



Just for Artisan Distillers

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Artisan or Not?

- Is there a category of distilled spirits plant (DSP) for small/artisan distillers?
 - No
- What do I need to distill beverage spirits?
 - A Federal Alcohol Administration (FAA) Act Permit as a distilled spirits plant
- Why not attend the DSP seminar instead of this one?
 - Although you would benefit from attending both classes, there are unique issues for the small distiller.

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- State laws
- Standards of identity
- Tax payments
- Proofing
- Recording activity

- 27 CFR 1.21 – Produce distilled spirits
- 27 CFR 1.24(c) – Legal in the State
 - Produced
 - Distributed
 - Interstate commerce
- Comply with 27 CFR part 19, Distilled Spirits Plants



Standards of Identity

- Listed in 27 CFR 5.22:
 - 5.22 (a)(1) Vodka
 - 5.22 (b)(1)(i) Bourbon Whisky
 - 5.22 (d) Brandy
 - 5.22 (f) Rum
- Twelve standards of identity in regulations

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Tax Liability

- Standard Distilled Spirits Tax Rate prescribed by 26 USC 5001 is \$13.50 per proof gallon
- Liability attaches to distilled spirits the moment they come into existence
- 5010 Tax Credits (effective tax rates) adjusts standard tax rate

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Tax Payments

- Returns semi-monthly unless you sell less than 1,900 cases of 750 ml, 80 proof product annually
- Total liability may not exceed \$50,000 in distilled spirits excise tax payments per year
- If you have an increase in sales and expect to exceed the \$50,000 in liability, call me or the National Revenue Center immediately

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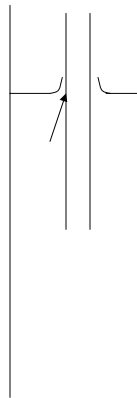
Required Tax Records

Record of Tax Determination	27 CFR 19.762
Daily Summary Record of Tax Determinations	27 CFR 19.762
Record of Average Effective Tax Rates	27 CFR 19.763
Inventory Reserve Records	27 CFR 19.764
Record of Standard Effective Tax Rate	27 CFR 19.765

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- 27 CFR 19.386(b)(2)
 - 80 proof can be 79.7 to 80 proof
 - 80.1 proof is taxable at a higher rate
- 27 CFR 5.37 (b)
 - Mandatory statement on the label
 - Obscuration resulting in over 600 ppm solids allow for proof reading to be .25 percent or .5 proof below label proof

- Do not read the top of the meniscus



- 27 CFR 19.386(b)(1) – “..good commercial practice with an overall objective of maintaining 100% fill..”
- 27 CFR 5.38 – Contents shall be on label or bottle
- 27 CFR 5.47(d) – May not intentionally overfill to compensate for prior underfill

Distilled Spirits Accounts:

PRODUCTION: Daily Production Records
(27 CFR 19.736)

STORAGE: Daily Storage Records
(27 CFR 19.740-19.743)

PROCESSING: Daily Processing Records
(27 CFR 19.746-19.753)



Monthly Reports

- Must be submitted even if no activity is reported that month
- Consider Pay.gov registration:
 - Voluntary
 - Identifies errors in completion
 - Maintains an online historical record
 - Amendments are easily submitted

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Summary

- Comply with permit requirements, both Federal and State
- To label a product by class and type, it must comply with Federal Standards of Identity
- Understand and correctly compute tax due, including credits to be taken
- Know how to correctly proof and fill the product
- Keep required records of activity

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