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New Industry Analyst for Distilled Spirits

By Donna Smith (202) 927-5000

Dave Bateman has over 29 years of experience with ATF. He started in Milwaukee as an inspector in 1973. He served as an officer-in-charge of 5 DSPs in St. Louis supervising on-premises inspectors prior to the all-in-bond concept of revenue collection. At that time, he was instrumental in phasing out on-premises supervision and instituting post audit all-in-bond examination techniques. From 1979 to 1989, Dave was a Special Inspector in Kansas City, Missouri where he devoted the majority of his time to investigating potential violations of the Federal Alcohol Administration (FAA) Act and training inspectors. From 1989 until 1999, Dave was a Special Operations Inspector where he led several key investigations in the fields of FAA, Firearms and Ammunition Excise Tax Collections and diversion of alcohol and tobacco products. He was the key developer of the national audit concept where companies with centralized databases, multiple manufacturing locations, and/or paperless on-line records can be examined uniformly as one company rather than individual plant locations paying excise tax separately. He is a certified fraud examiner and brings a wealth of information and innovation to his new position as Industry Analyst for Distilled Spirits. You can reach Dave at the following address: Bureau of ATF, Dave Bateman, 2600 Grand Avenue, Room 280, Kansas City, MO 64108, Phone: (816) 221-4426, Fax: (816) 221-3961. □

Health Claims Hearing in Washington, D.C.

By Jim Ficaretta (202) 927-8210



On April 25 and 26, we held the first of two scheduled hearings concerning health claims and other health-related statements in the labeling and advertising of alcohol beverages. Director Bradley Buckles chaired the hearing. We heard testimony from 22 people. In addition to Senator Strom Thurmond and the Surgeon General (Dr. David Satcher), we heard testimony from four physicians, several organizations (including the Center for Science in the Public Interest, the Competitive Enterprise Institute, the National Woman's Christian Temperance Union, and the National Council on Alcoholism and Drug Dependence), and several industry trade groups (including the Wine Institute, the Beer Institute, the American Vintners Association, and the Distilled Spirits Council of the United States). Our next hearing will be held on May 23 and 24 in San Francisco, CA. ATF will accept written (or e-mail) comments addressing our earlier notice on this subject (Notice No. 884), as well as comments addressing testimony presented at the hearings, until June 30, 2000. □



Organic Label References

By Susan Stewart (202) 927-8140

Recently, Alcohol Labeling & Formulation Branch specialists began to "qualify" all beverage alcohol labels that make organic references. This is being done because the U.S. Department of Agriculture (USDA) recently published a Notice of Proposed Rulemaking to propose regulations to set a national standard for the production and marketing of organically produced products, including beverage alcohol. Once the USDA regulations are finalized, previously approved certificates of label approval for products that make organic references will be revoked by operation of law. For more information, see "What's New" at www.atf.treas.gov/alcohol/index.htm. □

UPCOMING EVENTS

Representatives from ATF will attend the following events:

- May 23-24 Health Claims Hearings
Burlingame, CA
- May 18-20 National Alcohol Beverage Control Association, Inc's 63rd Annual Conference
Marco Island, FL
- June 3-5 National Conference of State Liquor Administrators
Dallas, TX

Major Source of Excise Tax Revenue

By Allen McClaskey (513) 684-3334

ATF regulates or services approximately 29,500 active industry members in twenty different categories of the alcohol and tobacco industries. Yet fewer than 5,000 of these businesses pay excise tax on a regular basis. In calendar Year 1999, the Bureau collected approximately \$12.1 billion in excise taxes. Almost ninety-eight percent of this amount came from only four of the industry categories that we regulate.

Category	# of Plants	% of Revenue
Manufacturers of Tobacco Products	156	42.9%
Breweries	1,778	26.2%
Distilled Spirits Plants	377	24.3%
Bonded Wineries	2,286	4.2%

□

Special Tax Annual Renewal

By Shirley Osborne (202) 927-8200

On May 5, ATF mailed preprinted Annual Special Tax Renewal Registration and Return packages for Tax Year 2001 to 294,372 taxpayers, totaling 405,847 business locations. A second renewal mailing will take place on June 6. Special tax is paid for each business location at a tax rate ranging from \$250 for alcohol beverage retail dealers to \$1,000 for alcohol and tobacco manufacturers and producers. Certain firearms importers and manufacturers also pay the tax.

