

"(i) the number of supplemental waivers available to the State agency for the subsequent fiscal year; and

"(ii) the manner in which the supplemental waivers will be distributed.

"(D) 50 percent of supplemental waivers distributed in a fiscal year shall be used to support positions in 1 or more facilities that serve patients who reside in medically underserved communities (as defined in section 799B of the Public Health Service Act ([42 U.S.C. 295p](#))).

"(E) If the number of supplemental waivers distributed under this paragraph in a fiscal year is less than the total number of supplemental waivers available for distribution in the fiscal year, the difference between the number distributed and the number available for distribution shall be added to the total number of supplemental waivers available for distribution in the subsequent fiscal year.

"(F) In this paragraph, the term 'eligible State agency' means a State agency that, in the preceding fiscal year, used not fewer than 30 waivers under section 212(e).".

Subtitle E—Tax Adjustments

SEC. 351. REPEALING RESTRICTIONS ON PROVIDER TAXES.

(a) Restoration of provider tax flexibility.—Section 1903(w) of the Social Security Act ([42 U.S.C. 1396b\(w\)](#)) is amended—

(1) in paragraph (3)(E), by striking clause (iii);

(2) in paragraph (4)(C)(ii), by striking ", and for fiscal years beginning on or after October 1, 2026, the applicable percent determined under subparagraph (D) shall be substituted for '6 percent' each place it appears";

(3) in paragraph (4), by striking subparagraph (D); and

(4) in paragraph (7), by striking subparagraphs (H), (I), and (J).

(b) Rescission of implementation funding.—Any unobligated balance of amounts appropriated under section 71115(c) of [Public Law 119–21](#) is rescinded.

SEC. 352. TOBACCO AND NICOTINE TAXES.

(a) Tax parity for roll-your-own tobacco.—[Section 5701\(g\)](#) of the Internal Revenue Code of 1986 is amended by striking "\$24.78" and inserting "\$49.56".

(b) Tax parity for pipe tobacco.—[Section 5701\(f\)](#) of the Internal Revenue Code of 1986 is amended by striking "\$2.8311 cents" and inserting "\$49.56".

(c) Tax parity for smokeless tobacco.—

(1) [Section 5701\(e\)](#) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (1), by striking "\$1.51" and inserting "\$26.84";

(B) in paragraph (2), by striking "50.33 cents" and inserting "\$10.74"; and

(C) by adding at the end the following:

"(3) Smokeless tobacco sold in discrete single-use units.—On discrete single-use units, \$100.66 per thousand."

(2) [Section 5702\(m\)](#) of such Code is amended—

(A) in paragraph (1), by striking "or chewing tobacco" and inserting ", chewing tobacco, or discrete single-use unit";

(B) in paragraphs (2) and (3), by inserting "that is not a discrete single-use unit" before the period in each such paragraph; and

(C) by adding at the end the following:

"(4) Discrete single-use unit.—The term 'discrete single-use unit' means any product containing, made from, or derived from tobacco or nicotine that—

"(A) is not intended to be smoked; and

"(B) is in the form of a lozenge, tablet, pill, pouch, dissolvable strip, or other discrete single-use or single-dose unit."

(d) (1) Tax parity for cigars.—[Section 5701\(a\)](#) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (1) by striking "\$50.33" and inserting "\$100.66"; and

(B) in paragraph (2) by striking "52.75 percent" and all that follows through the period and inserting the following: "\$49.56 per pound and a proportionate tax at the like rate on all fractional parts of a pound but not less than 10.066 cents per cigar."

(2) Guidance.—The Secretary of the Treasury, or the Secretary's delegate, may issue guidance regarding the appropriate method for determining the weight of large cigars for purposes of calculating the applicable tax under section [5701\(a\)\(2\)](#) of the Internal Revenue Code of 1986.

(3) Conforming amendment.—[Section 5702](#) of such Code is amended by striking subsection (l).

(e) Tax parity for roll-your-own tobacco and certain processed tobacco.—Subsection (o) of [section 5702](#) of the Internal Revenue Code of 1986 is amended by inserting ", and includes processed tobacco that is removed for delivery or delivered to a person other than a person with a permit provided under section 5713, but does not include removals of processed tobacco for exportation" after "wrappers thereof".

