

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

# H. R. 892

To amend the Internal Revenue Code of 1986 to increase to 32 cents per pack the Federal excise tax on cigarettes and to provide that the revenues from the additional tax shall be deposited in the Federal Hospital Insurance Trust Fund under the Social Security Act.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 1991

Mr. JACOBS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to increase to 32 cents per pack the Federal excise tax on cigarettes and to provide that the revenues from the additional tax shall be deposited in the Federal Hospital Insurance Trust Fund under the Social Security Act.

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. INCREASE IN FEDERAL EXCISE TAX ON ALL  
4 CIGARETTES.

5 (a) IN GENERAL.—Subsection (b) of section 5701 of the  
6 Internal Revenue Code of 1986 (relating to imposition of tax  
7 on cigarettes) is amended—

1 (1) by striking "\$12 per thousand (\$10 per thou-  
2 sand on cigarettes removed during 1991 or 1992)" in  
3 paragraph (1) and inserting "\$16 per thousand", and

4 (2) by striking "\$25.20 per thousand (\$21 per  
5 thousand on cigarettes removed during 1991 or 1992)"  
6 in paragraph (2) and inserting "\$33.60".

7 (b) FLOOR STOCKS.—

8 (1) IMPOSITION OF TAX.—On cigarettes manu-  
9 factured in or imported into the United States which  
10 are removed before October 1, 1991, and held on such  
11 date for sale by any person, there shall be imposed the  
12 following taxes:

13 (A) SMALL CIGARETTES.—On cigarettes,  
14 weighing not more than 3 pounds per thousand,  
15 \$6 per thousand; and

16 (B) LARGE CIGARETTES.—On cigarettes,  
17 weighing more than 3 pounds per thousand,  
18 \$12.60 per thousand; except that, if more than  
19 6½ inches in length, they shall be taxable at the  
20 rate prescribed for cigarettes weighing not more  
21 than 3 pounds per thousand, counting each 2¾  
22 inches, or fraction thereof, of the length of each  
23 as one cigarette.

24 (2) EXCEPTION FOR CERTAIN AMOUNTS OF  
25 CIGARETTES.—

1 (A) IN GENERAL.—No tax shall be imposed  
2 by paragraph (1) on cigarettes held on any tax-  
3 increase date by any person if—

4 (i) the aggregate number of cigarettes  
5 held by such person on such date does not  
6 exceed 30,000, and

7 (ii) such person submits to the Secretary  
8 (at the time and in the manner required by  
9 the Secretary) such information as the Secre-  
10 tary shall require for purposes of this sub-  
11 paragraph.

12 For purposes of this subparagraph, in the case of  
13 cigarettes measuring more than  $6\frac{1}{2}$  inches in  
14 length, each  $2\frac{3}{4}$  inches (or fraction thereof) of the  
15 length of each shall be counted as one cigarette.

16 (B) AUTHORITY TO EXEMPT CIGARETTES  
17 HELD IN VENDING MACHINES.—To the extent  
18 provided in regulations prescribed by the Secre-  
19 tary, no tax shall be imposed by paragraph (1) on  
20 cigarettes held for retail sale on any tax-increase  
21 date by any person in any vending machine. If the  
22 Secretary so provides with respect to any person,  
23 the Secretary may reduce the 30,000 amount in  
24 subparagraph (A) and the \$60 amount in para-  
25 graph (3) with respect to such person.

1           (3) CREDIT AGAINST TAX.—Each person shall be  
2 allowed as a credit against the taxes imposed by para-  
3 graph (1) an amount equal to \$60. Such credit shall  
4 not exceed the amount of taxes imposed by paragraph  
5 (1) for which such person is liable.

6           (4) LIABILITY FOR TAX AND METHOD OF PAY-  
7 MENT.—

8           (A) LIABILITY FOR TAX.—A person holding  
9 cigarettes on October 1, 1991, to which any tax  
10 imposed by paragraph (1) applies shall be liable  
11 for such tax.

12           (B) METHOD OF PAYMENT.—The tax im-  
13 posed by paragraph (1) shall be paid in such  
14 manner as the Secretary shall prescribe by regula-  
15 tions.

16           (C) TIME FOR PAYMENT.—The tax imposed  
17 by paragraph (1) shall be paid on or before March  
18 31, 1991.

19           (5) DEFINITIONS.—For purposes of this subsec-  
20 tion—

21           (A) CIGARETTE.—The term “cigarette”  
22 shall have the meaning given to such term by  
23 subsection (b) of section 5702 of the Internal Rev-  
24 enue Code of 1986.

1 (B) SECRETARY.—The term “Secretary”  
2 means the Secretary of the Treasury or his dele-  
3 gate.

4 (6) CONTROLLED GROUPS.—Rules similar to the  
5 rules of section 5061(e)(3) of such Code shall apply for  
6 purposes of this subsection.

7 (7) OTHER LAWS APPLICABLE.—All provisions of  
8 law, including penalties, applicable with respect to the  
9 taxes imposed by section 5701 of such Code shall, in-  
10 sofar as applicable and not inconsistent with the provi-  
11 sions of this subsection, apply to the floor stocks taxes  
12 imposed by paragraph (1), to the same extent as if  
13 such taxes were imposed by such section 5701.

14 (c) CONFORMING AMENDMENT.—Subparagraph (A) of  
15 section 11202(i)(5) of the Revenue Reconciliation Act of  
16 1990 is amended by striking “, and January 1, 1993”.

17 (d) EFFECTIVE DATE.—The amendments made by sub-  
18 sections (a) and (c) shall apply to cigarettes removed after  
19 September 30, 1991.

20 **SEC. 2. TRANSFER OF ADDITIONAL REVENUES TO FEDERAL**  
21 **HOSPITAL INSURANCE TRUST FUND.**

22 (a) IN GENERAL.—There are hereby appropriated for  
23 deposit into the Federal Hospital Insurance Trust Fund es-  
24 tablished under section 1817(a) of the Social Security Act

1 amounts determined by the Secretary of the Treasury or his  
2 delegate to be equivalent to—

3           (1) the excess of the amount of the taxes received  
4           in the Treasury under section 5701(b) of the Internal  
5           Revenue Code of 1986 over the amount which would  
6           be so received if section 1 of this Act had not been en-  
7           acted, reduced by

8           (2) the amount of credits or payments allowable  
9           under such Code which are properly chargeable against  
10          the amount of such excess.

11          (b) METHOD OF TRANSFER.—The amounts appropri-  
12          ated by subsection (a) shall be transferred at least monthly  
13          from the general fund of the Treasury on the basis of esti-  
14          mates made by the Secretary of the Treasury or his delegate  
15          of the amounts referred to in subsection (a) received in the  
16          Treasury. Proper adjustments shall be made in the amounts  
17          subsequently transferred to the extent prior estimates were in  
18          excess of or less than the amounts required to be transferred.

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