Special tax is an occupational tax imposed by the Internal Revenue Code and ATF is responsible for collecting the tax. A tax return and payment is due upon initially commencing business activities and again each year by July 1. Special tax is different from many other taxes and is paid in advance of taxable business operations and not after the fact. It is important that taxpayers file their tax returns and pay special tax

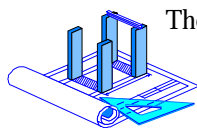
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timely to avoid penalty and interest payments.

Businesses liable for the special tax that have not received the preprinted forms by mid-June, should contact the nearest ATF Field Division or Headquarters Office to obtain forms and instructions. □

Big Plans for ALFB

By Susan Stewart (202) 927-8140



The Alcohol Labeling & Formulation Branch (ALFB) has undergone some extensive changes in the past few months and we still have more changes in mind. In March 2000, we realigned the branch in order to implement the recommendations of the Beverage Alcohol Streamlining Team (BAST). These changes have been successful; however, we have realized that in order to realize the full potential of the new system we must dedicate additional staffing to each of our business processes. In the near future, we plan to begin hiring additional specialists and clericals to enhance the functioning of each of our new teams.

Also, very soon the ALFB will be elevated from being a branch within the Alcohol & Tobacco Programs Division to become a division within the Office of Alcohol & Tobacco. This change is being made because ATF wishes to emphasize the importance of our mission to protect the public with regards to labeling and formulas and to improve the quality of all aspects of customer service we provide to you.

If you have any questions about these changes or the recent realignment of the branch, please call our customer service number at (202) 927-8140. □

Industry Alert

By Tom Busey (202) 927-8140

The Australian Wine and Brandy Corporation (AWBC) announced that Kingston Estate Wines, Australia's ninth-biggest wine exporter, has been found to have used silver nitrate to remove sulphurous smells from its wine. Adding trace amounts of copper sulphate is a legal

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and internationally acceptable technique used to remove this unpleasant by-product which occasionally occurs during fermentation. The addition of silver nitrate to accomplish this result is not permitted in Australia, or the United States. Although the AWBC indicated that no bottled wine has been exported to the U.S. by Kingston Estate Wines, we have been advised that they may have exported bulk wine to the U.S. We are asking that any U.S. importer company that has imported wine from Kingston Estate Wines immediately notify the Chief of the Import/Export Branch, Bureau of Alcohol, Tobacco and Firearms, in Washington, D.C., at (202) 927-8110.

Label Violations Found

By Debbie Lewis (202) 927-8130



ATF has always been committed to ensuring that alcohol beverage products introduced in interstate commerce are safe for consumption and are properly labeled and classified for tax purposes. Therefore, when ATF discovers that an industry member has failed to comply with the laws and regulations governing alcohol beverages, ATF takes action. Inspections conducted at the premises of three alcohol beverage industry members revealed products being introduced in interstate commerce without mandatory label information, no government warning statement, improper alcohol and net content, incorrect appellation of origin, and an alcohol beverage product that was misclassified as to the actual type of product. To ensure future compliance, ATF will suspend Diamond Hongs, Inc.'s basic permit for 45 days, Jean Claude Boisset U.S.A. Inc.'s basic permit for 5 days, William Wheeler Winery's basic permit for 5 days, and accept an offer-in-compromise of \$5,000 from Cadierno Corporation. ATF will continue to monitor alcohol beverage products that are sold in the marketplace and investigate when problems are found. You can read more information on-line in the ATF Quarterly Bulletin about the cases mentioned in this article and other cases via the following web-site www.atf.treas.gov/pub/index.htm#bulletins. □

The Office of the Assistant Director for Alcohol and Tobacco currently has a new fax number. Please direct faxes to this new number at (202) 927-5611.