(f) Imposition of tax on nicotine for use in vaping, etc.—

(1) In general.—[Section 5701](#) of the Internal Revenue Code of 1986 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) Nicotine.—On taxable nicotine, manufactured in or imported into the United States, there shall be imposed a tax equal to the dollar amount specified in [section 5701\(b\)\(1\)](#) per 1,810 milligrams of nicotine (and a proportionate tax at the like rate on any fractional part thereof).".

(2) Taxable nicotine.—[Section 5702](#) of such Code is amended—

(A) in subsection (c) by striking "and roll-your-own tobacco" and inserting "roll-your-own tobacco, and taxable nicotine"; and

(B) by adding at the end the following new subsections:

"(q) Taxable nicotine.—

"(1) In general.—Except as otherwise provided in this subsection, the term 'taxable nicotine' means any nicotine which has been extracted, concentrated, or synthesized.

"(2) Exception for products approved by Food and Drug Administration.—Such term shall not include any nicotine if the manufacturer or importer thereof demonstrates to the satisfaction of the Secretary of Health and Human Services that such nicotine will be used in—

"(A) a drug—

"(i) that is approved under [section 505](#) of the Federal Food, Drug, and Cosmetic Act or licensed under section 351 of the Public Health Service Act ([42 U.S.C. 262](#)); or

"(ii) for which an investigational use exemption has been authorized under [section 505\(i\)](#) of the Federal Food, Drug, and Cosmetic Act ([21 U.S.C. 355\(i\)](#)) or under section 351(a) of the Public Health Service Act ([42 U.S.C. 262\(a\)](#)); or

"(B) a combination product (as described in [section 503\(g\)](#) of the Federal Food, Drug, and Cosmetic Act ([21 U.S.C. 353\(g\)](#))), the constituent parts of which were approved or cleared under [section 505](#), [510\(k\)](#), or [515](#) of such Act.

"(3) Coordination with taxation of other tobacco products.—Tobacco products meeting the definition of cigars, cigarettes, smokeless tobacco, pipe tobacco, and roll-your-own tobacco in this section shall be classified and taxed as such despite any concentration of the nicotine inherent in those products or any addition of nicotine to those products during the manufacturing process.

"(4) Regulations.—The Secretary shall prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance for coordinating the taxation of tobacco products and taxable nicotine to protect revenue and prevent double taxation.

"(r) Manufacturer of taxable nicotine.—

"(1) In general.—Any person who extracts, concentrates, or synthesizes nicotine shall be treated as a manufacturer of taxable nicotine (and as manufacturing such taxable nicotine).

"(2) Application of rules related to manufacturers of tobacco products.—Any reference to a manufacturer of tobacco products, or to manufacturing tobacco products, shall be treated as

including a reference to a manufacturer of taxable nicotine, or to manufacturing taxable nicotine, respectively."

(g) Increasing tax on cigarettes.—

(1) Small cigarettes.—[Section 5701\(b\)\(1\)](#) of such Code is amended by striking "\$50.33" and inserting "\$100.66".

(2) Large cigarettes.—[Section 5701\(b\)\(2\)](#) of such Code is amended by striking "\$105.69" and inserting "\$211.38".

(h) Tax rates adjusted for inflation.—[Section 5701](#) of such Code, as previously amended by this section, is further amended by adding at the end the following new subsection:

"(j) Inflation adjustment.—

"(1) In general.—In the case of any calendar year beginning after 2026, the dollar amounts provided under this chapter shall each be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) Rounding.—If any amount as adjusted under paragraph (1) is not a multiple of \$0.01, such amount shall be rounded to the next highest multiple of \$0.01."

(i) Floor stocks taxes.—

(1) Imposition of tax.—On tobacco products manufactured in or imported into the United States which are removed before any tax increase date and held on such date for sale by any person, there is hereby imposed a tax in an amount equal to the excess of—

(A) the tax which would be imposed under [section 5701](#) of the Internal Revenue Code of 1986 on the article if the article had been removed on such date, over

(B) the prior tax (if any) imposed under [section 5701](#) of such Code on such article.

