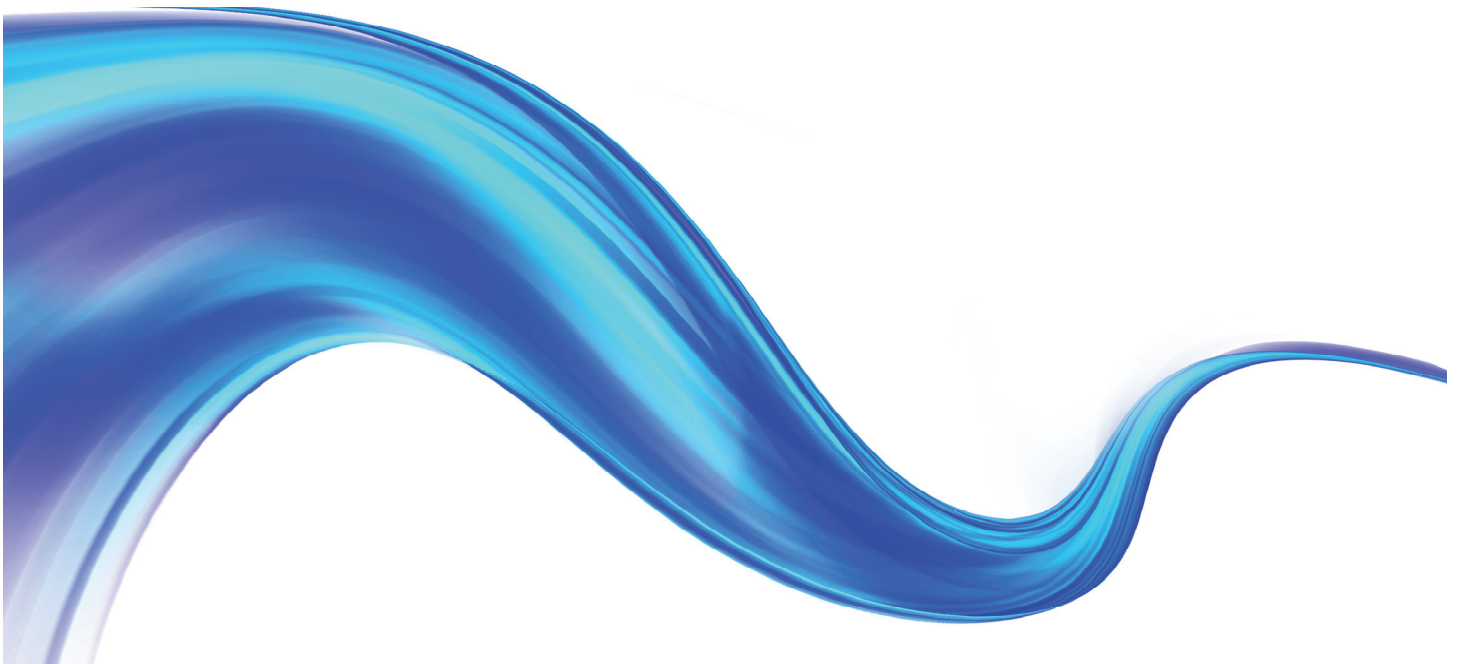


Department of The Treasury
Alcohol and Tobacco Tax and Trade Bureau

Information for Tax-free Alcohol Applicants



TAX-FREE ALCOHOL

Tax-free alcohol is the substance known as ethyl alcohol or ethanol having a proof of 190 degrees or more when withdrawn from the bonded premises of a distilled spirits plant free of tax, including all subsequent dilutions and mixtures of ethyl alcohol. You must have an industrial use permit is needed to procure or use tax-free alcohol.

This publication provides applicants with the information necessary to file an application for an industrial use permit to receive and use tax-free alcohol.

USERS OF TAX-FREE ALCOHOL

Tax-free alcohol may be procured and used for authorized purposes only by:

- The United States
- State and local government agencies
- The District of Columbia
- Any scientific university or college of learning
- Any educational institution exempt from income tax under section 501(a) of the Internal Revenue Code
- Any laboratory for use exclusively in scientific research
- Any hospital, sanitarium, blood bank, or any pathological laboratory exclusively engaged in making analyses or tests for hospitals or sanitariums
- Any clinic operated for charity and not for profit

USES OF TAX-FREE ALCOHOL

Tax-free alcohol may be used for scientific, medicinal and mechanical purposes, and in the treatment of patients. Some specific uses which fall under these general categories are: sterilizing solutions, antiseptics, compounding prescriptions, and preparation of specimens.

