

Statutory Authority: Public Law 111-3 Section 701. Copy of final enrolled bill downloaded from Thomas.loc.gov on 2/6/09

TITLE VII--REVENUE PROVISIONS

SEC. 701. INCREASE IN EXCISE TAX RATE ON TOBACCO PRODUCTS.

- (a) Cigars- Section 5701(a) of the Internal Revenue Code of 1986 is amended--
- (1) by striking '\$1.828 cents per thousand (\$1.594 cents per thousand on cigars removed during 2000 or 2001)' in paragraph (1) and inserting '\$50.33 per thousand',
 - (2) by striking '20.719 percent (18.063 percent on cigars removed during 2000 or 2001)' in paragraph (2) and inserting '52.75 percent', and
 - (3) by striking '\$48.75 per thousand (\$42.50 per thousand on cigars removed during 2000 or 2001)' in paragraph (2) and inserting '40.26 cents per cigar'.
- (b) Cigarettes- Section 5701(b) of such Code is amended--
- (1) by striking '\$19.50 per thousand (\$17 per thousand on cigarettes removed during 2000 or 2001)' in paragraph (1) and inserting '\$50.33 per thousand', and
 - (2) by striking '\$40.95 per thousand (\$35.70 per thousand on cigarettes removed during 2000 or 2001)' in paragraph (2) and inserting '\$105.69 per thousand'.
- (c) Cigarette Papers- Section 5701(c) of such Code is amended by striking '1.22 cents (1.06 cents on cigarette papers removed during 2000 or 2001)' and inserting '3.15 cents'.
- (d) Cigarette Tubes- Section 5701(d) of such Code is amended by striking '2.44 cents (2.13 cents on cigarette tubes removed during 2000 or 2001)' and inserting '6.30 cents'.
- (e) Smokeless Tobacco- Section 5701(e) of such Code is amended--
- (1) by striking '58.5 cents (51 cents on snuff removed during 2000 or 2001)' in paragraph (1) and inserting '\$1.51', and
 - (2) by striking '19.5 cents (17 cents on chewing tobacco removed during 2000 or 2001)' in paragraph (2) and inserting '50.33 cents'.
- (f) Pipe Tobacco- Section 5701(f) of such Code is amended by striking '\$1.0969 cents (95.67 cents on pipe tobacco removed during 2000 or 2001)' and inserting '\$2.8311 cents'.
- (g) Roll-Your-Own Tobacco- Section 5701(g) of such Code is amended by striking '\$1.0969 cents (95.67 cents on roll-your-own tobacco removed during 2000 or 2001)' and inserting '\$24.78'.
- (h) Floor Stocks Taxes-
- (1) IMPOSITION OF TAX- On tobacco products (other than cigars described in section 5701(a)(2) of the Internal Revenue Code of 1986) and cigarette papers and tubes manufactured in or imported into the United States which are removed before April 1, 2009, and held on such date for sale by any person, there is hereby imposed a tax in an amount equal to the excess of--
 - (A) the tax which would be imposed under section 5701 of such Code on the article if the article had been removed on such date, over
 - (B) the prior tax (if any) imposed under section 5701 of such Code on such article.

(2) CREDIT AGAINST TAX- Each person shall be allowed as a credit against the taxes imposed by paragraph (1) an amount equal to \$500. Such credit shall not exceed the amount of taxes imposed by paragraph (1) on April 1, 2009, for which such person is liable.

(3) LIABILITY FOR TAX AND METHOD OF PAYMENT-

(A) LIABILITY FOR TAX- A person holding tobacco products, cigarette papers, or cigarette tubes on April 1, 2009, to which any tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT- The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

(C) TIME FOR PAYMENT- The tax imposed by paragraph (1) shall be paid on or before August 1, 2009.

(4) ARTICLES IN FOREIGN TRADE ZONES- Notwithstanding the Act of June 18, 1934 (commonly known as the Foreign Trade Zone Act, 48 Stat. 998, 19 U.S.C. 81a et seq.) or any other provision of law, any article which is located in a foreign trade zone on April 1, 2009, shall be subject to the tax imposed by paragraph (1) if--

(A) internal revenue taxes have been determined, or customs duties liquidated, with respect to such article before such date pursuant to a request made under the 1st proviso of section 3(a) of such Act, or

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

(5) DEFINITIONS- For purposes of this subsection--

(A) IN GENERAL- Any term used in this subsection which is also used in section 5702 of the Internal Revenue Code of 1986 shall have the same meaning as such term has in such section.

(B) SECRETARY- The term 'Secretary' means the Secretary of the Treasury or the Secretary's delegate.

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

(7) OTHER LAWS APPLICABLE- All provisions of law, including penalties, applicable with respect to the taxes imposed by section 5701 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such section 5701. The Secretary may treat any person who bore the ultimate burden of the tax imposed by paragraph (1) as the person to whom a credit or refund under such provisions may be allowed or made.

(i) Effective Date- The amendments made by this section shall apply to articles removed (as defined in section 5702(j) of the Internal Revenue Code of 1986) after March 31, 2009.