(2) Credit against tax.—Each person shall be allowed as a credit against the taxes imposed by paragraph (1) an amount equal to \$500. Such credit shall not exceed the amount of taxes imposed by paragraph (1) on such date for which such person is liable.

(3) Liability for tax and method of payment.—

(A) Liability for tax.—A person holding tobacco products on any tax increase date to which any tax imposed by paragraph (1) applies shall be liable for such tax.

(B) Method of payment.—The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

(C) Time for payment.—The tax imposed by paragraph (1) shall be paid on or before the date that is 120 days after the effective date of the tax rate increase.

(4) Articles in foreign trade zones.—Notwithstanding the Act of June 18, 1934 (commonly known as the Foreign Trade Zone Act, 48 Stat. 998, [19 U.S.C. 81a et seq.](#)), or any other provision of law, any article which is located in a foreign trade zone on any tax increase date shall be subject to the tax imposed by paragraph (1) if—

(A) internal revenue taxes have been determined, or customs duties liquidated, with respect to such article before such date pursuant to a request made under the first proviso of section 3(a) of such Act, or

(B) such article is held on such date under the supervision of an officer of the United States Customs and Border Protection of the Department of Homeland Security pursuant to the second proviso of such section 3(a).

(5) Definitions.—For purposes of this subsection—

(A) In general.—Any term used in this subsection which is also used in [section 5702](#) of such Code shall have the same meaning as such term has in such section.

(B) Tax increase date.—The term "tax increase date" means the effective date of any increase in any tobacco product excise tax rate pursuant to the amendments made by this section (other than subsection (i) thereof).

(C) Secretary.—The term "Secretary" means the Secretary of the Treasury or the Secretary's delegate.

(6) Controlled groups.—Rules similar to the rules of [section 5061\(e\)\(3\)](#) of such Code shall apply for purposes of this subsection.

(7) Other laws applicable.—All provisions of law, including penalties, applicable with respect to the taxes imposed by [section 5701](#) of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such [section 5701](#). The Secretary may treat any person who bore the ultimate burden of the tax imposed by paragraph (1) as the person to whom a credit or refund under such provisions may be allowed or made.

(j) Effective dates.—

(1) In general.—Except as provided in paragraphs (2) through (4), the amendments made by this section shall apply to articles removed (as defined in [section 5702\(j\)](#) of the Internal Revenue Code of 1986) after the last day of the month which includes the date of the enactment of this Act.

(2) Discrete single-use units and processed tobacco.—The amendments made by subsections (c)(1)(C), (c)(2), and (e) shall apply to articles removed (as defined in [section 5702\(j\)](#) of the Internal Revenue Code of 1986) after December 31, 2026.

(3) Cigars.—The amendments made by subsection (d) shall apply to articles removed after December 31, 2026.

(4) Taxable nicotine.—The amendments made by subsection (f) shall apply to articles removed in calendar quarters beginning January 1, 2027.

(k) Transfer of increase in receipts.—There is hereby appropriated to the Medicare for All Trust Fund established under section 327 an amount equal to the increase in receipts attributable to the amendments made by this section, as determined by the Secretary of the Treasury. The Secretary shall transfer such amount from the general fund of the Treasury to such Trust Fund at such times and in such manner as the Secretary determines appropriate, but not less frequently than quarterly.

(l) Transition rule for permit and bond requirements.—A person who is lawfully engaged in business as a manufacturer or importer of taxable nicotine (within the meaning of [subchapter A of chapter 52](#) of the Internal Revenue Code of 1986, as amended by this section) on the date of the enactment of this Act, first becomes subject to the requirements of [subchapter B of chapter 52](#) of such Code by reason of the amendments made by this section, and submits an application under such subchapter B to engage in such business not later than 90 days after the date of the enactment of this Act, shall not be denied the right to continue carrying on such business by reason of such requirements before final action on such application.