PROHIBITED USES OF TAX-FREE ALCOHOL

- Tax-Free alcohol may not be withdrawn and used for beverage purposes, or in any food product, or in any preparation used in preparing a beverage or a food product.
- Tax-Free alcohol may not be sold.
- Tax-Free alcohol may not be used in the manufacture of any product which will be sold or in any product resulting from the use of tax-free alcohol which will be sold. Hospitals, sanitariums, or clinics may, however, make a separate charge for medicines compounded on the premises and dispensed to patients for use on the premises.
- Tax-Free alcohol may not be removed from the premises unless the removals are specifically

authorized by the terms of the permit. This also applies to products resulting from the use of tax-free alcohol.

- However, products made through the use of tax-free alcohol which contain no alcohol may be removed to other premises for the sole purpose of further research.
- Also, medicines compounded by a clinic operated for charity and not for profit may be used off clinic premises for treatment of its patients if the medicine is not sold and no fee or other charge is made for furnishing the medicine to the patient.
- Tax-Free alcohol may not be given to doctors for use in their private practice by hospitals even though the doctor has an office in the hospital.

If you intend to use only small amounts of tax-free alcohol, consider purchasing taxpaid alcohol from a liquor dealer or using reagent alcohol, if possible. Reagent alcohol may be obtained from most laboratory supply houses. Taxpaid alcohol or reagent alcohol can be obtained without any type of permit.

If you obtain reagent alcohol in containers exceeding 4 liters, you must file a letterhead application with the TTB, Director, National Revenue Center or Chief, Puerto Rico Operations Section.

TO APPLY FOR A PERMIT TO USE TAX-FREE ALCOHOL, SUBMIT:

- TTB F 5150.22, Application for Industrial Alcohol User Permit
- Supporting data listed under *Other Requirements*, if applicable

OTHER REQUIREMENTS

Applicants who wish to obtain **more than 1,500 proof gallons** of tax-free alcohol per year must file the following:

Sole Owner ---

- Name and address of each person with an interest in the business (whether interest appears in his/her name or in the name of another person or business entity for him/her)

Partnership ---

- Name and address of each person with an interest in the business (whether interest appears in his/her name or in the name of another person or business entity for him/her)
- Certified true copy of the articles of partnership or association, if any, or certificate of partnership or association where required to be filed by any State, county, or municipality

Corporation ---

- Certified copy of **either** the certificate of incorporation **or** authorization to operate in the State where the premises are located, if other than the State of incorporation
- Certified list of names and addresses of all officers and directors
- Statement designating corporate officers responsible for tax-free alcohol activities
- Number of shares and par value of each class of stock, and the voting rights of each
- Names and addresses of persons owning 10% or more of each of the classes of stock, and the nature and amount of stockholding or interest of each
- List of titles of offices whose incumbents are responsible for tax-free alcohol activities and authorized by articles of incorporation, the bylaws or by the board of directors to act and sign on behalf of the applicant

Signature Authority ---

When a person, other than the sole owner of a business, files any document with TTB, the applicant must provide evidence that the person who signed the document is authorized to do so.

Evidence of signature authority may be furnished by submitting:

- TTB F 5000.8, Power of Attorney, for each person who will have signature authority (the Form 5000.8 itself must be signed by a person who is authorized to do so)
OR, in lieu of TTB F 5000.8
- **Partnership ---** Certified copy of the partnership agreement delegating authority to sign
- **Corporation ---** TTB F 5100.1, Signing Authority for Corporate and LLC Officials, if signature authority is granted in the articles of incorporation, the bylaws, or granted by a resolution adopted by the board of directors (the wording must be specific in granting authority to sign applications and other documents required to be filed with TTB in connection with tax-free alcohol); or, other evidence that the corporation has given signature authority to an individual or to an office
- State, county or municipal agencies --- Copies of resolutions, excerpts from ordinances or charters, or a statement submitted by the head of the department, bureau, or commission, designating the name or official title of the person or persons authorized to sign

Trade Names ---

- List of trade names under which operations will be conducted and the States where these names are registered

OR

- Statement that the State does not require registration or approval of trade or fictitious name

Storage Facilities ---

- Sufficient capacity to hold maximum quantity on hand at any one time
- Constructed and secured to prevent unauthorized access
- Stationary storage tanks must be equipped with a means for accurately measuring the tax-free alcohol

Stills ---

- List all stills used for the recovery or redistillation of alcohol on TTB F 5150.22, Application for Industrial Alcohol User Permit

Right of Entry and Examination ---

Under the law, TTB officers may enter your premises during regular business hours to inspect records and reports and take samples of tax-free alcohol in order to assure compliance with the law and regulations

Special (Occupational) Tax ---

Starting July 1, 2008, Special Tax is permanently repealed for all tax-free users. After that date, you no longer owe the \$250 annual tax.

