

Subsecs. (b) to (d). Pub. L. 85-859 redesignated subsecs. (c), (d), and (f) as (b), (c), and (d), respectively. Former subsecs. (b), (c), and (d) redesignated (e), (b), and (c), respectively.

Subsec. (e). Pub. L. 85-859 consolidated the definitions “manufacturer of tobacco” and “manufacturer of cigars and cigarettes”, inserted the phrase “for removal, or merely removes”, excluded from the definition a proprietor of a customs bonded manufacturing warehouse with respect to the operation of the warehouse, and required bona fide associations of farmers or growers to maintain records of leaf tobacco.

Subsec. (f). Pub. L. 85-859 redesignated subsec. (g) as (f) and former subsec. (f) as (d).

Subsec. (g). Pub. L. 85-859 added subsec. (g) and redesignated former subsec. (g) as (f).

Subsec. (i). Pub. L. 85-859 substituted “into books or sets containing more than 25 papers each, or into tubes” for “into packages, books, sets, or tubes”.

Subsec. (j). Pub. L. 85-859 substituted provisions defining “export warehouse” for provisions which defined “article” as manufactured tobacco, cigars, cigarettes, and cigarette papers and tubes.

Subsec. (k). Pub. L. 85-859 added subsec. (k) and redesignated former subsec. (k) as (l).

Subsec. (l). Pub. L. 85-859 redesignated former subsec. (k) as (l) and substituted “other than manufactured tobacco, cigars, and cigarettes” for “in process, leaf tobacco, and tobacco scraps, cuttings, clippings, siftings, dust, stems, and waste”. Former subsec. (l) redesignated (m).

Subsec. (m). Pub. L. 85-859 redesignated former subsec. (l) as (m) and included within the definition persons who receive tobacco materials, other than stems and waste, for use in the production of fertilizer, insecticide, or nicotine, required associations of farmers or growers of tobacco to maintain records of all leaf tobacco acquired or received and sold or otherwise disposed of, and excluded from the definition persons who buy leaf tobacco without taking physical possession of the tobacco and qualified manufacturers of tobacco products. Former subsec. (m) redesignated (n).

Subsec. (n). Pub. L. 85-859 redesignated former subsec. (m) as (n) and substituted “tobacco products or cigarette papers or tubes” for “articles”. Former subsec. (n) redesignated (o).

Subsec. (o). Pub. L. 85-859 redesignated former subsec. (n) as (o) and substituted “tobacco products or cigarette papers or tubes” for “articles” in two places, and inserted provisions to include within the definition persons who remove cigars or cigarettes for sale or consumption in the United States from a customs bonded manufacturing warehouse.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 2012 AMENDMENT

Pub. L. 112-141, div. F, title I, §100122(b), July 6, 2012, 126 Stat. 915, provided that: “The amendment made by this section [amending this section] shall apply to articles removed after the date of the enactment of this Act [July 6, 2012].”

##### EFFECTIVE DATE OF 2009 AMENDMENT

Except as otherwise provided, amendment by Pub. L. 111-3 effective Apr. 1, 2009, see section 3 of Pub. L. 111-3, set out as an Effective Date note under section 1396 of Title 42, The Public Health and Welfare.

Pub. L. 111-3, title VII, §702(a)(6), Feb. 4, 2009, 123 Stat. 109, provided that: “The amendments made by this subsection [amending this section and sections 5712, 5713, 5721, 5722, 5723, and 5741 of this title] shall take effect on April 1, 2009.”

Pub. L. 111-3, title VII, §702(d)(2), Feb. 4, 2009, 123 Stat. 110, provided that: “The amendment made by this subsection [amending this section] shall apply to articles removed (as defined in section 5702(j) of the Internal Revenue Code of 1986) after March 31, 2009.”

##### EFFECTIVE DATE OF 2000 AMENDMENT

Pub. L. 106-554, §1(a)(7) [title III, §315(b)], Dec. 21, 2000, 114 Stat. 2763, 2763A-644, provided that: “The

amendments made by this section [amending this section, section 5761 of this title, and provisions set out as a note under section 5701 of this title] shall take effect as if included in section 9302 of the Balanced Budget Act of 1997 [Pub. L. 105-33].”

##### EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-33 applicable to articles removed, as defined in subsec. (k) of this section, after Dec. 31, 1999, with transition rule, see section 9302(i) of Pub. L. 105-33, set out as a note under section 5701 of this title.

##### EFFECTIVE DATE OF 1990 AMENDMENT

Amendment by Pub. L. 101-508 applicable with respect to articles removed after Dec. 31, 1990, see section 11202(h) of Pub. L. 101-508, set out as a note under section 5701 of this title.

##### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 applicable to pipe tobacco removed, within the meaning of subsec. (k) of this section, after Dec. 31, 1988, with transition rule, see section 5061(d) of Pub. L. 100-647, set out as a note under section 5701 of this title.

##### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-272 applicable to smokeless tobacco removed after June 30, 1986, see section 13202(c) of Pub. L. 99-272, set out as a note under section 5701 of this title.

##### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 2128(b) of Pub. L. 94-455 effective on first month which begins more than 90 days after Oct. 4, 1976, see section 2128(e) of Pub. L. 94-455, set out as a note under section 5701 of this title.

##### EFFECTIVE DATE OF 1965 AMENDMENT

Amendment by section 502(b)(3) of Pub. L. 89-44 applicable on and after Jan. 1, 1966, see section 701(d) of Pub. L. 89-44, set out as a note under section 5701 of this title.

Pub. L. 89-44, title VIII, §808(d)(1), June 21, 1965, 79 Stat. 165, provided that: “The amendments made by subsections (a) and (b)(3) [amending this section and section 7652 of this title] shall take effect on July 1, 1965.”

##### EFFECTIVE DATE OF 1958 AMENDMENT

Amendment by Pub. L. 85-859 effective Sept. 3, 1958, see section 210(a)(1) of Pub. L. 85-859, set out as an Effective Date note under section 5001 of this title.

## § 5703. Liability for tax and method of payment

### (a) Liability for tax

#### (1) Original liability

The manufacturer or importer of tobacco products and cigarette papers and tubes shall be liable for the taxes imposed thereon by section 5701.

#### (2) Transfer of liability

When tobacco products and cigarette papers and tubes are transferred, without payment of tax, pursuant to section 5704, the liability for tax shall be transferred in accordance with the provisions of this paragraph. When tobacco products and cigarette papers and tubes are transferred between the bonded premises of manufacturers and export warehouse proprietors, the transferee shall become liable for the tax upon receipt by him of such articles, and the transferor shall thereupon be relieved of his liability for such tax. When tobacco

products and cigarette papers and tubes are released in bond from customs custody for transfer to the bonded premises of a manufacturer of tobacco products or cigarette papers and tubes, the transferee shall become liable for the tax on such articles upon release from customs custody, and the importer shall thereupon be relieved of his liability for such tax. All provisions of this chapter applicable to tobacco products and cigarette papers and tubes in bond shall be applicable to such articles returned to bond upon withdrawal from the market or returned to bond after previous removal for a tax-exempt purpose.

**(b) Method of payment of tax**

**(1) In general**

The taxes imposed by section 5701 shall be determined at the time of removal of the tobacco products and cigarette papers and tubes. Such taxes shall be paid on the basis of return. The Secretary shall, by regulations, prescribe the period or the event for which such return shall be made and the information to be furnished on such return. Any postponement under this subsection of the payment of taxes determined at the time of removal shall be conditioned upon the filing of such additional bonds, and upon compliance with such requirements, as the Secretary may prescribe for the protection of the revenue. The Secretary may, by regulations, require payment of tax on the basis of a return prior to removal of the tobacco products and cigarette papers and tubes where a person defaults in the postponed payment of tax on the basis of a return under this subsection or regulations prescribed thereunder. All administrative and penalty provisions of this title, insofar as applicable, shall apply to any tax imposed by section 5701.

**(2) Time for payment of taxes**

**(A) In general**

Except as otherwise provided in this paragraph, in the case of taxes on tobacco products and cigarette papers and tubes removed during any semimonthly period under bond for deferred payment of tax, the last day for payment of such taxes shall be the 14th day after the last day of such semimonthly period.

**(B) Imported articles**

In the case of tobacco products and cigarette papers and tubes which are imported into the United States—

**(i) In general**

The last day for payment of tax shall be the 14th day after the last day of the semimonthly period during which the article is entered into the customs territory of the United States.

**(ii) Special rule for entry for warehousing**

Except as provided in clause (iv), in the case of an entry for warehousing, the last day for payment of tax shall not be later than the 14th day after the last day of the semimonthly period during which the article is removed from the 1st such warehouse.

**(iii) Foreign trade zones**

Except as provided in clause (iv) and in regulations prescribed by the Secretary, articles brought into a foreign trade zone shall, notwithstanding any other provision of law, be treated for purposes of this subsection as if such zone were a single customs warehouse.

**(iv) Exception for articles destined for export**

Clauses (ii) and (iii) shall not apply to any article which is shown to the satisfaction of the Secretary to be destined for export.

