



## New Tax Audit Division

By John Daffron (202) 927-5000

During August of this year, the Director and Executive Staff approved a proposal to establish a new "Tax Audit Division" within the Office of Alcohol and Tobacco. This new division will, when fully implemented, assume responsibility for field audits of excise taxpayers with annual tax liability over \$250,000.

This organizational change is intended to address concerns over decline in field audit activity in recent years and to ensure adherence to audit standards in the work performed. We believe that an effective and efficient audit program is in the best interest of both the Government and the industry. The industry benefits from a level playing field for all and from having errors and disputed tax matters resolved in a timely fashion before liabilities and penalties get out of hand. The Bureau benefits from the ability to assert with some level of confidence that it is fulfilling its obligation to collect all of the tax that is due.

Employees who have the requisite accounting qualifications for "auditor" positions will staff the new division. A division chief will exercise general management oversight from an office located in Bureau Headquarters with field offices strategically located throughout the country.

The plan is to phase in the new division over a 4 to 5 year period, opening one or two field offices at a time. The first office is targeted for Greensboro, North Carolina, during fiscal year 2002. The following year, two additional offices will be opened, with one on the West Coast and one in the Northeast. During each phase of implementation we will be visiting industry members in the affected

territory to answer questions and introduce our new audit staff. □

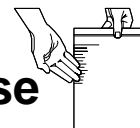


## E-Filing of Certificates of Label Approval and Formulas

By Tom Stewart (202) 927-8193

ATF previously announced a project to provide industry members a means to interact electronically with the Bureau by submitting and returning approved or rejected COLAs and formulas. This endeavor will be the first E-Government application for ATF. We have started the initial phases of development with the contractor. The requirements phase is scheduled to run through January 2002. Once ATF has identified our requirements, we will schedule meetings with industry members, as well as state regulatory agencies, to discuss these requirements. The design phase is scheduled to run from January-March. Development is to commence in the second quarter of 2002, with testing to begin in the third quarter. We will be looking to have industry members from all commodities, including importers, volunteer to assist with the testing. Electronic filing of COLAs and formulas is scheduled to be available to all industry members by January 2003. ATF is still working on an off line registration process to participate in electronic filing. We will continue to use this publication to provide updates on the progress of this important project, however, we are developing a site on our webpage ([www.atf.treas.gov](http://www.atf.treas.gov)) that will also have information on the development of electronic filing of COLAs and formulas. □

## Offers-in-Compromise



By Ed O'Toole (202) 927-8130

The Bureau has accepted two Offers-in-Compromise from Rabbit Ridge Vineyards Winery, Healdsburg, CA. The first offer was in the amount of \$750,000 to compromise violations relating to mislabeling wines, inaccurate record keeping, and operating as bonded winery and wholesaler without the proper permits required by the Federal Alcohol Administration Act. The second offer was in the amount of \$60,000 to compromise penalties relating to failure to properly file semi-monthly wine tax returns.

The Bureau has accepted a \$35,000 Offer-in-Compromise from Chambers & Chambers, Inc., a wholesaler operating in San Francisco, CA, and Honolulu, HI, to settle wine labeling violations. These violations occurred when they removed wine labels from bottles that had been shipped in interstate commerce and replaced them with different labels. They also received a shipment of unlabeled wine and falsely labeled that wine as well. □

## Using Copies of COLA Applications

By Susan Stewart (202) 927-8140

The Alcohol Labeling and Formulation Division has noticed an increase in the number of ATF Forms 5100.31, Application for and Certification/Exemption of Label/Bottle Approval (COLA), that are not identical to those provided by ATF. The regulations require generally that an approved COLA, ATF Form 5100.31, be obtained prior to the bottling, packing,

importation or removal of wine, distilled spirits or malt beverages from the plant where bottled or packed, or from Customs custody. As indicated in the instructions on the reverse of this form, only exact copies may be used in lieu of an original form.

In the past, copies of forms with smaller font sizes, misspelled or missing words, illegible print and other variations were accepted. Beginning January 31, 2002, these will no longer be accepted. Not only are these forms often inaccurate, but they also require substantially more time for label specialists to review, thus increasing processing time. Using the ATF original forms or photocopies thereof will benefit both the industry and the division.

