

Legislation

Extension of Cover Over Rate for Distilled Spirits Brought into the U.S. from Puerto Rico and the Virgin Islands

The Federal Government imposes an excise tax of \$13.50 per proof gallon on distilled spirits made or brought into the United States. The Internal Revenue Code, at 26 U.S.C. 7652, provides that all excise taxes collected on distilled spirits, including rum, produced in Puerto Rico or the Virgin Islands and shipped to the United States shall be "covered over" (returned) to the treasuries of Puerto Rico and the Virgin Islands, less the estimated amount needed for refunds, drawbacks, and administrative costs. The Bureau of Alcohol, Tobacco and Firearms (ATF) is responsible for collecting these taxes and determining the monthly amounts to be covered over to the two insular governments.

The distilled spirits excise tax cover over rate for Puerto Rico and the Virgin Islands was \$13.25 per proof gallon from July 1, 1999 to January 1, 2002, at which time the cover over rate returned to \$10.50 per proof gallon. On March 9, 2002, the President signed

Public Law 107-147 (H.R. 3090), the Job Creation and Worker Assistance Act of 2002. Section 609 of this law extended the \$13.25 cover over rate for distilled spirits brought into the United States from Puerto Rico or the Virgin Islands from January 1, 2002, to January 1, 2004.

The relevant portion of the law is shown below:

Public Law 107-147

Job Creation and Worker Assistance Act of 2002 (H.R. 3090)

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§ 609. Cover Over Of Tax On Distilled Spirits.

(a) *In Genera l-* Paragraph (1) of section 7652(f) is amended by striking 'January 1, 2002' and inserting 'January 1, 2004'.

(b) *Effective Date* -- The amendment made by subsection (a) shall apply to articles brought into the United States after December 31, 2001.

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