

Congress of the United States

Washington, DC 20515

June 27, 2025

The Honorable John Thune
Majority Leader
United States Senate
Washington, D.C. 20515

Dear Majority Leader Thune,

We write today in support of retaining the provision closing the double duty drawback loophole for tobacco in the One Big, Beautiful Bill Act that passed the House. This \$12.1 billion dollar provision is a prime example of efforts to combat waste, fraud and abuse in our tax system.

President Trump fought to close this loophole in 2018, recognizing it as a betrayal of his “America First” and “fair trade” agenda though Courts blocked his efforts, saying that Congress must be the ones to act. Since the court decision, federal data illustrates the steady growth in the import and export of cigarettes, which has exploded in 2025. The time to address this growing problem has come.

As you may know, these companies first import cigarettes into the United States for the domestic market, paying the \$1.01 per pack excise tax. Subsequently, the company manufactures an equal amount of cigarettes in the United States, which is then exported to international markets through a bonded warehouse, which allows excise tax-free exportation.

If this ended the process, there would be no policy issue. However, after the export, these products become eligible for a “substitution drawback” claim, which refunds the \$1.01 per pack on the exported cigarettes. The issue is these companies never paid a tax on the exported cigarettes due to the products leaving the United States through a bonded warehouse. As such, this has become a tool for foreign companies to evade taxes.

The arguments for keeping it open – that closing this loophole is a “tax hike” or will harm tobacco growers – ignore the reality of marketplace economics. Tobacco companies will still buy tobacco at market rates that coincide with cigarette demand. A government subsidy to cigarette manufacturers will not magically increase demand for cigarettes and thus volume of American tobacco.

These companies already make billions of dollars in profit. Our constituents should not be unnecessarily padding their bottom lines because of a loophole that President Trump tried to close. Even the cited score of \$12.1 billion is likely low as it appears to be based on outdated import data.

As the legislative process continues to play out in reconciliation, it is critically important that the House-passed language closing the double duty drawback loophole for tobacco remains firmly in place. We should also not allow a pay-for of this magnitude to fall out as we strive to attain the necessary balance needed to pass the President's agenda. Now, we urge you to ensure the Senate follows suit and keeps this provision in the "One, Big, Beautiful Bill."

Sincerely,



Michael V. Lawler
Member of Congress



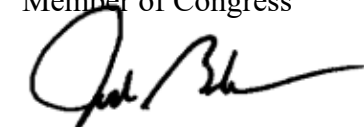
David Schweikert
Member of Congress



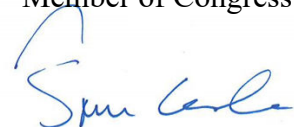
Brian Jack
Member of Congress



Don Bacon
Member of Congress



Josh Brecheen
Member of Congress



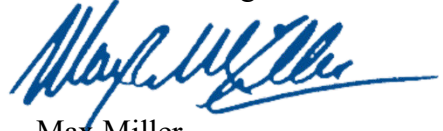
Tom Cole
Member of Congress



James Comer
Member of Congress



Nicole Malliotakis
Member of Congress



Max Miller
Member of Congress



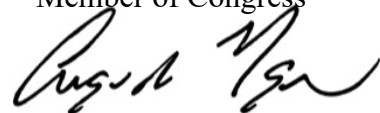
Juan Ciscomani
Member of Congress



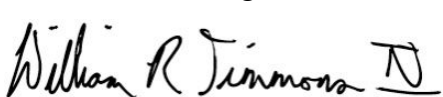
Ben Cline
Member of Congress



Chuck Fleischmann
Member of Congress



August Pfluger
Member of Congress



William R. Timmons, IV
Member of Congress



Zach Nunn
Member of Congress



Rob Bresnahan
Member of Congress



Cliff Bentz
Member of Congress



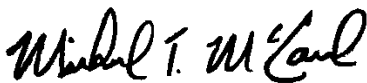
Mike Flood
Member of Congress



Cory Mills
Member of Congress



Laurel Lee
Member of Congress



Michael McCaul
Member of Congress

CC:
The Honorable Mike Johnson
Speaker of the House

James Blair
White House Deputy Chief of Staff for Legislative, Political and Public Affairs

James Braid
White House Director of Legislative Affairs



Nathaniel Moran
Member of Congress



Stephanie Bice
Member of Congress



Kevin Hern
Member of Congress



Mark Amodei
Member of Congress



Morgan Luttrell
Member of Congress



Vince Fong
Member of Congress

