

### **Tax-Free Alcohol Permits**

Presented by Paula S. Fryman, Applications Supervisor, **National Revenue Center** 



5/2008



### **Objectives**

- · Determine the eligible and prohibited uses of tax-free alcohol
- · Identify how to originally qualify for a tax-free permit
- · Determine how to amend your existing permit application
- Understand the changes that must be reported to the National Revenue Center (NRC)
- Learn what to do if you discontinue operations



### **Tax-Free Alcohol**

- Tax-Free Alcohol, also known as ethanol or ethyl alcohol, is 190° or more proof (95% alcohol by volume).
- It may be withdrawn <u>free of tax</u> from the bonded premises of a distilled spirits plant and may be diluted or mixed during subsequent processes.



27 CFR part 22

Alcohol and Tobacco Tax and Trade Bureau



## Who Needs to Apply?

Subpart D – 27 CFR 22.41 states:

"Each person desiring to withdraw and use tax-free alcohol shall, before commencing business, file an application and obtain a permit."



### Eligible Uses of Tax-Free Alcohol

- For the use of an educational organization, scientific university, or college of learning.
- For any laboratory for use exclusively in <u>scientific</u> research.
- For use at hospitals, blood banks, or sanitariums, or at any pathological laboratory exclusively engaged in making analyses or tests for hospitals or sanitariums.
- For the use of any clinic operated for charity and <u>NOT</u> FOR PROFIT.
- For use by any State or political subdivision (27 CFR 22.103).

27 CFR 22.101

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### Prohibited Uses of Tax-Free Alcohol

- Under <u>NO</u> circumstances may tax-free (TF) alcohol be used for beverage purposes, food products, or in any preparation used in preparing beverage or food products.
- Industry members are <u>prohibited</u> from selling TF alcohol, using TF alcohol in the manufacture of any product for sale, or selling any products resulting from the use of TF alcohol. EXCEPTION: A hospital, sanitarium, or clinic can use TF alcohol for medicines compounded and dispensed to patients (27 CFR 22.105 22.106).

27 CFR 22.102



### Prohibited Uses of Tax-Free Alcohol (Cont'd)

- TF alcohol may not be removed from the permit premises unless specifically authorized by the terms of their permit, or permission is obtained from TTB's NRC.
- INDUSTRY MEMBERS WHO USE TF ALCOHOL IN ANY MANNER PROHIBITED BY THE REGULATIONS BECOME LIABLE FOR THE TAX ON THE ALCOHOL.

27 CFR 22.102

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## Qualifying Documents (1,500 proof gallons or less)

- TTB Form 5150.22, Application for an Industrial Alcohol User Permit
- TTB Form 5100.1, Signing Authority for Corporate Officials or Form 5000.8, Power of Attorney (27 CFR 22.53)
  - Not required if sole ownership
- TTB Form 5630.5, Special Tax Registration and Return (SOT)
  - The amount of \$250 per year is due by July 1.
  - This can be pro-rated.
  - <u>EXCEPTION</u>: An educational institute that withdraws 25 gallons or less per year is not required to pay SOT (27 CFR 22.37(e)(i)).



## Annual Allowance Exceeds 1,500 Proof Gallons

- Additional forms are required:
  - Articles of Incorporation, Articles of Organization or a Partnership Agreement
  - Certificate of Incorporation or document authorizing the corporation to do business in the State in which the Industry member is <u>located</u>. (If other than the state in which the company is organized)
  - Listing of names and addresses of officers, directors and stockholders owning 10% or more.
  - Statement showing number of shares of each class of stock, authorized and outstanding, par value and voting rights of respective owners.

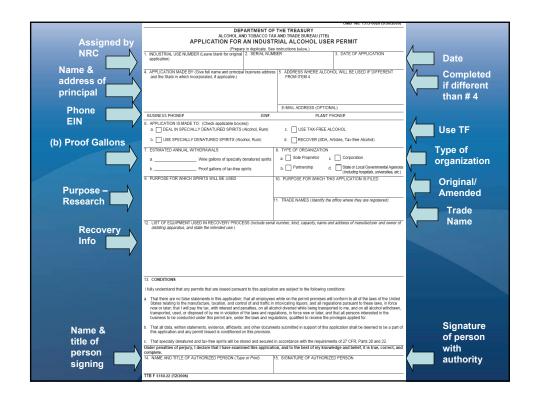
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### **Qualification Exception**

- Are you a State, county, or Federal entity?
   If so, you may:
  - Obtain a <u>SINGLE</u> permit authorizing the withdrawal and use of tax-free alcohol for <u>MULTIPLE</u> institutions under your control.
  - Your application should list all locations and include a detailed explanation of how you intend to distribute and account for all the taxfree alcohol to be withdrawn.

