

Title 27: Alcohol, Tobacco and Firearms

PART 19

DISTILLED SPIRITS PLANTS (DSP)

(Exerpts from TTB Regulations pertaining to Experimental DSPs – Visit [www.ttb.gov](http://www.ttb.gov) and search the Code of Federal Regulations, Part 19 for a complete copy of applicable regulations.)

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**Authority:**

19 U.S.C. 81c, 1311; 26 U.S.C. 5001, 5002, 5004–5006, 5008, 5010, 5041, 5061, 5062, 5066, 5081, 5101, 5111–5113, 5142, 5143, 5146, 5148, 5171–5173, 5175, 5176, 5178–5181, 5201–5204, 5206, 5207, 5211–5215, 5221–5223, 5231, 5232, 5235, 5236, 5241–5243, 5271, 5273, 5301, 5311–5313, 5362, 5370, 5373, 5501–5505, 5551–5555, 5559, 5561, 5562, 5601, 5612, 5682, 6001, 6065, 6109, 6302, 6311, 6676, 6806, 7011, 7510, 7805; 31 U.S.C. 9301, 9303, 9304, 9306.

**Source:**

T.D. ATF–198, 50 FR 8464, Mar. 1, 1985, unless otherwise noted.

**Editorial Note:**

Nomenclature changes to part 19 appear by T.D. ATF–463 and T.D. ATF–462, 66 FR 42733, 42736, Aug. 15, 2001.

## Subpart D - Administrative and Miscellaneous Provisions

### Activities Not Subject to This Part

#### § 19.63 Pilot operations.

The appropriate TTB officer may waive any regulatory provisions of [26 U.S.C. Chapter 51](#), and of the regulations in this part, for temporary pilot or experimental operations for the purpose of facilitating the development and testing of improved methods of governmental supervision (necessary for the protection of the revenue) over plants. For this purpose, the appropriate TTB officer may, with the approval of the proprietor thereof, designate any plant for such operations. The provision of law and regulations waived and the period of time during which such waiver shall continue shall be stated in writing by the appropriate TTB officer. The provisions of this section shall not be construed as authority to waive the filing of any bond or the payment of any tax, including special (occupational) tax, provided for in [26 U.S.C. Chapter 51](#).

(Sec. 201, Pub. L. 85–859, 72 Stat. 1395, as amended ([26 U.S.C. 5554](#)))

[T.D. ATF–198, 50 FR 8464, Mar. 1, 1985, as amended by T.D. ATF–271 53 FR 17543, May 17, 1988]

#### § 19.64 [Reserved]

#### § 19.65 Experimental distilled spirits plants.

The appropriate TTB officer may authorize the establishment and operation of experimental plants for specific and limited periods of time solely for experimentation in, or development of—

- (a) Sources of materials from which spirits may be produced;
- (b) Processes by which spirits may be produced or refined; or
- (c) Industrial uses of spirits.

The appropriate TTB officer may waive any provision of [26 U.S.C. Chapter 51](#) (other than [26 U.S.C. 5312](#)) and of this part (other than this section and [§19.66](#)) to the extent he deems necessary to effectuate the purposes of [26 U.S.C. 5312\(b\)](#), except that he may not waive the payment of any tax on spirits removed from such plant. A proprietor of an experimental distilled spirits plant established under this section is subject to special (occupational) tax under [subpart Ca](#) of this part and shall hold a separate special tax stamp to cover the experimental operations.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1375, as amended ([26 U.S.C. 5312](#)))

[T.D. ATF–198, 50 FR 8464, Mar. 1, 1985, as amended by T.D. ATF–271 53 FR 17543, May 17, 1988]

#### § 19.66 Application to establish experimental plants.

Any person desiring to establish an experimental plant shall make written application to the appropriate TTB officer and obtain approval of the proposed establishment. The applicant shall file with such application a bond in such form and penal sum as required by the appropriate TTB officer. The application shall state the nature, extent, and purpose of the operations to be conducted and describe the operations and equipment, the location of the plant (including the proximity to other premises or operations subject to the provisions of [26 U.S.C. Chapter 51](#)) and the security measures to be provided. The appropriate TTB officer may require the submission of additional information as he deems necessary. The appropriate TTB officer shall not permit operations until he has found that the plant conforms to the specifications set forth in the application, as approved, and the applicant has complied with provisions of [26 U.S.C. Chapter 51](#), and this part not specifically waived by the appropriate TTB officer.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1375, as amended ([26 U.S.C. 5312](#)))