Original ATF Forms 5100.31 may be obtained at no charge by contacting the ATF Distribution Center at (703) 455-7801. You may also download a PDF version of the form from the ATF Internet site: [www.atf.treas.gov/forms/pdfs/f510031.pdf](http://www.atf.treas.gov/forms/pdfs/f510031.pdf). Please note that if the form is printed from the internet site, 8.5" x 14" legal-size paper must be used.

In the next few weeks ATF will add a Microsoft Word version of this form to our web site. This version of the form will allow you to type the information required on the form on your computer, print it, attach your label(s) and mail or hand carry the application to ATF.

ATF is also developing paperless electronic filing of COLA forms which will enable you to submit the completed application via the internet, check the status of your applications, and receive a response on approval or rejection on-line. It is anticipated that this system will be available by January 2003.

We have also noticed an increase in the number of ATF F 5100.31's submitted without being completed in their entirety. Correctly completed forms enable label specialists to process the applications more efficiently and accurately.

Please help the Alcohol Labeling and Formulation Division maintain its efficiency by submitting correct versions of the form that contain all of the required information. If you have any questions, please contact ALFD Customer Service at (202) 927-8140, toll free (866) 927-ALFD (2533) or by email at [alfd@atfhq.atf.treas.gov](mailto:alfd@atfhq.atf.treas.gov). □

## Claims Filed

*By Joyce Thompson (513) 684-3334*

Recently we have been receiving a number of claims filed by tobacco importers on tobacco products that have been withdrawn from the market for destruction. These claims are filed for refund of the tax paid on tobacco products. When a tobacco importer prepares to file a destruction claim, he must first call an ATF field office to give ATF the opportunity to inspect the destruction. The claimant must file the ATF F 2635(5620.8) as well as ATF F 5200.7, Schedule of Tobacco Products, Cigarette Papers or Tubes Withdrawn from the Market. Claims that have been received requesting refund on shortages cannot be allowed by ATF as that is strictly an overpayment. Also, when processing these claims be sure that the claimant is not claiming on products that have been partially paid by the freight forwarder/airline. □

## Brewer's Bond

*By Anthony Heagney (513) 684-3334*

Every person intending to commence a brewery business must file a Brewer's Bond at the time of filing the original Brewer's Notice. A Brewer's Bond is effective for four years. If the brewery intends to continue operations, it must file a superseding bond or continuation certificate every four years. Failure to obtain a superseding bond or continuation certificate may lead to the brewery being placed on prepayment status. This means that excise tax payments will no longer be deferred and excise tax will be due before any beer is removed for sale or consumption. A brewery could also be instructed to cease and desist operations until a superseding bond or continuation certificate is received.

Breweries are reminded to ensure that they have proper bond coverage. Many breweries obtain the minimum \$1,000 bond when they begin business. As business increases, it is easily forgotten that the amount of the bond may also need to be increased. The amount of the bond is equal to ten percent of the maximum amount of tax that the brewer is liable to pay during a calendar year during the period of the bond. To

compute the bond amount, multiply the applicable beer tax rate by ten percent then by the number of barrels of beer to be removed:

- ◆ For transfer to the brewery from other breweries owned by the same brewer;
- ◆ Without tax payment for export or use as supplies on vessels and aircraft;
- ◆ Without tax payment for use in research, development, or testing; or
- ◆ For consumption or sale.

If you have any questions relating to your bond, or need assistance in determining the proper amount of your bond, call the National Revenue Center at (513) 684-2238. □

## Helpful Tips for Wineries

*By Scott Cain (513) 684-3334*

When completing your Report of Wine Premises Operations, ATF F 5120.17, formerly Form 702, the Wine Section would like to remind all of its industry members to be mindful of the following tips. Please use the Operating Name of your Winery along with your premise address and telephone number in the section marked "Operated By". If you do not use an operating name, use the "Owner Name". You must enter the month and the year the report covers. The Registry Number is in the following format, BW-CA-9999. Please leave out leading zeros in the registry number. We also ask that you include your EIN No. (employer identification number). There is no line for the EIN, but it is extremely useful to our office. Please enter the figures on the front and the back page with only two places behind the decimal point and do not use any negative numbers (i.e. minus signs or numbers in parenthesis). Please write legibly, as neatness counts! Always remember that the amount of gallons entered in the "removed taxpaid" lines on the operations report is the same amount of gallons that tax should be paid on the two (or three for Sept.) excise tax returns for that month. If you have any questions please do not hesitate to call the NRC at 1-800-398-2282 and ask for the Wine Section. □