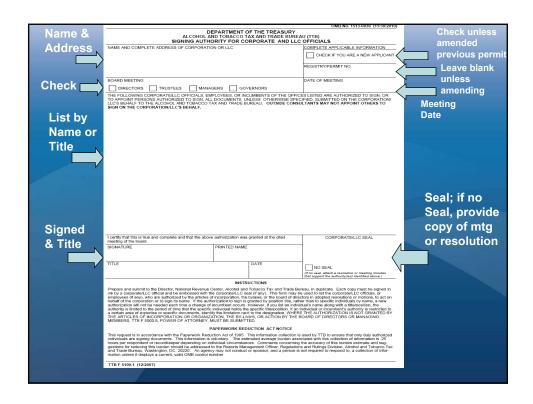
27 CFR 22.41(b)(2)

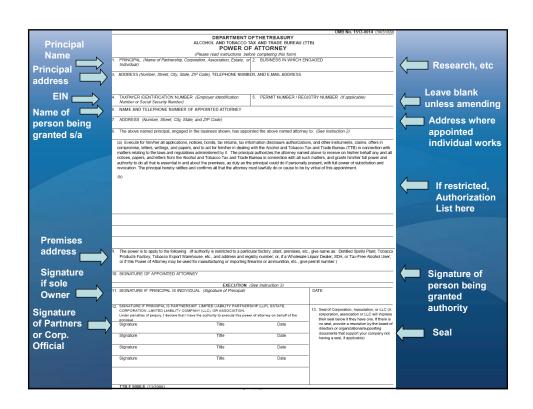




# Common Application Errors

- Block 4 Entity Name/State in which entity is organized
- Block 5 Where is alcohol used?
- Block 6 TF, not SDS
- Block 7 Annual withdrawal amount?
- Block 9 Specify uses
- Block 10 Why filed? What changed?
- Block 14/15 Signature Authority





	14	CKNOW EDGMENT WITNESSIN	G, OR DECLARATION (Complete 14a, 14b	or 14a)			
	14a. ACKNOWLEDGMENT	CONTOTYLLOGICAL, WITNESSIN	14b. WITNESSING	, or 140)			
	appeared before me today ar as his/her/their voluntary act	signing as or for the principal(s) d acknowledged this power of atton and deed. The notarial seal must b quired under the laws of the state w ated.	ney or persons known to, and in the nesses whose signatures appe	ned by or for the principal(s) by a person e presence of, the two disinterested wit- ar below:			
	NOTARIAL SEAL	otary or Other Officer	Signature of Witness	Date			
	(If required) Date	Title	Signature of Witness	Date			
Complete			ed practitioner who is granted the power of				
Complete	I declare that I am aware of the regulations of 31 CFR Part 8, that I am not currently under suspension or disbarment from practice before the Alcohol and Tobacco Tax and Trade Bureau, and that I am currently: (Check applicable box)						
either 14(a)	A member in good standing of the bar of the highest court of						
14(b) or	Qualified to practice as	a certified public accountant in1					
44/0)			Printe	ed Name			
14(C)	<sup>1</sup> Insert Name of State, Posse	ssion, or District of Columbia	Sign	nature			
			USE ONLY				
	DATE RECEIVED FOR FILING	DISTRICT	RECEIVED BY (Signature and Title)				
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			STRUCTIONS				
	graph (a) and listing the spec (b).  3. EXECUTION. This form must partie) as follows:  (a) INDIVIDUAL by list or her (b) PARTIERSHPI, LIMITED completes of item 12 by all histher authorization to provided by authorization and authorization and (c) CORPORATION or ASSOCIATION must sign in them 12 by an internal control of the control of for and attaching other su TE.  (b) LIMITED LABILITY COMP by all members or managers	ent the principal.  yie granted by paragraph 8(a). The dor estricted by deleting all of participation of the paragraph of the participation of the price signed by or on behalf of the price properties of the participation of item 11.  LABILITY PARTNERSHIP (LLP) by partners, or one partner who attach to behalf of all the partners unless the	of attorney relates to only one e reproduced by photographic print of the original of the original of the second of the original of the original of the original of the original of the concerning the principal about that effect in them 8(b).  6. REVOCATION. A power of at by the principal in written notic Center.  7. RULES. All persons represen- ted by the principal original original of the principal original original original original original original distribution.  7. RULES. All persons represen- tatives.  8. PAPERWORK REI This request is in accordance with the information collection is used to be original	u must comply with the regulations FFR PAT 601 or hose regulations as and any other applicable rules and DUCTION ACT NOTICE: the Paperwork Reduction Act of 1995, by TTB to ensure that only duly author- ents. The information is voluntary, sociated with this collection of informa- or recordkeeper, depending on rists concerning the accuracy of this			
	550 Main St, Ste. 8002, Cincin	Director, National Revenue Center, lati, OH 45202-5215. The original of d by the Director, National Revenue be returned to the principal. able to more than one business must be submitted for each.	Se Division, Alcohol and Tobacco Tax 20220. With An agency may not conduct or sprespond to, a collection of informat OMB control number.	and Trade Bureau, Washington, DC onsor, and a person is not required to tion unless it displays a current, valid  TTB F 5000.8 (11/2006)			
			Page 2 of 2	TIB F 5000.8 (17/2006)			

