



The Good, The Bad and The Ugly: How to Correctly Pay Wine Excise Tax

Presented by
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Federal Wine Industry Taxes

- Excise Tax:
 - Tax rates, filing requirements
 - Small domestic wine producer credit
 - Records for taxpaid and untaxpaid removals
- Special Occupational Tax:
 - Suspension, registration, repeal

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Taxable Removals

- Tax attaches when wine is produced
- Tax is determined when wine is removed from bonded premises for consumption or sale
- Tax is paid at a later date
- Tax rate is based on alcohol content or production method

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Excise Tax Rates per Gallon

26 U.S.C. 5041	
Not over 14%	= \$1.07*
Over 14 to 21%	= \$1.57*
Over 21 to 24%	= \$3.15*
Artificially carbonated	= \$3.30*
Sparkling wine	= \$3.40
Hard cider	= \$.226*

*Small wine producer credit may be available on removals of these products.

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Excise Tax Periods

- 1st — 15th of the month
- 16th — end of the month
- September has three tax periods
- Quarterly tax period = 3 calendar months
- Annual tax period = calendar year

27 CFR 24.271

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Excise Tax Due Dates

- 14 days after close of tax period
- Saturday, Sunday, Holiday rule
- Quarterly return: 14 days after close of quarter
- Annual return: 30 days after close of year
- No tax return filed if no taxes due!

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Three September Tax Returns

EFT Taxpayers

- Sept. 1-15
 - Due Sept. 29
- Sept. 16-26
 - Also due Sept. 29
- Sept. 27-30
 - Due Oct. 14

Non-EFT Taxpayers

- Sept. 1-15
 - Due Sept. 29
- Sept. 16-25
 - Due Sept. 28
- Sept. 26-30
 - Due Oct. 14

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Safe Harbor Option for 2nd September Tax Period

- EFT Taxpayers:
 - 73.3% of taxes incurred Sept. 1-15 paid Sept. 29
 - Remaining taxes incurred Sept. 16-26 paid Oct. 14
- Non-EFT Taxpayers:
 - 66.7% of taxes incurred Sept. 1-15 paid Sept. 28
 - Remaining taxes incurred Sept. 16-25 paid Oct. 14

27 CFR 24.271(c)

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Quarterly Tax Payments

- Allowed if:
 - Taxes will total less than \$50,000 current year
 - Taxes totaled less than \$50,000 last year
 - Deferral bond coverage is sufficient
 - Paid 14 days after close of quarter
 - Removals are listed on Report Form 5120.17 as they occur

Quarterly Return Limits

- If Quarterly Return limits are exceeded:
 - Taxes must be paid right away
 - 14th-day filing schedule resumes
 - Eligibility is lost for the next year



Annual Tax Payments

- Allowed if:
 - Taxes will total less than \$1,000 current year
 - Taxes totaled less than \$1,000 previous year
 - Deferral bond coverage is sufficient
 - No additional deferral coverage is given
 - Paid 30 days after close of calendar year
 - Removals are listed on TTB Form 5120.17 as they occur

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Annual Return Limits

- If Annual Return limits are exceeded:
 - Taxes must be paid right away
 - 14th-day filing schedule resumes
 - Eligibility is lost for the next year
 - May be eligible for quarterly filing

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Deferral Bond Coverage

- Must be sufficient to cover taxes due but not yet paid
- Bi-monthly filers: 1 tax period + 14 days
- Quarterly filers: 3 months + 14 days
- Annual filers: must have \$1,000 bond
- File a strengthening or superseding bond if insufficient

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Electronic Fund Transfer (EFT)

- Required if excise tax will be \$5 million or more per year
- All members of a control group must EFT if total paid is \$5 million or more
- Funds are transferred electronically
- Tax Return, TTB Form 5000.24, is mailed or submitted through Pay.gov

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Filing the Return



Completion of the Return

- Serial number
- Return period
- Double-check the EIN
- Double-check the math
- Signer has signature authority

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OMB NO. 1519-0049 (4-30-2007)

