

Congress of the United States
Washington, DC 20515

June 12, 2025

The Honorable Mike Crapo
Chairman, Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Senator Crapo,

We write to urge your support in maintaining the repeal of the “double drawback” loophole in the Senate version of the One Big, Beautiful Bill that recently passed the House. This provision, which generates \$12.1 billion in revenue, is a critical pay-for that upholds the bill’s fiscal responsibility and reinforces its alignment with conservative principles and President Trump’s agenda. In 2018, the Trump Administration attempted to eliminate this costly loophole. Now, Congress has the sole opportunity to finish what President Trump started and end this outdated, anti-American subsidy through legislation.

The double drawback loophole is a policy failure that undermines American businesses and cheats U.S. taxpayers. It allows certain foreign tobacco companies to avoid paying federal excise taxes on cigarettes sold in the United States, undercutting domestic producers while claiming refunds on taxes they never paid.¹ While American consumers and domestic tobacco companies pay a \$1.01 federal excise on every pack of cigarettes, foreign tobacco producers exploit current policy to flood the U.S. market with untaxed product and siphon off billions in taxpayer dollars through fraudulent refunds.

The first Trump administration recognized this anti-American loophole and attempted to close it through regulatory action in 2018.² However, the U.S. Federal Court of Appeals ruled in 2021 that Congress has sole authority to end this abuse.³ Because of the Court’s ruling, legislative action is the only path forward to close this “America-last” policy.

According to the Joint Committee on Taxation (JCT), repealing this loophole would raise \$12.1 billion over the next decade.⁴ These funds can help offset the cost of extending the Tax Cuts and

¹ Justin Leventhal, “Tax Refunds Without Taxes: Inside the Double Drawback Loophole,” American Consumer Institute, June 3, 2025, <https://www.theamericanconsumer.org/2025/06/tax-refunds-without-taxes-inside-the-double-drawback-loophole/>.

² “Modernized Drawback, Proposed Rule by U.S. Customs and Border Protection and the Treasury Department, Aug. 2, 2018, <https://www.federalregister.gov/documents/2018/08/02/2018-16279/modernized-drawback>.

³ National Association of Manufacturers v. Department of the Treasury, No. 20-1734 (Fed. Cir. 2021), <https://law.justia.com/cases/federal/appellate-courts/cafc/20-1734/20-1734-2021-08-23.html>.

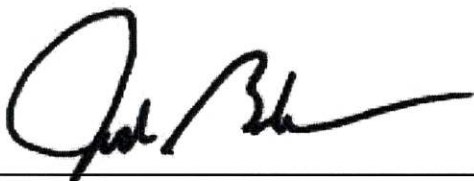
⁴ Joint Committee on Taxation, “Estimated Revenue Effects Of Tax Provisions To Provide For Reconciliation Of The Fiscal Year 2025 Budget As Passed By The House Of Representatives On May 22, 2025,” June 2, 2025, JCX-22-25, <https://www.jct.gov/publications/2025/jcx-26-25r/>.

Jobs Act (TCJA) tax cuts, a core priority for President Trump and Republicans. Repealing this loophole will also prevent foreign companies from receiving what is essentially a taxpayer-funded subsidy.

The House has already voted to repeal this loophole, and we cannot afford to let critical pay-fors—especially one as common-sense as this—fall out of the bill in the Senate. The One Big, Beautiful Bill is a cornerstone of our legislative agenda, and its success depends on maintaining provisions that uphold its fiscal integrity and deliver real wins for the American people.

Removing sizeable pay-fors from the One Big, Beautiful Bill undermines fiscal responsibility in a bill where deficit neutrality is critical to its final passage. Not only that, but maintaining tax advantages for foreign companies simultaneously places more burden on the American taxpayer to prop up these foreign products. We urge you to stand firm in support of the provision to close the double drawback loophole to support American businesses and strengthen the fiscal foundation of this critical legislation.

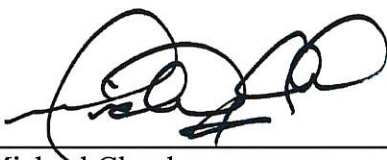
Sincerely,



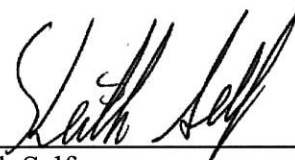
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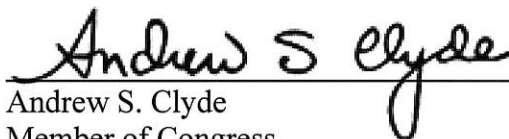
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