	DEPARTMENT OF THE TREASURY										
	ALCOHOL AND TOBACCO TAX AND TRADE BUREAU										
	SPECIAL TAX REGISTRATION AND RETURN										
	ALCOHOL AND TOBACCO										
		(Please Read Instructions Carefully Bebre Completing This Form)									
		SECTION I - TAXPAYER IDENTIFYING INFORMATION									
	instructions)						R TTB USE	ONLY			
	3. NAME (Last, Fi	NAME (Last, First, Middle) or CORPORATE NAME (If Corporation)									
	4. TRADE NAME							_			
	5. MAILING ADDI	5. MAILING ADDRESS (Street address or P.O. box number)									
	6. CITY	0 CITY STATE ZIP CODE T						-			
	6. 0111						FRIOD COV	EDING			
		ACTUAL LOCATION (IF DIFFERENT THAN ABOVE)					tax period pe				
	7. PHYSICAL ADI	DRESS OF PRINCIPAL PLACE OF BUSINES	iS (Show street address)			FROM					
							(mm/dd	(yyyy)			
	8. CITY	STATE		ZIP CODE		TO: It	TO: June 30,				
						10. 30		99)			
		SI	ECTION II - TAX COMPUTA	ATION			0,,,,				
	TAX CLASS	S DESCRIPTION (FOR ITEMS MARKED), SE		MONTHLY	ANNUAL	LOCATIONS	TAX DUE	CODE			
		(a)	E ING. TOO TOO TO	(b)	(o)	(d)	(e)	(f)			
	RETAIL	Liquors (Distilled spirits, wine or beer)		\$20.83 1/4	\$250	1 1		11			
	DEALER	Beer only		\$20.83 1/4	250			12			
		Liquors (Distilled Spirits, Wine or Beer) - at	large	\$20.83 1/,	250	1		15			
		Beer only - at large		\$20.83 1/4	250			18			
	WHOLESALE	Distilled spirits, wine or beer		\$41.88 %,	500	1		31			
	DEALER	Beer only		341.88 2/,	500			32			
	BREWER	Regular rate		\$83.33 1/4	1000			41			
		REDUCED rate*		\$41.66 %	500	1		43"			
	NONBEVERAGE (	DRAWBACK CLAIMANT			500			51	-		
	INDUSTRIAL	User of specially denatured alcohol		\$20.83 1/4	250	1 1		55			
	ALCOHOL	Dealer in specially denatured alcohol		\$20.83 1/3	250			56			
		User of tax-free alcohol	\$20.83 1/4 250			1 1		57			
	ALCOHOL	Proprietor of alcohol fuel plant		\$83.33 1/,	1000			58			
	PRODUCERS	Proprietor of alcohol fuel plant - REDUCED	,	341.88 %	500			59"			
		Proprietor of distilled spirits plant		\$83.33 1/4	1000			81	200		
		Proprietor of distilled spirits plant - REDUC	ED*	341.66 %	500			88*			
		Proprietor of bonded wine cellar		\$83.33 1/4	1000			82			
		Proprietor of bonded wine cellar - REDUCE	D*	\$41.88 %	500			87*	1		
		Proprietor of bonded wine warehouse		\$83.33 1/4	1000			83			
		Proprietor of bonded wine warehouse - REI	DUCED!	\$41.88 %	500			88*			
		Proprietor of taxpaid wine bottling house	70020	\$83.33 V.	1000			84			
		Proprietor of taxpaid wine bottling house - F	SEDITICED*	\$41.88 %	500			89"			
	TOBACCO	Manufacturer of tobacco products		\$83.33 V.	1000			91			
	PRODUCTS	Manufacturer of tobacco products - REDUC	'ED'	\$41.66 2/.	500			95"			
		Manufacturer of cigarette papers and tubes		\$83,33 1/4	1000			92			
		Manufacturer of cigarette papers and tubes		\$41.66 %	500		98"				
		Proprietor of export warehouse	- REDUCES	\$83,33 1/4	1000			93			
_		Proprietor of export warehouse - REDUCEI	D*	\$41.66 %	500			97*			
The state of the s	MAKE CHECK OF					OTAL TAX DUE	4				
	WRITE YOUR EM	MAKE CHECK OR MONEY ORDER PAYABLE TO "ALCOHOL AND TOBACCO TAX AND TRADE BUREAU", TOTAL TAX DUE \$ WRITE YOUR EMPLOYER IDENTIFICATION NUMBER ON THE CHECK AND SEND IT WITH THE RETURN TO TTB, P.O. BOX 371952, PITSBURGH, PA 15250-7962.									
		Under penalties of perjury. I declare that the statements in this return/registration are true and correct to the best of my knowledge and belief, that this return/registration applies only to the									
	specified business and 26, United States Code	Under prevailed of prejury, conclaims that the stdements in this installarity and the state of the state of the state of my increasing and other that this relative installarity and applies only to the business at the locations capitated in the state of the Note: Violation of Title opposition for the state of the Note: Violation of Title opposition for the state of th									
	SIGNATURE	TITLE			D	ATE					
	TTB F 5630.5 (5/2005)										
	3030.5 (5)	1000)									