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) EXCISE TAX RETURN <small>(Prepare in duplicate - See instructions below)</small>		1. SERIAL NUMBER
		2008-2
2. FORM OF PAYMENT <input checked="" type="checkbox"/> CHECK <input type="checkbox"/> MONEY ORDER <input type="checkbox"/> EFT <input type="checkbox"/> OTHER (Specify) _____		3. AMOUNT OF PAYMENT \$ 80.83
4. RETURN COVERS (Check one) <input type="checkbox"/> PREPAYMENT <input checked="" type="checkbox"/> PERIOD		NOTE: PLEASE MAKE CHECKS OR MONEY ORDERS PAYABLE TO THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (SHOW EMPLOYER IDENTIFICATION NUMBER ON ALL CHECKS OR MONEY ORDERS). IF YOU SEND A CHECK, SEE PAPER CHECK CONVERSION NOTICE BELOW.
BEGINNING <u>Jan 16, 2008</u> ENDING <u>Jan 31, 2008</u>		
5. DATE PRODUCTS TO BE REMOVED (For Prepayment Returns Only)		FOR TTB USE ONLY
6. EMPLOYER IDENTIFICATION NUMBER <u>99-12345xx</u>	7. PLANT, REGISTRY, OR PERMIT NUMBER <u>BWN-MN-150xx</u>	TAX \$ _____
8. NAME AND ADDRESS OF TAXPAYER (Include ZIP Code) Minnesota's Finest Winery (address) (address)		PENALTY _____
		INTEREST _____
		TOTAL \$ _____
		EXAMINED BY: _____
		DATE EXAMINED: _____
CALCULATION OF TAX DUE (Before making entries on lines 18 - 21, complete Schedules A and B)		
PRODUCT (a)	AMOUNT OF TAX (b)	
9. DISTILLED SPIRITS	\$	
10. WINE	508.78	
11. BEER		
12. CIGARS		
13. CIGARETTES		

Increasing, Decreasing Adjustments

SCHEDULE A - ADJUSTMENTS INCREASING AMOUNT DUE		
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS	
	(b) TAX	(c) INTEREST
30 Missed 2 cases on last tax return	\$ 4.75	
31		
32		
33 SUBTOTALS OF COLUMNS (b) and (c)	\$ 4.75	\$ 4.75
34 TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		
SCHEDULE B - ADJUSTMENTS DECREASING AMOUNT DUE		
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS	
	(b) TAX	(c) INTEREST
30 Approved Claim No. XX-XXXX for taxpaid wine returned to bond	\$ 101.60	
31		
32		
33 SUBTOTALS OF COLUMNS (b) and (c)	\$ 101.60	
34 TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$ 101.60

15. CHEWING TOBACCO AND/OR SNUFF			
16. PIPE TOBACCO AND/OR ROLL-YOUR-OWN TOBACCO			
17. TOTAL TAX LIABILITY (Total of lines 9-16)		\$ 508.78	
18. ADJUSTMENTS INCREASING AMOUNT DUE (From line 29)			
19. GROSS AMOUNT DUE (Line 17 plus line 18)		\$ 508.78	
20. ADJUSTMENTS DECREASING AMOUNT DUE (From line 34)		427.95	
21. AMOUNT TO BE PAID WITH THIS RETURN (Line 19 minus line 20)		\$ 80.83	

Under penalties of perjury, I declare that I have examined this return (including any accompanying explanations, statements, schedules, and forms) and to the best of my knowledge and belief it is true, correct, and includes all transactions and tax liabilities required by law or regulations to be reported.

