



WAYS AND MEANS

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H.R. 4742 – Protecting American Lungs Act of 2019

Current Law

- Current law imposes a variety of excise taxes on manufacturers and importers of tobacco products, including cigarettes, cigars, smokeless tobacco, and pipe tobacco. The paper and tubing used to manufacture these products are also subject to excise tax.
 - The excise tax on small cigarettes and small cigars is \$50.33 per thousand.
 - In addition, manufacturers, importers, and export warehouse manufacturers pay an annual occupational tax and are subject to certain recordkeeping and packaging requirements, as well as civil and criminal penalties for willful failure to pay the excise taxes.
- Currently, no federal excise tax is imposed on the manufacture or sale of vapor products that contain nicotine or other substances.
- Twenty states and Washington D.C. currently tax vaping products, with varying methods, including ad valorem taxes and volume-based taxes.

Proposal

- The bill would impose an excise tax on taxable nicotine of \$50.33 per 1,810 milligrams of taxable nicotine.
 - Under the bill, taxable nicotine means any nicotine that has been extracted, concentrated, or synthesized.
 - Taxable nicotine does not include (i) FDA-approved nicotine replacement therapies and (ii) other tobacco products solely because the nicotine naturally occurring in tobacco is concentrated during ordinary course of the manufacturing process.
- The bill would treat taxable nicotine as tobacco products for purposes of the Code, including for packing requirements, applicable civil and criminal penalties. and the annual occupational tax.