		SECTION III - BUSINESS REGISTRATION					
	10. OWNERSHIP INFORMATION: INDIVIDUAL O	WINER PARTNERSHIP CORPORATION	LLC OTHER (Specify)				
	<ol> <li>OWNERSHIP RESPONSIBILITY: (Read instruction FULL NAME)</li> </ol>						
	POLENPINE	ADDRESS	POSITION				
	FULLNAME	ADDRESS	POSITION				
	POLLIVME	ADDRESS	Position				
	FULLNAME	ADDRESS	POSITION				
	FULL NAME	ADDRESS	POSITION				
	1 02210 302	7.0011200					
	FULL NAME	ADDRESS	POSITION				
	12. GROSS RECEIPTS less than \$500,000 (See	e instructions for reduced rate taxoavers on the instru	uction sheet below i	Transaction of the Control of the Co			
			DATE OF CHANGE (mm, dd, yyyy)				
	<ol> <li>NEW BUSINESS (NOTE: RETAILERS AND BEVERAGE SALES BEGAN; PRODUCERS BUSINESS COMMENCED)</li> </ol>	NWHOLESALERS SHOW DATE ALCOHOLIC S, MANUFACTURERS, AND USERS SHOW DATE	DATE OF CHANGE (IRII), 88, 9999)				
	14. EXISTING BUSINESS WITH CHANGE IN:			the second secon			
	(a) NAME/TRADE NAME (Indicate)		DATE OF CHANGE (mm, dd, yyyy)				
	(b) ADDRESS (Indicate)		DATE OF CHANGE (mm, dd, yyyy)				
	(c) OWNERSHIP (Indicate)		DATE OF CHANGE (mm, dd, yyyy)				
	(d) EMPLOYER IDENTIFICATION NUM (OLD:	MBER NEW: )	DATE OF CHANGE (mm, dd, yyyy)				
	(e) BUSINESSTELEPHONE NUMBER	1					
	15. DISCONTINUED BUSINESS		DATE BUSINESS DISCONTINUED (mm, dd, yyyy)				
		PAPERWORK REDUCTION ACT NOTICE					
	This request in it accordance with the Paperwork Reduction Act of 1995. This information is used to ensure compliance by laspayers of PL. 190-487. Technical Corrections Act of 1996, and the Internal Revenue Laws of the United States. This information collection is used to determine and collect the right amount of text.						
	The estimated average burden associated with this col stances. Comments concerning the accuracy of this by						
	Officer, Regulations and Rulings Division, Alcohol an						
	An agency may not conduct or sponsor, and a person i						
	number.						
	(SEE	INSTRUCTION SHEET)					
	(355						
		Page 2 of 2					



# Proper Storage Facilities

- Tanks and containers must be constructed and secured to prevent unauthorized access; equipped for locking when unattended; and have a means of accurately measuring the tax-free alcohol they contain (27 CFR 22.92).
- Alcohol should not be held indefinitely at the shipping address (central receiving dock or central stores) but deposited at the tax-free premises as soon as possible.

