registration and regulation.

“Sec. 5133. Investigation.

“Sec. 5134. Penalty.

13 **“SEC. 5131. ELIGIBILITY AND RATE OF TAX.**

14 “(a) IN GENERAL.—In the case of distilled spirits on  
15 which a tax would be determined under this subchapter  
16 (other than this subpart) but for this section, used in the  
17 manufacture or production of medicines, medicinal prep-  
18 arations, food products, flavors, flavoring extracts, or per-  
19 fume, which are unfit for beverage purposes, in lieu of the  
20 tax so determined there is hereby imposed a tax at the  
21 rate of \$1 on each proof gallon of distilled spirits, or a  
22 proportionate tax at the like rate on all fractional parts

1 of a proof gallon of distilled spirits withdrawn for the man-  
2 ufacture of such nonbeverage products.

3 “(b) BOND OR OTHER SECURITY.—The Secretary  
4 may require persons eligible for the application of this sub-  
5 part to file with him a bond or other security in such  
6 amount such conditions as he shall by regulations pre-  
7 scribe.

8 “(c) ALLOWANCE OF SPECIAL TAX RATE EVEN  
9 WHERE CERTAIN REQUIREMENTS NOT MET.—Applica-  
10 tion of this shall not be denied in the case of a failure  
11 to comply with any requirement imposed under this sub-  
12 part, or any rule or regulation issued thereunder, upon  
13 the person manufacturing or producing the nonbeverage  
14 product set forth in subsection (a) that distilled spirits on  
15 which the tax has been paid or determined were in fact  
16 used in the manufacture or production of medicines, me-  
17 dicinal preparations, food products, flavors, flavoring ex-  
18 tracts, or perfume which were unfit for beverage purposes.

19 **“SEC. 5132. REGISTRATION AND REGULATION.**

20 “Every person subject to the application of this sub-  
21 part shall register annually with the Secretary; keep such  
22 books and records as may be necessary to establish the  
23 fact that distilled spirits received by him and on which  
24 the tax has been determined were used in the manufacture  
25 or production of medicines, medicinal preparations, food

1 products, flavors, flavoring extracts, or perfume which  
2 were unfit for beverage purposes and be subject to such  
3 rules and regulations in relations to such books and  
4 records as the Secretary shall prescribe to secure the  
5 Treasury against frauds.

6 **“SEC. 5133. INVESTIGATION.**

7       “For the purpose of ascertaining the correctness of  
8 the application of this subpart, the Secretary is authorized  
9 to examine any books, papers, records, or memoranda as  
10 may be necessary to establish the fact that distilled spirits  
11 received were used in the manufacture or production of  
12 medicines, medicinal preparations, food products, flavors,  
13 flavoring extracts, or perfume which were unfit for bev-  
14 erage purposes, to require the attendance of the person  
15 or of any officer or employee of such person or the attend-  
16 ance of any other person having knowledge in the prem-  
17 ises, to take testimony with reference to any matter cov-  
18 ered by the claim, and to administer oaths to any person  
19 giving such testimony.

20 **“SEC. 5134. PENALTY.**

21       “(a) IN GENERAL.—In the case of a failure to comply  
22 with any requirement imposed under this subpart or any  
23 rule or regulation issued thereunder, the taxpayer shall be  
24 liable for a penalty of \$1,000 for each failure to comply

1 unless it is shown that the failure to comply was due to  
2 reasonable cause.

3 “(b) PENALTY MAY NOT EXCEED AMOUNT OF TAX  
4 REDUCTION.—The aggregate amount of the penalties im-  
5 posed under subsection (a) for failures described in section  
6 5131(c) shall not exceed the difference between the  
7 amount of tax which would be determined under section  
8 5131 and the amount of tax which would be determined  
9 under this subchapter without regard to section 5131 (de-  
10 termined without regard to subsection (a)).

11 “(c) PENALTY TREATED AS TAX.—The penalty im-  
12 posed by subsection (b) shall be assessed, collected, and  
13 paid in the same manner as taxes, as provided in section  
14 6665(a).”

15 (b) CONFORMING AMENDMENTS.—

16 (1) Subparagraph (A) of section 5010(c)(2) is  
17 amended by striking “type for which” and all that  
18 follows and inserting the following: “type with re-  
19 spect to which section 5131 applies.”

20 (2) Subsections (a) and (b) of section 5142 of  
21 such Code are each amended by striking “(except  
22 the tax imposed by section 5131)”.

23 (3) Subsection (g) of section 7652 of such Code  
24 is amended to read as follows:

1       “(g) TREATMENT OF MEDICINAL ALCOHOL, ETC.—  
2 In the case of medicines, medicinal preparations, food  
3 products, flavors, flavoring extracts, or perfume which  
4 were unfit for beverage purposes and which are brought  
5 into the United States from Puerto Rico or the Virgin Is-  
6 lands—

7               “(1) subpart F of part II of subchapter A of  
8 chapter 51 shall be applied as if—

9                       “(A) the use and tax determined described  
10 in section 5131(a) had occurred in the United  
11 States by a United States person at the time  
12 the article is brought into the United States,  
13 and

14                       “(B) the rate of tax so determined were  
15 the rate applicable under subsection (f) of this  
16 section, and

17               “(2) no amount shall be covered into the treas-  
18 uries of Puerto Rico or the Virgin Islands.”

19               (4) The table of subparts for part II of sub-  
20 chapter A of chapter 51 of such Code is amended by  
21 striking the item relating to subpart F and inserting  
22 the following new item:

“Subpart F—Special rules for nonbeverage domestic products.”

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

○