22. DATE 2/14/08 23. SIGNATURE **Signature of person with POA** 24. TITLE Owner

SCHEDULE A – ADJUSTMENTS INCREASING AMOUNT DUE

EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS		
	(b) TAX	(c) INTEREST	(d) PENALTY
25.	\$		\$
26.			
27.			
28. SUBTOTALS OF COLUMNS (b), (c), and (d)	\$	\$	\$
29. TOTAL ADJUSTMENTS INCREASING AMOUNT DUE (Line 28, Col (b) + (c) + (d)) Enter here and on line 18.			\$

SCHEDULE B – ADJUSTMENTS DECREASING AMOUNT DUE

EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS	
	(b) TAX	(c) INTEREST
30. 475.5 gallons -14% @ \$.90 credit per gallon	\$ 427.95	\$
31.		
32.		
33. SUBTOTALS OF COLUMNS (b) and (c)	\$ 427.95	\$
34. TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$ 427.95

OMB No. 1519-0005 (04-30-2005)

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)
EXCISE TAX RETURN
(Prepare in duplicate – See instructions below)

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4. RETURN COVERS (Check one) <input type="checkbox"/> PREPAYMENT <input checked="" type="checkbox"/> PERIOD BEGINNING Jan 16, 2008 ENDING Jan 31, 2008	NOTE: PLEASE MAKE CHECKS OR MONEY ORDERS PAYABLE TO THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (SHOW EMPLOYER IDENTIFICATION NUMBER ON ALL CHECKS OR MONEY ORDERS). IF YOU SEND A CHECK, SEE PAPER CHECK CONVERSION NOTICE BELOW.	
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6. EMPLOYER IDENTIFICATION NUMBER 99-12345xx	7. PLANT, REGISTRY, OR PERMIT NUMBER BWN-MN-150xx	TAX \$
8. NAME AND ADDRESS OF TAXPAYER (Include ZIP Code) Minnesota's Finest Winery (address) (address)		PENALTY
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		TOTAL \$
		EXAMINED BY:
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CALCULATION OF TAX DUE (Before making entries on lines 18 – 21, complete Schedules A and B)

PRODUCT (a)	AMOUNT OF TAX (b)
9. DISTILLED SPIRITS	\$
10. WINE	508.78
11. BEER	
12. CIGARS	
13. CIGARETTES	

Small Domestic Wine Producer Credit



Small Domestic Wine Producer Credit

- Small — Not more than 250,000 gallons produced in a calendar year
- Domestic — U.S. produced wine
- Wine — Not useable on Spirits or Beer
- Producer — Wine must be produced

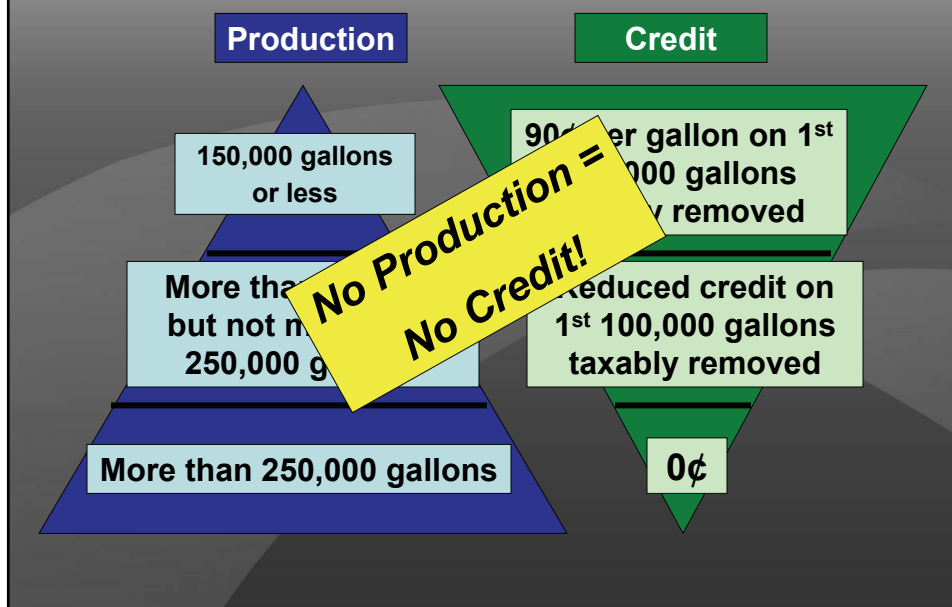
26 U.S.C. 5041(c);
27 CFR 24.278 - 279

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Important Terms

- What does “Produced” mean?
- When is wine considered “Produced?”
- Which wine is counted in the 100,000 gallon removal limit?

