

112TH CONGRESS
1ST SESSION

H. R. 1883

To amend the Internal Revenue Code of 1986 to regulate the subsidies paid to rum producers in Puerto Rico and the Virgin Islands, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2011

Mr. PIERLUISI (for himself, Mr. ISSA, Mr. SERRANO, Ms. ROS-LEHTINEN, Mr. GRIMM, Mr. JONES, Mr. BURTON of Indiana, and Mr. YOUNG of Alaska) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to regulate the subsidies paid to rum producers in Puerto Rico and the Virgin Islands, 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. SHORT TITLE.**

4 This Act may be cited as the “Investing in U.S. Ter-
5 ritories, Not Corporations Act of 2011”.

1 **SEC. 2. LIMITATION ON GOVERNMENT ASSISTANCE TO RUM**
2 **PRODUCERS.**

3 Subsection (e) of section 7652 of the Internal Rev-
4 enue Code of 1986 (relating to shipments of rum to the
5 United States) is amended by redesignating paragraphs
6 (3) and (4) as paragraphs (4) and (5), respectively, and
7 by inserting after paragraph (2) the following new para-
8 graph:

9 “(3) LIMITATION ON GOVERNMENT ASSISTANCE
10 TO RUM PRODUCERS.—

11 “(A) IN GENERAL.—If the amount of di-
12 rect and indirect government assistance paid or
13 incurred by any covered government during any
14 calendar year to persons producing rum within
15 the jurisdiction of such government exceeds the
16 limitation under subparagraph (B), the amount
17 which would (but for this paragraph) be covered
18 into the treasury of such government under this
19 subsection shall be reduced for each of the 2
20 succeeding calendar years by the amount of
21 such excess.

22 “(B) LIMITATION.—The limitation under
23 this subparagraph is the amount equal to 15
24 percent of the amount which would (but for this
25 paragraph) be covered into the treasury of such

1 government under this section for the calendar
2 year.

3 “(C) SEPARATE APPLICATION TO EACH
4 PRODUCER.—The provisions of subparagraphs
5 (A) and (B) shall also be applied separately to
6 each rum producer, taking into account only the
7 assistance paid or incurred by any covered gov-
8 ernment to such producer and only such pro-
9 ducer’s production to which subsection (a)(3) or
10 (b)(3) applies, whichever is applicable.

11 “(D) GOVERNMENT ASSISTANCE.—For
12 purposes of this paragraph—

13 “(i) DIRECT GOVERNMENT ASSIST-
14 ANCE.—The term ‘direct government as-
15 sistance’ includes any transfer of funds,
16 grant, subsidy (other than any generally
17 available tax subsidy), loan, equity invest-
18 ment, loan guarantee, production or mar-
19 keting incentive, income or price support,
20 provision of goods or services (other than
21 generally available infrastructure and pub-
22 lic services), and such other assistance pro-
23 vided by a covered government as the Sec-
24 retary identifies as consistent with the pur-
25 poses of this paragraph.

1 “(ii) INDIRECT GOVERNMENT ASSIST-
2 ANCE.—The term ‘indirect government as-
3 sistance’ includes any amounts expended
4 by a covered government—

5 “(I) to promote, market, or oth-
6 erwise support the rum industry with-
7 in the jurisdiction of such govern-
8 ment,

9 “(II) to pay principal and inter-
10 est on, and expenses related to, in-
11 debtedness incurred, the proceeds of
12 which are used to provide rum sub-
13 sidies, or

14 “(III) for any other purpose
15 identified by the Secretary as con-
16 sistent with the purposes of this para-
17 graph.

18 “(iii) CERTAIN DEBT-FINANCED PAY-
19 MENTS EXCLUDED.—The terms ‘direct
20 government assistance’ and ‘indirect gov-
21 ernment assistance’ shall not include any
22 payment made by a covered government to
23 a rum producer out of funds raised
24 through a loan (including the issuance of a
25 debt instrument), but shall include any

1 payment of principal and interest on the
2 loan (or debt instrument).

3 “(E) ANNUAL REPORTS.—Each covered
4 government shall, for each calendar year, sub-
5 mit a report to the Secretary detailing the
6 amount and type of direct and indirect govern-
7 ment assistance provided by such government
8 to each rum producer during such calendar year
9 and to rum producers in the aggregate during
10 such year. Such report shall be submitted at
11 such time, and in such form, as is prescribed by
12 the Secretary.

13 “(F) COVERED GOVERNMENT.—For pur-
14 poses of this paragraph, the term ‘covered gov-
15 ernment’ means the government of Puerto Rico
16 and the government of the Virgin Islands.”.

17 **SEC. 3. MAXIMUM AND MINIMUM ALLOCATIONS OF RUM**
18 **EXCISE TAXES BETWEEN PUERTO RICO AND**
19 **THE VIRGIN ISLANDS.**

20 Section 7652 of the Internal Revenue Code of 1986
21 is amended by inserting after subsection (h) the following
22 new subsection:

23 “(i) LIMITATIONS ON ALLOCATION OF RUM EXCISE
24 TAXES BETWEEN PUERTO RICO AND THE VIRGIN IS-
25 LANDS.—

1 “(1) IN GENERAL.—Notwithstanding sub-
2 sections (a), (b), and (e), if, without regard to this
3 subsection and subsection (e)(3), the Secretary de-
4 termines that the respective shares of Puerto Rico
5 and the Virgin Islands of the aggregate amount to
6 be covered into their treasuries under this section
7 for any calendar year are not within the parameters
8 of paragraph (2), the Secretary shall increase or de-
9 crease such shares to the extent necessary to bring
10 them within such parameters.

11 “(2) PARAMETERS.—The parameters of this
12 paragraph are that—

13 “(A) Puerto Rico’s share shall be at least
14 65 percent but not more than 70 percent of
15 such aggregate amount, and

16 “(B) the Virgin Islands’s share shall be at
17 least 30 percent but not more than 35 percent
18 of such aggregate amount.

19 “(3) APPLICATION WITH SUBSECTION (e)(3).—
20 This subsection shall be applied before subsection
21 (e)(3).”.

1 **SEC. 4. DENIAL OF COVER OVER FOR RUM REDISTILLED**
2 **INTO CANE NEUTRAL SPIRITS.**

3 Section 7652 of the Internal Revenue Code of 1986
4 is amended by inserting after subsection (i) the following
5 new subsection:

6 “(j) DENIAL OF COVER OVER FOR RUM REDIS-
7 TILLED INTO CANE NEUTRAL SPIRITS.—No amount shall
8 be covered over under subsection (a) or (b) with respect
9 to rum which is redistilled into cane neutral spirits after
10 being brought into the United States. The Secretary shall
11 prescribe such information reporting as the Secretary de-
12 termines necessary to carry out the preceding sentence.”.

13 **SEC. 5. EFFECTIVE DATE.**

14 (a) IN GENERAL.—Except as provided in subsection
15 (b), the amendments made by this section shall apply to
16 calendar years after 2011.

17 (b) DENIAL OF COVER OVER FOR RUM REDISTILLED
18 INTO CANE NEUTRAL SPIRITS.—The amendment made
19 by section 4 shall apply to rum brought into the United
20 States after the date of the enactment of this Act.

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