SEC. 353. ALCOHOL EXCISE TAX INCREASE TO MEDICARE FOR ALL FUND.

(a) Distilled spirits.—[Section 5001\(a\)\(1\) of title 26](#), United States Code, is amended by striking "\$13.50" and inserting "\$27.00".

(b) Wine.—[Section 5041\(b\) of title 26](#), United States Code, is amended—

- (1) in paragraph (1), by striking "\$1.07" and inserting "\$2.14";
- (2) in paragraph (2), by striking "\$1.57" and inserting "\$3.14";
- (3) in paragraph (3), by striking "\$3.15" and inserting "\$6.30";
- (4) in paragraph (4), by striking "\$3.40" and inserting "\$6.80";
- (5) in paragraph (5), by striking "\$3.30" and inserting "\$6.60"; and
- (6) in paragraph (6), by striking "22.6 cents" and inserting "45.2 cents".

(c) Beer.—[Section 5051\(a\) of title 26](#), United States Code, is amended—

- (1) in paragraph (1)(A)(i), by striking "\$16" and inserting "\$32";
- (2) in paragraph (1)(A)(ii), by striking "\$18" and inserting "\$36"; and
- (3) in paragraph (2)(A), by striking "\$3.50" and inserting "\$7.00".

(d) Transfer of increase in receipts.—There is hereby appropriated to the Medicare for All Trust Fund established under section 327 an amount equal to the increase in receipts attributable to the amendments made by this section, as determined by the Secretary of the Treasury. The Secretary shall transfer such amount from the general fund of the Treasury to such Trust Fund at such times and in such manner as the Secretary determines appropriate, but not less frequently than quarterly.

(e) Effective date.—The amendments made by this section shall apply to articles removed on or after the first day of the first calendar quarter beginning after the date of enactment of this Act.

SEC. 354. PHASE-IN OF MEDICARE FOR ALL HOSPITAL INSURANCE CONTRIBUTION RATES.

(a) Employee rate.—Section 3101(b)(1) of the Internal Revenue Code of 1986 ([26 U.S.C. 3101\(b\)\(1\)](#)) is amended to read as follows:

"(1) In general.—In addition to the tax imposed by subsection (a), there is hereby imposed on the income of every individual a tax equal to the applicable percentage of the wages, as defined in section 3121(a), received by the individual with respect to employment, as defined in section 3121(b). For purposes of this paragraph, the applicable percentage shall be—

"(A) 1.6 percent, in the case of wages received during calendar year 2027;

"(B) 1.8 percent, in the case of wages received during calendar year 2028; and

"(C) 2 percent, in the case of wages received during calendar year 2029 or any calendar year thereafter."

(b) Employer rate.—Section 3111(b) of the Internal Revenue Code of 1986 ([26 U.S.C. 3111\(b\)](#)) is amended to read as follows:

"(b) Hospital insurance.—In addition to the tax imposed by subsection (a), there is hereby imposed on every employer an excise tax, with respect to having individuals in the employer's employ, equal to the applicable percentage of the wages, as defined in section 3121(a), paid by the employer with respect to employment, as defined in section 3121(b).

"(1) Applicable percentage.—For purposes of this subsection, the applicable percentage shall be—

"(A) 1.7 percent, in the case of wages paid during calendar year 2027;

"(B) 2 percent, in the case of wages paid during calendar year 2028; and

"(C) 4 percent, in the case of wages paid during calendar year 2029 or any calendar year thereafter."

(c) Self-employment rate.—Section 1401(b)(1) of the Internal Revenue Code of 1986 ([26 U.S.C. 1401\(b\)\(1\)](#)) is amended to read as follows:

"(1) In general.—In addition to the tax imposed by subsection (a), there shall be imposed for each taxable year, on the self-employment income of every individual, a tax equal to the applicable percentage of the amount of the self-employment income for such taxable year. For purposes of this paragraph, the applicable percentage shall be—

"(A) 3.3 percent, in the case of any taxable year beginning during calendar year 2027;

"(B) 3.8 percent, in the case of any taxable year beginning during calendar year 2028; and

"(C) 6 percent, in the case of any taxable year beginning during calendar year 2029 or any calendar year thereafter."