Annual Production and Credit Levels





May Credit be Used on Wine Received in Bond?

- Small winery must:
 - Make some wine itself
 - Make the taxable removal from its own premises
- May be blended with small winery's production or removed separately
- May be received in bulk or bottled

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Credit During First Year

- A new winery is not entitled to credit on removals until production is performed
- A claim may be filed for overpayment of tax after wine is produced
- Credit may be used from that point on, if eligible level of production is expected

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15. CHEWING TOBACCO AND/OR SNUFF			
16. PIPE TOBACCO AND/OR ROLL-YOUR-OWN TOBACCO			
17. TOTAL TAX LIABILITY (Total of lines 9-16)		\$ 508.78	
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33. SUBTOTALS OF COLUMNS (b) and (c)	\$	427.95	
34. TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$	427.95



Transferring the Credit

- Wine produced by the sender would be eligible for credit if taxpaid by the sender
- Wine was produced by the sending winery
- Producer holds title to the wine
- Transferee (the taxpayer) is provided information to permit proper use of the credit

26 U.S.C. 5041(c)(6)

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Necessary Information for the Transferee

- Would the wine be eligible for credit if the sending winery paid the tax itself?
- Does the sending winery hold title to the wine?
- What rate of credit should be used?
- If the wine is a blend, what percentage of the wine should the credit be used on?

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Compliance Concerns

- Small Wine Producer Credit:
 - No production
 - Use of credit by ineligible companies
 - Use of credit beyond the 100,000 gallon annual limit
 - Wrong amount of credit used
 - Credit transferred incorrectly

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Records Related to Tax Payments



Taxpaid Removals from Bond Record

- Records the volume removed from bond for consumption or sale
- An INVOICE can be an acceptable record
- Date of removal, name/address
- Volume, kind of wine, alcohol content
- Summarized daily to the nearest tenth of a gallon

27 CFR 24.310

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Taxpaid Wine Record

- Required when taxpaid wine is stored on bonded wine premises:
 - Record of receipt
 - Record of removals
 - Record of cases or containers filled

27 CFR 24.311

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Compliance Concerns

- Tax Records:
 - Incorrect amount paid
 - Incomplete taxpaid removal documents
 - Taxpaid removals not summarized daily by tax class to the nearest tenth of a gallon

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Untaxpaid Removals

- Testing on/off premises
- Tasting on premises
- Family use
- Destruction, breakage
- Official use of the Government
- Export out of U.S.
- Transfer in bond

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Exporting Out of the U.S.

- Untaxpaid export: TTB Form 5100.11 + proof that wine left the United States
 - Tax must be paid if proof of export is not obtained
- Taxpaid export: TTB Form 5120.24 + TTB Form 5120.20 + proof of export
 - Tax is not refunded if proof of exported is not obtained

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Transfer in Bond Record

- A shipping document can be sufficient:
 - Date, name/address, registry number of receiving wine premises
 - Volume, kind of wine, alcohol content, or tax class
 - Label information

27 CFR 24.309

Compliance Concerns

- Unpaid Removals:
 - Incomplete transfer in bond documents (registry number and address of receiver, alcohol content or tax class)
 - Insufficient evidence of removals for tasting, testing, breakage, family use
 - Late-filed and insufficient export documentation



Special Occupational Tax

- Collection of Special Occupational Tax from the wine industry is:
 - SUSPENDED for three years beginning July 1, 2005 and
 - REPEALED at the end of the three years (June 30, 2008) per Transportation Act signed August 2005
- Registration is still required by July 1 on TTB Form 5630.5R

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Summary

- Excise Tax:
 - Tax rates, filing requirements
 - Small domestic wine producer credit
 - Records for taxpaid and untaxpaid removals
- Special Occupational Tax:
 - Suspension, registration, repeal

Alcohol and Tobacco Tax and Trade Bureau



Contact Information

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