

107TH CONGRESS
2^D SESSION

H. R. 4820

To amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for alcohol abuse prevention programs.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2002

Ms. NORTON introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for alcohol abuse prevention programs.

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 “Alcohol Tax Equali-
5 zation Act of 2002”.

1 **SEC. 2. INCREASE IN EXCISE TAXES ON WINE AND BEER TO**
2 **ALCOHOLIC EQUIVALENT OF TAXES ON DIS-**
3 **TILLED SPIRITS.**

4 (a) WINE.—

5 (1) WINES CONTAINING NOT MORE THAN 14
6 PERCENT ALCOHOL.—Paragraph (1) of section
7 5041(b) of the Internal Revenue Code of 1986 (re-
8 lating to rates of tax on wines) is amended by strik-
9 ing “\$1.07” and inserting “\$2.97”.

10 (2) WINES CONTAINING MORE THAN 14 (BUT
11 NOT MORE THAN 21) PERCENT ALCOHOL.—Para-
12 graph (2) of section 5041(b) of such Code is amend-
13 ed by striking “\$1.57” and inserting “\$4.86”.

14 (3) WINES CONTAINING MORE THAN 21 (BUT
15 NOT MORE THAN 24) PERCENT ALCOHOL.—Para-
16 graph (3) of section 5041(b) of such Code is amend-
17 ed by striking “\$3.15” and inserting “\$6.08”.

18 (b) BEER.—

19 (1) IN GENERAL.—Paragraph (1) of section
20 5051(a) of such Code (relating to imposition and
21 rate of tax on beer) is amended by striking “\$18”
22 and inserting “\$37.67”.

23 (2) SMALL BREWERS.—Subparagraph (A) of
24 section 5051(a)(2) of such Code (relating to reduced
25 rate for certain domestic production) is amended by

1 striking “\$7” each place it appears and inserting
2 “\$26.67”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on January 1, 2003.

5 (d) FLOOR STOCKS TAXES.—

6 (1) IMPOSITION OF TAX.—

7 (A) IN GENERAL.—In the case of any tax-
8 increased article—

9 (i) on which tax was determined
10 under part I of subchapter A of chapter 51
11 of the Internal Revenue Code of 1986 or
12 section 7652 of such Code before January
13 1, 2003, and

14 (ii) which is held on such date for sale
15 by any person,

16 there shall be imposed a tax at the applicable
17 rate on each such article.

18 (B) APPLICABLE RATE.—For purposes of
19 clause (i), the applicable rate is—

20 (i) \$1.90 per wine gallon in the case
21 of wine described in paragraph (1) of sec-
22 tion 5041(b) of such Code,

23 (ii) \$3.29 per wine gallon in the case
24 of wine described in paragraph (2) of sec-
25 tion 5041(b) of such Code,

1 (iii) \$2.93 per wine gallon in the case
2 of wine described in paragraph (3) of sec-
3 tion 5041(b) of such Code, and

4 (iv) \$19.67 per barrel in the case of
5 beer.

6 In the case of a fraction of a gallon or barrel,
7 the tax imposed by subparagraph (A) shall be
8 the same fraction of the amount of such tax im-
9 posed on a whole gallon or barrel.

10 (C) TAX-INCREASED ARTICLE.—For pur-
11 poses of this subsection, the term “tax-in-
12 creased article” means wine described in para-
13 graph (1), (2), or (3) of section 5041(b) of such
14 Code and beer.

15 (2) EXCEPTION FOR CERTAIN SMALL WHOLE-
16 SALE OR RETAIL DEALERS.—No tax shall be im-
17 posed by paragraph (1) on tax-increased articles
18 held on January 1, 2003, by any dealer if—

19 (A) the aggregate liquid volume of tax-in-
20 creased articles held by such dealer on such
21 date does not exceed 500 wine gallons, and

22 (B) such dealer submits to the Secretary
23 (at the time and in the manner required by the
24 Secretary) such information as the Secretary
25 shall require for purposes of this subparagraph.

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

3 (A) LIABILITY FOR TAX.—A person hold-
4 ing any tax-increased article on January 1,
5 2003, to which the tax imposed by paragraph
6 (1) applies shall be liable for such tax.

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

11 (C) TIME FOR PAYMENT.—The tax im-
12 posed by paragraph (1) shall be paid on or be-
13 fore June 30, 2003.

14 (4) CONTROLLED GROUPS.—

15 (A) CORPORATIONS.—In the case of a con-
16 trolled group of corporations, the 500 wine gal-
17 lon amount specified in paragraph (2) shall be
18 apportioned among the dealers who are compo-
19 nent members of such group in such manner as
20 the Secretary shall by regulations prescribe.
21 For purposes of the preceding sentence, the
22 term “controlled group of corporations” has the
23 meaning given to such term by subsection (a)
24 of section 1563 of such Code; except that for
25 such purposes the phrase “more than 50 per-

1 cent” shall be substituted for the phrase “at
2 least 80 percent” each place it appears in such
3 subsection.