**(C) Tobacco products and cigarette papers and tubes brought into the United States from Puerto Rico**

In the case of tobacco products and cigarette papers and tubes which are brought into the United States from Puerto Rico, the last day for payment of tax shall be the 14th day after the last day of the semimonthly period during which the article is brought into the United States.

**(D) Special rule for tax due in September**

**(i) In general**

Notwithstanding the preceding provisions of this paragraph, the taxes on tobacco products and cigarette papers and tubes for the period beginning on September 16 and ending on September 26 shall be paid not later than September 29.

**(ii) Safe harbor**

The requirement of clause (i) shall be treated as met if the amount paid not later than September 29 is not less than  $\frac{1}{15}$  of the taxes on tobacco products and cigarette papers and tubes for the period beginning on September 1 and ending on September 15.

**(iii) Taxpayers not required to use electronic funds transfer**

In the case of payments not required to be made by electronic funds transfer, clauses (i) and (ii) shall be applied by substituting “September 25” for “September 26”, “September 28” for “September 29”, and “ $\frac{2}{3}$ ” for “ $\frac{1}{15}$ ”.

**(E) Special rule where due date falls on Saturday, Sunday, or holiday**

Notwithstanding section 7503, if, but for this subparagraph, the due date under this paragraph would fall on a Saturday, Sunday, or a legal holiday (as defined in section 7503), such due date shall be the immediately preceding day which is not a Saturday, Sunday, or such a holiday (or the immediately following day where the due date described in subparagraph (D) falls on a Sunday).

**(F) Special rule for unlawfully manufactured tobacco products**

In the case of any tobacco products, cigarette paper, or cigarette tubes manufactured in the United States at any place other than the premises of a manufacturer of tobacco products, cigarette paper, or cigarette tubes

that has filed the bond and obtained the permit required under this chapter, tax shall be due and payable immediately upon manufacture.

**(3) Payment by electronic fund transfer**

Any person who in any 12-month period, ending December 31, was liable for a gross amount equal to or exceeding \$5,000,000 in taxes imposed on tobacco products and cigarette papers and tubes by section 5701 (or 7652) shall pay such taxes during the succeeding calendar year by electronic fund transfer (as defined in section 5061(e)(2)) to a Federal Reserve Bank. Rules similar to the rules of section 5061(e)(3) shall apply to the \$5,000,000 amount specified in the preceding sentence.

**(c) Use of government depositaries**

The Secretary may authorize Federal Reserve banks, and incorporated banks or trust companies which are depositaries or financial agents of the United States, to receive any tax imposed by this chapter, in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, time, and condition under which the receipt of such tax by such banks and trust companies is to be treated as payment for tax purposes.

**(d) Assessment**

Whenever any tax required to be paid by this chapter is not paid in full at the time required for such payment, it shall be the duty of the Secretary, subject to the limitations prescribed in section 6501, on proof satisfactory to him, to determine the amount of tax which has been omitted to be paid, and to make an assessment therefor against the person liable for the tax. The tax so assessed shall be in addition to the penalties imposed by law for failure to pay such tax when required. Except in cases where delay may jeopardize collection of the tax, or where the amount is nominal or the result of an evident mathematical error, no such assessment shall be made until and after the person liable for the tax has been afforded reasonable notice and opportunity to show cause, in writing, against such assessment.

(Aug. 16, 1954, ch. 736, 68A Stat. 707; Pub. L. 85-859, title II, § 202, Sept. 2, 1958, 72 Stat. 1417; Pub. L. 94-455, title XIX, §§ 1905(a)(25), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1821, 1834; Pub. L. 97-448, title III, § 308(a), Jan. 12, 1983, 96 Stat. 2407; Pub. L. 98-369, div. A, title I, § 27(c)(2), July 18, 1984, 98 Stat. 509; Pub. L. 99-509, title VIII, § 8011(a)(1), Oct. 21, 1986, 100 Stat. 1951; Pub. L. 99-514, title XVIII, § 1801(c)(2), Oct. 22, 1986, 100 Stat. 2786; Pub. L. 100-647, title II, § 2003(b)(1)(C), (D), Nov. 10, 1988, 102 Stat. 3598; Pub. L. 103-465, title VII, § 712(c), Dec. 8, 1994, 108 Stat. 5000; Pub. L. 111-3, title VII, § 702(e)(1), Feb. 4, 2009, 123 Stat. 110.)

**Editorial Notes**

**AMENDMENTS**

2009—Subsec. (b)(2)(F). Pub. L. 111-3 added subpar. (F).

