

110TH CONGRESS  
1ST SESSION

# S. 1799

To amend the Internal Revenue Code of 1986 to apply rate parity to the excise tax on small cigars and small cigarettes, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JULY 17, 2007

Mrs. LINCOLN 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 apply rate parity to the excise tax on small cigars and small cigarettes, 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. RATE PARITY FOR SMALL CIGARS AND SMALL**  
4 **CIGARETTES.**

5 (a) IN GENERAL.—Section 5701(a)(1) of the Internal  
6 Revenue Code of 1986 is amended by striking “\$1.828  
7 cents per thousand” and all that follows and inserting  
8 “\$19.50 per thousand.”

9 (b) FLOOR STOCKS TAXES.—

1           (1) IMPOSITION OF TAX.—On small cigars  
2           (within the meaning of section 5701(a)(1) of the In-  
3           ternal Revenue Code of 1986) manufactured in or  
4           imported into the United States which are removed  
5           before the date of the enactment of this Act and  
6           held on such date for sale by any person, there is  
7           hereby imposed a tax in an amount equal to the ex-  
8           cess of—

9                   (A) the tax which would be imposed under  
10                  section 5701 of the Internal Revenue Code of  
11                  1986 on the article if the article had been re-  
12                  moved on such date, over

13                  (B) the prior tax (if any) imposed under  
14                  section 5701 of such Code on such article.

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

17                   (A) LIABILITY FOR TAX.—A person hold-  
18                  ing small cigars on the date of the enactment  
19                  of this Act to which any tax imposed by para-  
20                  graph (1) applies shall be liable for such tax.

21                   (B) METHOD OF PAYMENT.—The tax im-  
22                  posed by paragraph (1) shall be paid in such  
23                  manner as the Secretary of the Treasury shall  
24                  prescribe by regulations.

1           (C) TIME FOR PAYMENT.—The tax im-  
2           posed by paragraph (1) shall be paid on or be-  
3           fore the date which 90 days after such date of  
4           enactment.

5           (3) ARTICLES IN FOREIGN TRADE ZONES.—  
6           Notwithstanding the Act of June 18, 1934 (com-  
7           monly known as the Foreign Trade Zone Act, 48  
8           Stat. 998, 19 U.S.C. 81a et seq.) or any other provi-  
9           sion of law, any article which is located in a foreign  
10          trade zone on the date of the enactment of this Act,  
11          shall be subject to the tax imposed by paragraph (1)  
12          if—

13                 (A) internal revenue taxes have been deter-  
14                 mined, or customs duties liquidated, with re-  
15                 spect to such article before such date pursuant  
16                 to a request made under the 1st proviso of sec-  
17                 tion 3(a) of such Act, or

18                 (B) such article is held on such date under  
19                 the supervision of an officer of the United  
20                 States Customs and Border Protection of the  
21                 Department of Homeland Security pursuant to  
22                 the 2d proviso of such section 3(a).

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

1           (5) OTHER LAWS APPLICABLE.—All provisions  
2 of law, including penalties, applicable with respect to  
3 the taxes imposed by section 5701 of such Code  
4 shall, insofar as applicable and not inconsistent with  
5 the provisions of this subsection, apply to the floor  
6 stocks taxes imposed by paragraph (1), to the same  
7 extent as if such taxes were imposed by such section  
8 5701. The Secretary of the Treasury may treat any  
9 person who bore the ultimate burden of the tax im-  
10 posed by paragraph (1) as the person to whom a  
11 credit or refund under such provisions may be al-  
12 lowed or made.

13       (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to articles removed (as defined in  
15 section 5702(j) of the Internal Revenue Code of 1986) on  
16 and after the date of the enactment of this Act.

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