4 (B) NONINCORPORATED DEALERS UNDER
5 COMMON CONTROL.—Under regulations pre-
6 scribed by the Secretary, principles similar to
7 the principles of subparagraph (A) shall apply
8 to a group of dealers under common control
9 where 1 or more of such dealers is not a cor-
10 poration.

11 (5) OTHER LAWS APPLICABLE.—

12 (A) IN GENERAL.—All provisions of law,
13 including penalties, applicable to the com-
14 parable excise tax with respect to any tax-in-
15 creased article shall, insofar as applicable and
16 not inconsistent with the provisions of this sec-
17 tion, apply to the floor stocks taxes imposed by
18 paragraph (1) to the same extent as if such
19 taxes were imposed by the comparable excise
20 tax.

21 (B) COMPARABLE EXCISE TAX.—For pur-
22 poses of subparagraph (A), the term “com-
23 parable excise tax” means—

24 (i) the tax imposed by section 5041 of
25 such Code in the case of wine, and

1 (ii) the tax imposed by section 5051
2 of such Code in the case of beer.

3 (6) DEFINITIONS.—For purposes of this
4 subsection—

5 (A) IN GENERAL.—Terms used in this
6 paragraph which are also used in subchapter A
7 of chapter 51 of such Code shall have the re-
8 spective meanings such terms have in such sub-
9 chapter.

10 (B) PERSON.—The term “person” includes
11 any State or political subdivision thereof, or any
12 agency or instrumentality of a State or political
13 subdivision thereof.

14 (C) SECRETARY.—The term “Secretary”
15 means the Secretary of the Treasury or his del-
16 egate.

17 **SEC. 3. INDEXATION OF TAX RATES APPLICABLE TO ALCO-**
18 **HOLIC BEVERAGES.**

19 (a) GENERAL RULE.—Subpart E of part I of sub-
20 chapter A of chapter 51 of the Internal Revenue Code of
21 1986 is amended by inserting before section 5061 the fol-
22 lowing new section:

1 **“SEC. 5060. INDEXATION OF RATES.**

2 “(a) GENERAL RULE.—Effective during each cal-
3 endar year after 2003, each tax rate set forth in sub-
4 section (b) shall be increased by an amount equal to—

5 “(1) such rate as in effect without regard to
6 this section, multiplied by

7 “(2) the cost-of-living adjustment for such cal-
8 endar year determined under section 1(f)(3) by sub-
9 stituting ‘calendar year 2002’ for ‘calendar year
10 1992’ in subparagraph (B) thereof.

11 Any increase determined under the preceding sentence
12 shall be rounded to the nearest multiple of 1 cent.

13 “(b) TAX RATES.—The tax rates set forth in this
14 subsection are the rates contained in the following provi-
15 sions:

16 “(1) Paragraph (1) of section 5001(a).

17 “(2) Paragraphs (1), (2), (3), (4), and (5) of
18 section 5041(b).

19 “(3) Paragraphs (1) and (2)(A) of section
20 5051(a).”

21 (b) TECHNICAL AMENDMENT.—Paragraphs (1)(A)
22 and (2) of section 5010(a) are each amended by striking
23 “\$13.50” and inserting “the rate in effect under section
24 5001(a)(1)”.

25 (c) CLERICAL AMENDMENT.—The table of sections
26 for subpart E of part I of subchapter A of chapter 51

1 of such Code is amended by inserting before the item re-
2 lating to section 5061 the following new item:

“Sec. 5060. Indexation of rates.”

3 **SEC. 4. SUBSTANCE ABUSE PREVENTION TRUST FUND.**

4 (a) GENERAL RULE.—Subchapter A of chapter 98 of
5 the Internal Revenue Code of 1986 (relating to establish-
6 ment of trust funds) is amended by adding at the end the
7 following new section:

8 **“SEC. 9511. SUBSTANCE ABUSE PREVENTION TRUST FUND.**

9 “(a) CREATION OF TRUST FUND.—There is estab-
10 lished in the Treasury of the United States a trust fund
11 to be known as the ‘Substance Abuse Prevention Trust
12 Fund’, consisting of such amounts as may be appropriated
13 or credited to such Trust Fund as provided in this section
14 or section 9602(b).

15 “(b) TRANSFERS TO TRUST FUND.—There are here-
16 by appropriated to the Substance Abuse Prevention Trust
17 Fund amounts equivalent to the additional taxes received
18 in the Treasury under chapter 51 by reason of the amend-
19 ments made by sections 2 and 3 of the Alcohol Tax
20 Equalization Act of 2002 and the additional taxes received
21 in the Treasury by reason of section 2(d) of such Act.

22 “(c) EXPENDITURES FROM TRUST FUND.—Amounts
23 in the Substance Abuse Prevention Trust Fund shall be
24 available, as provided in appropriation Acts, for appropria-
25 tion to—

1 “(1) the Substance Abuse and Mental Health
2 Services Administration, and

3 “(2) the National Highway Traffic Safety Ad-
4 ministration,
5 for alcohol abuse prevention programs.”

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for subchapter A of chapter 98 is amended by adding at
8 the end the following new item:

 “Sec. 9511. Substance abuse prevention trust fund.”

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