#### § 19.70 Exemptions to meet the requirements of National defense.

The appropriate TTB officer may temporarily exempt proprietors from any provision of the internal revenue laws or this part relating to spirits except those requiring payment of tax thereon whenever in his judgement it is expedient to do so to meet the requirements of the National defense.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1397, as amended ([26 U.S.C. 5561](#)))

#### § 19.71 Experimental or research operations by scientific institutions and colleges of learning.

- (a) **General.** The appropriate TTB officer may authorize any scientific university, college of learning, or institution of scientific research to produce, receive, blend, treat, test, and store spirits, without payment of tax, for experimental or research use but not for consumption (other than organoleptic tests) or sale, in quantities as may be reasonably necessary for such purposes. The appropriate TTB officer may waive any provision of [26 U.S.C. Chapter 51](#) (other than [26 U.S.C. 5312](#)), or this part (other than this section) to the extent necessary to effect the purposes of [26 U.S.C. 5312\(a\)](#), except he may not waive the payment of any tax on distilled spirits removed from any university, college, or institution. A person conducting

experimental or research operations authorized under this section is subject to special (occupational) tax under [subpart Ca](#) of this part and shall hold a special tax stamp to cover the experimental or research operations.

- (b) **Qualification.** Any university, college, or institution desiring to conduct any of the experimental or research operations listed in the preceding paragraphs shall make written application, to the appropriate TTB officer and obtain approval of the proposed operations. The applicant shall file with the application a bond in a form and penal sum as required by the appropriate TTB officer. The application shall state the nature, extent, and purpose of the operations to be conducted and describe the operations and equipment, the location at which operations will be conducted (including identification of the building or buildings, or the portions thereof to be used), and the security measures to be provided. The appropriate TTB officer may require any additional information. Operations shall not be commenced until authorized by the appropriate TTB officer.
- (c) **Records.** Reports concerning the operations need not be submitted unless required by the appropriate TTB officer, but records of the quantities of spirits produced, received, and used each day shall be made and retained for inspection by appropriate TTB officers.
- (d) **Discontinuance of operations.** When operations authorized by the appropriate TTB officer are discontinued, all remaining spirits shall be disposed of by destruction. When these spirits have been destroyed, notice of the discontinuance of operations shall be given to the appropriate TTB officer.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1375, as amended ([26 U.S.C. 5312](#)))

[T.D. ATF–198, 50 FR 8464, Mar. 1, 1985, as amended by T.D. ATF–271, 53 FR 17543, May 17, 1988]

#### **§ 19.81 Right of entry and examination.**

Any appropriate TTB officer may at all times, as well by night as by day, enter any distilled spirits plant, or any other premises where distilled spirits operations are carried on, or structure or place used in connection therewith for storage or other purposes; to make examination of the materials, equipment, and facilities thereon; and make such gauges and inventories as he deems necessary. Whenever any appropriate TTB officer, having demanded admittance, and having declared his name and office, is not admitted into such premises by the proprietor or other person having charge thereof, he may at all times, use such force as is necessary for him to gain entry to such premises.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1357, as amended ([26 U.S.C. 5203](#)))

## **Subpart H - Bonds and Consents of Surety**

### **§ 19.231 Filing of operations or unit bonds.**

Every person intending to establish a distilled spirits plant shall file an operations or unit bond as prescribed in this subpart, covering distilled spirits operations at such plant, with the appropriate TTB officer, at the time of filing the original application for registration of the plant, and at such other times as are required by this part. Such bond shall be conditioned that he shall faithfully comply with all provisions of law and regulations relating to activities covered by such bond, will pay all taxes imposed by [26 U.S.C. Chapter 51](#), and shall pay all penalties incurred or fines imposed for violation of any such provisions. The appropriate TTB officer may require, in connection with any operations or unit bond, a statement, executed under the penalties of perjury, as to whether the principal or any person owning, controlling, or actively participating in the management of the business of the principal has been convicted of or has compromised any offense set forth in [§19.237\(a\)\(1\)](#) or has been convicted of any offense set forth in [§19.237\(a\)\(2\)](#). In the event the above statement contains an affirmative answer, the applicant shall submit a statement describing in detail the circumstances surrounding such conviction or compromise. No person shall commence or continue distilled spirits operations at such plant unless he has a valid operations or unit bond (and consent of surety, if necessary), as required in respect of such operations by this part.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1394, as amended ([26 U.S.C. 5551](#)); sec. 805(c), Pub. L. 96–39, 93 Stat. 276 ([26 U.S.C. 5173](#)))