1994—Subsec. (b)(2)(D). Pub. L. 103-465, § 712(c)(1), added subpar. (D). Former subpar. (D) redesignated (E).

Subsec. (b)(2)(E). Pub. L. 103-465, § 712(c), redesignated subpar. (D) as (E), substituted “due date” for “14th

day” in heading, and inserted “(or the immediately following day where the due date described in subparagraph (D) falls on a Sunday)” before period at end.

1988—Subsec. (b)(2)(B)(i), (ii), (C). Pub. L. 100-647 substituted “the 14th day after the last day of the semi-monthly period during which” for “the 14th day after the date on which”.

1986—Subsec. (b)(2). Pub. L. 99-509 amended par. (2) generally. Prior to amendment par. (2), time for making of return and payment of taxes, read as follows: “In the case of tobacco products and cigarette papers and tubes removed after December 31, 1982, under bond for deferred payment of tax, the last day for filing a return and paying any tax due for each return period shall be the last day of the first succeeding return period plus 10 days.”

Subsec. (b)(3). Pub. L. 99-514 inserted last sentence.

1984—Subsec. (b)(3). Pub. L. 98-369 added par. (3).

1983—Subsec. (b). Pub. L. 97-448 designated existing provisions as par. (1), struck out provisions that the Secretary prescribe the time for making a return and the time for the payment of taxes and that the Secretary prescribe by regulations the conditions for the filing of additional bonds, and added par. (2).

1976—Subsec. (a). Pub. L. 94-455, § 1905(a)(25)(A), directed that all provisions of chapter 52 applicable to tobacco products and cigarette papers and tubes in bond be applicable to such articles returned to bond upon withdrawal from the market or returned to bond after promulgated to provide for payment by return and struck out “or his delegate” after “Secretary” in three places.

Subsec. (b). Pub. L. 94-455, §§ 1905(a)(25)(B), 1906(b)(13)(A), struck out provisions which had authorized payment of taxes by stamp until regulations could be promulgated to provide for payment by return and struck out “or his delegate” after “Secretary” in three places.

Subsec. (c). Pub. L. 94-455, §§ 1905(a)(25)(C), 1906(b)(13)(A), redesignated subsec. (d) as (c) and struck out “or his delegate” after “Secretary”. Former subsec. (c), relating to the use of stamps as evidence of the payment of taxes, was struck out.

Subsecs. (d), (e). Pub. L. 94-455, §§ 1905(a)(25)(C), 1906(b)(13)(A), redesignated subsec. (e) as (d) and struck out “or his delegate” after “Secretary”. Former subsec. (d) redesignated (c).

1958—Subsec. (a)(1). Pub. L. 85-859 designated part of first sentence of subsec. (a) as par. (1) thereof and redesignated the remainder of subsec. (a) as (b).

Subsec. (a)(2). Pub. L. 85-859 added par. (2).

Subsec. (b). Pub. L. 85-859 designated former subsec. (a), with exception of part of the first sentence, as subsec. (b) and substituted “tobacco products and cigarette papers and tubes” for “articles”, and inserted provisions relating to postponements, and to payment of the tax on the basis of a return prior to removal of the tobacco products and cigarette papers and tubes where a person defaults in the postponed payment of the tax. Former subsec. (b) redesignated (c).

Subsec. (c). Pub. L. 85-859 designated former subsec. (b) as (c) and substituted “If the Secretary or his delegate shall by regulation provide for the payment of tax by return and require the use of” for “If the Secretary or his delegate shall, by regulation, require the use”, and “tobacco products” for “articles”. Former subsec. (c) redesignated (d).

Subsec. (d). Pub. L. 85-859 redesignated former subsec. (c) as (d). Former subsec. (d) redesignated (e).

Subsec. (e). Pub. L. 85-859 designated former subsec. (d) as (e) and permitted assessments in cases where delay may jeopardize collection of the tax, or where the amount is nominal or the result of an evident mathematical error.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE OF 2009 AMENDMENT**

Pub. L. 111-3, title VII, § 702(e)(2), Feb. 4, 2009, 123 Stat. 110, provided that: “The amendment made by this subsection [amending this section] shall take effect on the date of the enactment of this Act [Feb. 4, 2009].”

## EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by Pub. L. 103-465 effective Jan. 1, 1995, see section 712(e) of Pub. L. 103-465, set out as a note under section 5061 of this title.

## EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective as if included in the amendments made by section 8011 of the Omnibus Budget Reconciliation Act of 1986, Pub. L. 99-509, see section 2003(b)(2) of Pub. L. 100-647, set out as a note under section 5061 of this title.