Tax liability incurred prior to the repeal remains due and collectable. TTB Form 5630.5a, Alcohol Special (Occupational) Tax Registration and Return, may be used to file and pay any delinquent taxes.

APPROVED APPLICATIONS

If your application is approved, you will receive:

- A copy of your application and supporting data which, along with all records, must be kept readily available for inspection by TTB officers.
- An industrial alcohol user permit designating the activities permitted and the limitations imposed, if any.

When placing your first order, you must make a copy of your permit and provide the copy to each supplier establishing proof that you are authorized to receive tax-free alcohol. You must sign, date and write the word "copy" on the face of the photocopied permit before you send it to the supplier.

Each subsequent order for tax-free alcohol must include your permit number along with a statement that you possess a valid permit to withdraw tax-free alcohol, a copy of which is on file with the supplier.

Your supplier cannot ship tax-free alcohol to you until they are in possession of a signed copy of a valid permit (TTB F 5150.9), unless TTB's National Revenue Center authorizes the shipment.

When you are not using your permit to make copies, it must be kept posted, available for inspection on the premises covered by the permit.

RECORDS

You must maintain records of your receipt and use of tax-free alcohol, and take a physical inventory of the alcohol on a semi-annual basis.

You must monitor your withdrawals to ensure that the cumulative quantity withdrawn or received during a calendar year does not exceed the amount authorized by your permit. If you need more alcohol than your permit allows, you must obtain from TTB an updated permit authorizing the appropriate amount, and provide to your supplier a copy of the updated permit.

Anyone removing, selling, transporting or using tax-free alcohol in violation of the law or regulations will be required to pay the distilled spirits tax on the alcohol.

REFERENCES

Regulations for the receipt and use of tax-free alcohol are found in 27 CFR Part 22. Copies of the Code of Federal Regulations (CFR) are for sale online at <http://bookstore.gpo.gov/> or by writing the Superintendent of Documents, PO Box 371954, Pittsburgh, PA 15250-7954.

You may also access these regulations and related laws at <http://www.ttb.gov/other/regulations.shtml> and http://www.ttb.gov/rpd/authority_uscode.shtml.

AMENDMENTS

You may have problems getting alcohol if you fail to apply for an amended permit when there is a change

in your permit application information or there is a change that affects information in the terms of your permit (i.e. a change in ownership or control of the organization or business). You may not procure tax-free alcohol unless your supplier possesses a current, up-to-date copy of your permit.

You must also make sure that the authority you grant to individuals or incumbents to certain positions, to represent you in permit-related matters, is correct. If you fail to keep this authority current, it may delay the processing of amended applications as well as alcohol orders. See the section on Signature Authority for more information.

DISCONTINUING BUSINESS

If you permanently discontinue operations under your permit, you must give written notice to the National Revenue Center, surrender your permit, and properly dispose of all alcohol you have on hand before the National Revenue Center terminates your permit.

You must also retrieve all photocopies of your permit from suppliers and destroy them.

FOR FURTHER INFORMATION:

If your operations are located in the continental U.S., please mail your application and related documents to:

Alcohol and Tobacco Tax and Trade Bureau
Director, National Revenue Center
550 Main St, Ste 8002
Cincinnati, OH 45202-5215
Toll Free 1-877-TTB-FAQS (1-877-882-3277)
(513)-684-7150
Email: ttbtaxfree@ttb.treas.gov

If your operations are located in Puerto Rico or Virgin Islands, please mail your application and related documents to:

Alcohol and Tobacco Tax and Trade Bureau
National Revenue Center
Chief, Puerto Rico Operations Section
Ste 310, Torre Chardon
350 Carlos Chardon Ave
San Juan, PR 00918-2124
Telephone: 787-766-5584
Fax: 787-766-6426