[T.D. ATF–198, 50 FR 8464, Mar. 1, 1985; 50 FR 23410, June 4, 1985]

### **§ 19.232 Additional condition of operations bond.**

In addition to the requirements of [§19.231](#), the operations bond shall be conditioned on payment of the tax now or hereafter in force, except as provided by law, including taxes on all unexplained shortages of bottled distilled spirits.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 ([26 U.S.C. 5173](#)))

### **§ 19.233 Corporate surety.**

- (a) Surety bonds required by this part may be given only with corporate sureties holding certificates of authority from, and subject to the limitations prescribed by, the Secretary as set forth in the current revision of Treasury Department Circular 570 (Companies Holding Certificates of Authority as Acceptable Sureties on Federal

Bonds and as Acceptable Reinsuring Companies).

- (b) Treasury Department Circular No. 570 is published in the Federal Register yearly as of the first workday of July. As they occur, interim revisions of the circular are published in the Federal Register. Copies may be obtained from the Audit Staff, Bureau of Government Financial Operations, Department of the Treasury, Washington, DC 20226.

(Ch. 390, Pub. L. 80–280, 61 Stat. 648 as amended (31 U.S.C. 9304, 9306))

#### § 19.234 Deposit of securities in lieu of corporate surety.

In lieu of corporate surety, the principal may pledge and deposit, as surety for his bond, securities which are transferable and are guaranteed as to both interest and principal by the United States, in accordance with the provisions of 31 CFR part 225.

(Ch. 390, Pub. L. 80–280, 61 Stat. 650 (31 U.S.C. 9301, 9303))

#### § 19.235 Consents of surety.

Consents of surety to changes in the terms of bonds shall be executed on Form 1533 by the principal and by the surety with the same formality and proof of authority as is required for the execution of bonds.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

#### § 19.236 Filing and execution of powers of attorney.

- (a) **Filing.** Each bond, and each consent to changes in the terms of a bond, shall be accompanied by a power of attorney authorizing the agent or officer who executed the bond or consent to so act on behalf of the surety. The appropriate TTB officer who is authorized to approve the bond may require additional evidence of the authority of the agent or officer to execute the bond or consent.
- (b) **Execution.** The power of attorney shall be prepared on a form provided by the surety company and executed under the corporate seal of the company. If the power of attorney submitted is other than a manually signed original, it shall be accompanied by certification of its validity.

(Ch. 390, Pub. L. 80–280, 61 Stat. 648 (31 U.S.C. 9304, 9306))

#### § 19.237 Disapproval of bonds or consents of surety.

- (a) **Disapproval.** The appropriate TTB officer may disapprove any bond or consent of surety submitted in respect to the operations of a distiller, warehouseman, or processor, if the principal or any person owning, controlling, or actively participating in the management of the business of the principal shall have been previously convicted, in a court of competent jurisdiction of—

- (1) Any fraudulent noncompliance with any provision of any law of the United States, if such provision related to internal revenue or customs taxation of spirits, wines, or beer, or if such an offense shall have been compromised with the person on payment of penalties or otherwise, or
- (2) Any felony under a law of any State or the District of Columbia, or the United States, prohibiting the manufacture, sale, importation, or transportation of spirits, wine, beer, or other intoxicating liquor.

- (b) **Appeal.** Where a bond or consent of surety is disapproved by the appropriate TTB officer, the person giving the bond may appeal to the Administrator, who will hear such appeal. The decision of the Administrator shall be final.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1394, as amended (26 U.S.C. 5551))

#### §§ 19.238-19.240 [Reserved]

#### § 19.241 Operations bond—distilled spirits plant and adjacent bonded wine cellar.

- (a) **General.** A wine cellar under the provisions of 27 CFR part 24 shall be treated as being adjacent to a distilled spirits plant if—
- (1) Such distilled spirits plant is qualified under subpart G for the production of distilled spirits; and
  - (2) Such wine cellar and distilled spirits plant are operated by the same person (or in the case of a corporation, by such corporation and its controlled subsidiaries). For the purpose of this section a controlled subsidiary is a corporation where more than 50 percent of the voting power is controlled by the parent corporation.
- (b) **Bond in lieu of wine cellar bond.** In the case of an adjacent bonded wine cellar, a bond furnished under this subpart which covers operations at such bonded wine cellar shall be in lieu of any bond which would otherwise be required under 26 U.S.C. 5354 with respect to such wine cellar (other than supplemental bonds required under the second sentence of 26

U.S.C. 5354) and the operations bond listed in §19.245(a)(1).