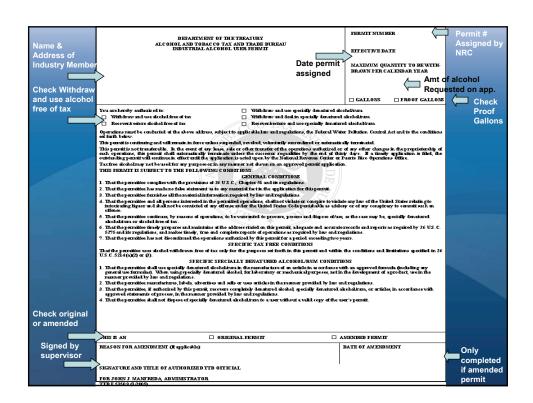






### **Receipts & Inventories**

- Tax-Free users are responsible for:
  - Verifying shipments are complete, and in the event of any loss in transit, file the required claim form per (27 CFR 22.125).
  - Maintaining a record of receipt at the address where tax-free alcohol is <u>used</u> per (27 CFR 22.113).
  - Conducting a semi-annual inventory of all tax-free alcohol per (27 CFR 22.162).





## Changes After Original Qualification

#### A. Change in Name – (27 CFR 22.61)

- 1. TTB Form 5150.22 or letterhead notice (27 CFR 22.57). The person who signs must have signing authority on file.
- 2. Amended Articles to show the name change.
- 3. Industry member will need to return their previous permit for disposition if it cannot be found they must notate in letterhead form that the permit cannot be located and if found will be returned to the NRC.
- Industry Member must file an amended Special Tax Registration and Return on TTB Form 5630.5 to record the new name. After July 1, 2008, there will not be SOT stamps to amend.

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## Changes After Original Qualification (Cont'd)

- B. Change in Location (27 CFR 22.63)
  - 1. TTB Form 5150.22 or letterhead notice.
  - 2. Industry member will need to <u>return their</u> previous permit to the NRC for disposition.
  - 3. Industry Member must file an amended Special Tax Registration and Return on Form TTB 5630.5 to record the new name. After July 1, 2008, there will not be SOT stamps to amend.



## Changes After Original Qualification (Cont'd)

#### C. Change in Withdrawal Allowance

- 1. TTB Form 5150.22 or a letterhead notice
- 2. If the industry member is increasing their annual withdrawal from <u>under</u> 1,500 pg to <u>over</u> 1,500 pg, they will need to submit all the supplemental corporate documentation that is required for an original application.

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## Changes After Original Qualification (Cont'd)

## D. Change in Stock Ownership (27 CFR 22.57(c)(3))

- 1. TTB Form 5150.22 or letterhead notice.
- 2. If the permit withdrawal amount is <u>over</u> 1,500 pg, a new listing of stockholders and stock information needs to be submitted to the NRC.
- \*\* ANY stock transfer that results in a change of control (27 CFR 22.58(b)), the permittee must file an application for a new permit within 30 days of the change.



## Changes After Original Qualification (Cont'd)

## E. Change in Proprietorship/Ownership (27 CFR 22.58(c))

- 1. The company has 10 days from the date of the change to notify the NRC in writing and 30 days to submit a new application.
- Permits are <u>NOT</u> transferable and the industry member must obtain a new permit in the same manner as an original qualification.

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# Lost or Misplaced Permit

- · You will need:
  - A letterhead notice requesting a certified copy of your permit signed by an authorized signer.



## Permanent Discontinuance

- Industry member will submit a letterhead notice that contains a request to cancel the permit and the date of discontinuance.
- You will need to surrender your original permit.
   If permit cannot be located, submit a statement to that effect.
- Provide a statement regarding the disposition of all tax-free and recovered alcohol in your inventory according to 27 CFR 22.154.

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27 CFR 22.68



## **Disposition**

- What can I do with tax-free alcohol still on hand, once I go out of business?
- YOU HAVE THREE CHOICES:
  - Return the spirits to a distilled spirits plant, as provided in § 22.151.
  - Destroy them, as provided in § 22.142.
  - Ship them to another tax-free user, in accordance with § 22.155.

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27 CFR 22.154



### **Review of Objectives**

- Determined the eligible and prohibited uses of tax-free alcohol
- Identified how to originally qualify for a tax-free permit
- Determined how to amend your existing permit application
- Reviewed the changes that must be reported to the NRC
- Learned the requirements for Discontinuance of Operations

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### **Contact Information**

· Mail your application to:

National Revenue Center 8002 Federal Office Bldg. 550 Main Street Cincinnati, OH 45202

• Phone: 1-877-882-3277 (toll free) or

1-513-684-7150

Online: www.ttb.gov