(d) Transfer of increase in receipts.—There is hereby appropriated to the Medicare for All Trust Fund established under section 327 an amount equal to the increase in receipts attributable to the amendments made by this section, as determined by the Secretary of the Treasury. The Secretary shall transfer such amount from the general fund of the Treasury to the Medicare for All Trust Fund at such times and in such manner as the Secretary determines appropriate, but not less frequently than monthly.

(e) Effective date.—The amendments made by this section shall take effect on January 1, 2027.

SEC. 355. STATE AND LOCAL HEALTH-SPENDING CONTRIBUTIONS TO MEDICARE FOR ALL.

(a) Definitions.—In this section:

(1) Applicable population.—The term "applicable population" means, with respect to a State and calendar year, the population of the State, as determined by the Secretary using the most recent annual population estimate published by the Bureau of the Census and available to the Secretary as of October 1 of the preceding calendar year.

(2) Baseline period.—The term "baseline period" means calendar years 2024, 2025, and 2026.

(3) Health spending adjustment factor.—The term "health spending adjustment factor" means, with respect to a calendar year, the ratio of—

(A) the medical care component of the consumer price index for all urban consumers, U.S. city average, for September of the preceding calendar year; to

(B) the medical care component of the consumer price index for all urban consumers, U.S. city average, for September 2025.

(4) National per capita baseline.—The term "national per capita baseline" means the average of the amounts determined for each calendar year in the baseline period by dividing—

(A) the aggregate amount of State and local Medicaid and CHIP expenditures for all States for the calendar year; by

(B) the aggregate population of all States for the calendar year, as determined by the Secretary.

(5) Residual Medicaid services.—The term "residual Medicaid services" means institutional long-term care services and other services for which benefits are not available under the Medicare for All Program and for which medical assistance continues to be available under title XIX of the Social Security Act ([42 U.S.C. 1396 et seq.](#)) on or after the date on which benefits are first available under section 321(f)(1).

(6) Secretary.—The term "Secretary" means the Secretary of Health and Human Services.

(7) State.—The term "State" means a State, the District of Columbia, and each territory of the United States.

(8) State and local Medicaid and CHIP expenditures.—The term "State and local Medicaid and CHIP expenditures" means, with respect to a State and calendar year, the non-Federal share of expenditures under titles XIX and XXI of the Social Security Act ([42 U.S.C. 1396 et seq.](#); [1397aa et seq.](#)), including expenditures by the State and by units of local government used to satisfy the non-Federal share of such expenditures, as determined by the Secretary.

(9) State per capita baseline.—The term "State per capita baseline" means, with respect to a State, the average of the amounts determined for each calendar year in the baseline period by dividing—

(A) the amount of State and local Medicaid and CHIP expenditures for the State for the calendar year; by

(B) the population of the State for the calendar year, as determined by the Secretary.

(b) State contribution required.—Beginning on the date on which benefits are first available under section 321(f)(1), each State shall provide for payment to the Secretary of the State and local health-spending contribution determined under subsection (c), reduced by any credit allowed under subsection (d).

(c) Amount of contribution.—The contribution required under subsection (b) for a State and calendar year, before application of any credit under subsection (d), shall be equal to the product of—

(1) the applicable population of the State for the calendar year;

(2) the health spending adjustment factor for the calendar year; and

(3) the sum of—

(A) the State per capita baseline for the State; and

(B) the national per capita baseline.

(d) Credit for residual Medicaid expenditures.—

(1) Credit allowed.—The Secretary shall credit against the amount required to be paid by a State under subsection (b) for a calendar year the non-Federal share of expenditures made by the State during such calendar year for residual Medicaid services.

(2) Estimated credit.—For purposes of determining monthly installment payments under subsection (e), the Secretary shall estimate the credit allowed under paragraph (1) for each State and calendar year using—

(A) the State's most recent available expenditure data for residual Medicaid services;

(B) projections submitted by the State at such time and in such manner as the Secretary may require; and

(C) such other data as the Secretary determines appropriate.