## EFFECTIVE DATE OF 1986 AMENDMENTS

Amendment by Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

Amendment by Pub. L. 99-509 applicable to removals during semimonthly periods ending on or after Dec. 31, 1986, except as otherwise provided, see section 8011(c) of Pub. L. 99-509, set out as a note under section 5061 of this title.

## EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to taxes required to be paid on or after Sept. 30, 1984, see section 27(d)(2) of Pub. L. 98-369, set out as a note under section 5001 of this title.

## EFFECTIVE DATE OF 1983 AMENDMENT

Pub. L. 97-448, title III, §308(b), Jan. 12, 1983, 96 Stat. 2407, provided that: "The amendments made by subsection (a) [amending this section] shall apply with respect to tobacco products and cigarette papers and tubes removed after December 31, 1982."

## EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1905(a)(25) of Pub. L. 94-455 effective on first day of first month which begins more than 90 days after Oct. 4, 1976, see section 1905(d) of Pub. L. 94-455, set out as a note under section 5005 of this title.

## EFFECTIVE DATE OF 1958 AMENDMENT

Amendment by Pub. L. 85-859 effective Sept. 3, 1958, see section 210(a)(1) of Pub. L. 85-859, set out as an Effective Date note under section 5001 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

**§ 5704. Exemption from tax****(a) Tobacco products furnished for employee use or experimental purposes**

Tobacco products may be furnished by a manufacturer of such products, without payment of tax, for use or consumption by employees or for experimental purposes, in such quantities, and in such manner as the Secretary shall by regulation prescribe.

**(b) Tobacco products and cigarette papers and tubes transferred or removed in bond from domestic factories and export warehouses**

A manufacturer or export warehouse proprietor may transfer tobacco products and ciga-

rette papers and tubes, without payment of tax, to the bonded premises of another manufacturer or export warehouse proprietor, or remove such articles, without payment of tax, for shipment to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, or for consumption beyond the jurisdiction of the internal revenue laws of the United States; and manufacturers may similarly remove such articles for use of the United States; in accordance with such regulations and under such bonds as the Secretary shall prescribe. Tobacco products and cigarette papers and tubes may not be transferred or removed under this subsection unless such products or papers and tubes bear such marks, labels, or notices as the Secretary shall by regulations prescribe.

**(c) Tobacco products and cigarette papers and tubes released in bond from customs custody**

Tobacco products and cigarette papers and tubes, imported or brought into the United States, may be released from customs custody, without payment of tax, for delivery to the proprietor of an export warehouse, or to a manufacturer of tobacco products or cigarette papers and tubes if such articles are not put up in packages, in accordance with such regulations and under such bond as the Secretary shall prescribe.

**(d) Tobacco products and cigarette papers and tubes exported and returned**

Tobacco products and cigarette papers and tubes classifiable under item 804.00 of title I of the Tariff Act of 1930 (relating to duty on certain articles previously exported and returned) may be released from customs custody, without payment of that part of the duty attributable to the internal revenue tax for delivery to the original manufacturer of such tobacco products or cigarette papers and tubes or to the proprietor of an export warehouse authorized by such manufacturer to receive such articles, in accordance with such regulations and under such bond as the Secretary shall prescribe. Upon such release such products, papers, and tubes shall be subject to this chapter as if they had not been exported or otherwise removed from internal-revenue bond.

(Aug. 16, 1954, ch. 736, 68A Stat. 708; Pub. L. 85-859, title II, §202, Sept. 2, 1958, 72 Stat. 1418; Pub. L. 88-342, §1(b), June 30, 1964, 78 Stat. 234; Pub. L. 89-44, title V, §502(b)(4), June 21, 1965, 79 Stat. 151; Pub. L. 94-455, title XIX, §§1905(a)(26), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1821, 1834; Pub. L. 99-509, title VIII, §8011(a)(2), Oct. 21, 1986, 100 Stat. 1952; Pub. L. 101-239, title VII, §7508(a), Dec. 19, 1989, 103 Stat. 2370; Pub. L. 105-33, title IX, §9302(h)(1)(A), Aug. 5, 1997, 111 Stat. 673; Pub. L. 106-476, title IV, §4002(b), Nov. 9, 2000, 114 Stat. 2177.)

**Editorial Notes**

## REFERENCES IN TEXT

Item 804.00 of title I of the Tariff Act of 1930, referred to in subsec. (d), was classified to item 804.00 of the Tariff Schedules of the United States. The Tariff Schedules of the United States were replaced by the Harmonized Tariff Schedule of the United States. The Harmonized Tariff Schedule of the United States is not