

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4376

To amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for mental health and substance abuse benefits under health care reform legislation.

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IN THE HOUSE OF REPRESENTATIVES

MAY 10, 1994

Ms. NORTON introduced the following bill; which was referred jointly to the Committees on Ways and Means and Energy and Commerce

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for mental health and substance abuse benefits under health care reform legislation.

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”.

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, 1995.

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, 1995, 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 as the amount of such tax  
9 imposed 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 subparagraph (A) on tax-increased articles  
18 held on January 1, 1995, 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           1995, 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, 1995.

14          (4) CONTROLLED GROUPS.—

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

1 phrase “at least 80 percent” each place it ap-  
2 pears in such subsection.

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

10 (5) OTHER LAWS APPLICABLE.—

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

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

23 (i) the tax imposed by section 5041 of  
24 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 sub-  
4 section—

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  
9 part.

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 1995, 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 1994’ 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) Paragraphs (1) and (3) of section 5001(a).

17 “(2) Paragraphs (1), (2), (3), (4), and (5) of  
18 section 4041(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. MENTAL HEALTH AND SUBSTANCE ABUSE BENE-**  
4 **FITS TRUST FUND.**

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

9 **“SEC. 9512. MENTAL HEALTH AND SUBSTANCE ABUSE BEN-**  
10 **EFITS TRUST FUND.**

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

17 “(b) TRANSFERS TO TRUST FUND.—There are here-  
18 by appropriated to the Mental Health and Substance  
19 Abuse Benefits Trust Fund amounts equivalent to the ad-  
20 ditional taxes received in the Treasury under chapter 51  
21 by reason of the amendments made by sections 2 and 3  
22 of the Alcohol Tax Equalization Act.

23 “(c) EXPENDITURES FROM TRUST FUND.—Amounts  
24 in the Mental Health and Substance Abuse Benefits Trust  
25 Fund shall be available, as provided in appropriation Acts,

1 for purposes of providing mental health and substance  
2 abuse benefits under health care reform legislation here-  
3 after enacted.”

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

“Sec. 9512. Mental health and substance abuse benefits trust  
fund.”

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