(3) Application to monthly payments.—The estimated credit determined under paragraph (2) shall be applied ratably to reduce the monthly installment payments required under subsection (e).

(e) Payments.—

(1) A State shall make payments required under this section in monthly installments, at such time and in such manner as the Secretary, in consultation with the Secretary of the Treasury, shall specify.

(2) Deposit.—Amounts paid to the Secretary under this section shall be deposited in the Treasury to the credit of the Medicare for All Trust Fund established under section 327.

(f) Determinations and reconciliation.—

(1) Annual determination.—Not later than November 15 of the calendar year preceding the first calendar year for which payments are required under this section, and November 15 of each year thereafter, the Secretary shall determine and publish, for the succeeding calendar year—

- (A) the State per capita baseline for each State;
- (B) the national per capita baseline;
- (C) the health spending adjustment factor;
- (D) the applicable population of each State;
- (E) the estimated residual Medicaid credit for each State; and
- (F) the estimated contribution required for each State.

(2) Reconciliation.—Not later than June 30 of the calendar year following a calendar year for which payments are required under this section, the Secretary shall reconcile estimated payments, estimated residual Medicaid credits, and actual residual Medicaid credits for each State.

(3) Adjustment.—Any underpayment or overpayment determined under paragraph (2) shall be applied to the next monthly installment payment or payments required under subsection (e), in such manner as the Secretary of the Treasury, in consultation with the Secretary, shall specify.

(g) Children's transition contribution for calendar year 2028.—

(1) Contribution required.—For calendar year 2028, each State shall provide for payment to the Secretary of the contribution determined under paragraph (2), reduced by the credit allowed under paragraph (3).

(2) Amount of contribution.—The contribution required under paragraph (1), before application of the credit under paragraph (3), shall be equal to 75 percent of the non-Federal share of expenditures that the Secretary estimates the State and units of local government in the State would otherwise have made during calendar year 2028 under titles XIX and XXI of

the Social Security Act ([42 U.S.C. 1396 et seq.](#); [1397aa et seq.](#)) for health care items and services furnished to individuals entitled to benefits under section 321(f)(2), but for the availability of such benefits.

(3) Credit for actual expenditures.—

(A) Credit allowed.—The Secretary shall credit against the amount determined under paragraph (2), on a dollar-for-dollar basis, the non-Federal share of expenditures actually made during calendar year 2028 by the State or units of local government in the State under titles XIX and XXI of the Social Security Act for health care items and services furnished to individuals entitled to benefits under section 321(f)(2) for which payment is not made under the Medicare for All Program.

(B) Limitation.—The credit allowed under subparagraph (A) may not exceed the amount determined under paragraph (2).

(4) Administration.—

(A) Estimates.—Not later than November 15, 2027, the Secretary shall determine and publish for each State the estimated contribution under paragraph (2), the estimated credit under paragraph (3), and the resulting monthly installment payment. In making such determinations, the Secretary shall use the most recent available expenditure data, projections submitted by the State, and such other data as the Secretary determines appropriate.

(B) Payments and deposit.—Payments under this subsection shall be made in monthly installments and deposited in accordance with subsection (e).

(C) Reconciliation.—Not later than June 30, 2029, the Secretary shall reconcile the estimated contribution, estimated credit, and payments under this subsection with the amounts determined using actual expenditure data. Any underpayment or overpayment shall be applied in accordance with subsection (f)(3).

(h) Regulations.—The Secretary, in consultation with the Secretary of the Treasury, shall prescribe such regulations, guidance, forms, and procedures as are necessary to carry out this section, including procedures for determining applicable populations, baseline expenditures, residual Medicaid credits, installment payments, reconciliations, and offsets.

(i) Enforcement.—If a State fails to make a payment required under this section, the Secretary of the Treasury may, after notice and an opportunity to cure, offset the unpaid amount against any amount otherwise payable by the United States to the State, other than amounts payable under title II of the Social Security Act.

(j) Rule of construction.—Nothing in this section shall be construed to limit, reduce, or satisfy any obligation of a State under title XIX of the Social Security Act, section 322(g), or any other provision of this title.