- (c) **Liability.** Bonds given under this section shall contain the terms and conditions of the bonds in lieu of which they are given. The total amount of such operations bond shall be available for the satisfaction of any liability incurred under the terms or conditions of such bond.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

[T.D. ATF–198, 50 FR 8464, Mar. 1, 1985, as amended by T.D. ATF–299, 55 FR 24989, June 19, 1990]

#### § 19.242 Area operations bond.

Any person (or, in the case of a corporation, a corporation and its controlled subsidiaries) operating more than one plant in a region may give an area operations bond covering the operation of any two or more of such plants, and any bonded wine cellars which are adjacent to such plants and which otherwise could be covered by an operations bond. For the purpose of this section, a controlled subsidiary is a corporation where more than 50 percent of the voting power is controlled by the parent corporation. Bonds given under this section shall be in lieu of the bonds which would be required under §19.245(a) and shall contain the terms and conditions of such bonds. If the area operations bond covers the operations of more than one corporation, each corporation shall be shown as principal, and the bond shall be signed for each corporation. The total amount of the area operations bond shall be available for the satisfaction of any liability incurred under the terms or conditions of such bond.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

#### § 19.243 Withdrawal bond.

Any person (or, in the case of a corporation, a corporation and its controlled subsidiaries) operating one or more distilled spirits plants within a region and who intends to withdraw spirits from bond on determination, but before payment, of the tax shall, before making any such withdrawal, furnish a withdrawal bond to secure payment of the tax on all spirits so withdrawn. Such bond shall be in addition to the operations bond, and if the distilled spirits are withdrawn under the withdrawal bond, the operations bond shall no longer cover liability

for payment of the tax on the spirits withdrawn. For the purpose of this section, a controlled subsidiary is a corporation where more than 50 percent of the voting power is controlled by the parent corporation. The bond, if it covers more than one plant, shall show as to each plant covered by the bond the part of the total sum which represents the penal sum (computed in accordance with §19.245) for each such plant. If the penal sum of the bond covering a plant, or the penal sum allocated to any plant (where the bond covers more than one plant), is in an amount less than the maximum prescribed in §19.245, withdrawals from such plant shall not exceed the quantity permissible, as reflected by the penal sum in the bond for such plant. Such withdrawal bond shall be conditioned that the total amount of the bond shall be available for satisfaction of any liability incurred under the terms and conditions of such bond.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

#### § 19.244 Unit bond.

Any person (or, in the case of a corporation, a corporation and its controlled subsidiaries) who would otherwise be required to give bonds for both operations at one or more distilled spirits plants (and any adjacent bonded wine cellars) and withdrawals from one or more distilled spirits plants within a region may, in lieu of furnishing separate bonds for operations and withdrawals, furnish a unit bond containing the terms and conditions of the bonds in lieu of which it is given. For the purpose of this section, a controlled subsidiary is a corporation where more than 50 percent of the voting power is controlled by the parent corporation. The unit bond shall show as to each plant covered by the bond the part of the total sum which represents the penal sum (computed in accordance with §19.245) for operations at and withdrawals from each plant. If the penal sum of the bond covering a plant, or the penal sum allocated to any plant (if the bond covers more than one plant), is in an amount less than the maximum prescribed in §19.245, operations at and/or withdrawals from such plant shall not exceed the quantity permissible as reflected by the penal sum in the bond for such plant. The unit bond shall be conditioned that the total amount of the bond shall be available for satisfaction of any liability incurred under the terms and conditions of such bond.

(Sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

**§ 19.245 Bonds and penal sums of bonds.**

The bonds, and the penal sums thereof, required by this subpart, are as follows:

**Penal Sum**

Type of bond	Basis	Minimum	Maximum
(a) <b>Operations bond:</b> (1) <b>One plant bond_</b> (i) Distiller .....	The amount of tax on..... <b>spirits</b> • produced during a period of 15 days.	\$5,000	\$100,000
(ii) Warehouseman: (A) General .....	The amount of tax on..... <b>spirits and wines</b> • deposited in, • stored on, and • in transit to bonded premises.	5,000	200,000
(B) Limited to storage of ..... spirits in packages to a total of not over 50,000 proof gallons.	do.....	5,000	50,000
(iii) Distiller and warehouseman .....	The amount of tax on..... <b>spirits</b> • produced during a period of 15 days, and the amount of tax on <b>spirits and wines</b> • deposited, in • stored on, and • in transit to bonded premises.	10,000	200,000
(iv) Distiller and processor .....	The amount of tax on..... <b>spirits</b> • produced during a period of 15 days, and the amount of tax on	10,000	200,000

Type of bond	Basis	Minimum	Maximum
	<b>spirits, denatured spirits, articles, and wines</b> <ul style="list-style-type: none"> <li>• deposited in,</li> <li>• stored on, and</li> <li>• in transit to bonded premises.</li> </ul>		
(v) Warehouseman and processor: (A) General .....	The amount of tax on..... <b>spirits, denatured spirits, articles, and wines</b> <ul style="list-style-type: none"> <li>• deposited in,</li> <li>• stored on, and</li> <li>• in transit to bonded premises.</li> </ul>	10,000	250,000
(B) Limited to storage of ..... spirits or denatured spirits in packages to a total of not over 50,000 proof gallons,  and processing of spirits or denatured spirits so stored.	do.....	10,000	50,000
(VI) Distiller, warehouseman,..... and processor.	The amount of tax on..... <b>spirits</b> <ul style="list-style-type: none"> <li>• produced during a period of 15 days, and</li> </ul> the amount of tax on <b>spirits, denatured spirits, articles, and wines</b> <ul style="list-style-type: none"> <li>• deposited in,</li> <li>• stored on, and</li> <li>• in transit to bonded premises.</li> </ul>	15,000	250,000
(2) <b>Adjacent bonded wine cellars</b>  (i) Distiller and bonded wine cellar.....	The sum of ..... <ul style="list-style-type: none"> <li>• the amount of tax calculated in (a)(1)(i)</li> </ul> and with respect to bonded wine cellar operations, <ul style="list-style-type: none"> <li>• the amount of tax on <b>wines and wine spirits</b> <ul style="list-style-type: none"> <li>• possessed and</li> <li>• in transit.</li> </ul> </li> </ul>	6,000	150,000

Type of bond	Basis	Minimum	Maximum
(ii) Distiller, warehouseman and ..... bonded wine cellar.	The sum of ..... <ul style="list-style-type: none"> <li>the amount of tax calculated in (a)(1)(iii)</li> </ul> and with respect to bonded wine cellar operations, <ul style="list-style-type: none"> <li>the amount of tax on <b>wines and wine spirits</b> <ul style="list-style-type: none"> <li>possessed and</li> <li>in transit.</li> </ul> </li> </ul>	11,000	250,000
(iii) Distiller, processor and bonded ..... wine cellar.	The sum of ..... <ul style="list-style-type: none"> <li>the amount of tax calculated in (a)(1)(iv)</li> </ul> and with respect to bonded wine cellar operations, <ul style="list-style-type: none"> <li>the amount of tax on wines and wine spirits</li> <li>possessed and</li> <li>in transit.</li> </ul>	11,000	250,000
(iv) Distiller, warehouseman, processor and bonded wine cellar.	The sum of ..... <ul style="list-style-type: none"> <li>the amount of tax calculated in (a)(1)(vi)</li> </ul> and with respect to bonded wine cellar operations, <ul style="list-style-type: none"> <li>the amount of tax on wines and wine spirits</li> <li>possessed and</li> <li>in transit.</li> </ul>	16,000	300,000
<b>(b) Area operations bond:</b>	The penal sum shall be calculated in accordance with the following table:		

Total penal sums as determined under (a)	Requirements for penal sum of area operations bond
Not over \$300,000	100 percent.
Over \$300,000 but not over \$600,000	\$300,000 plus 70 percent of excess over \$300,000.
Over \$600,000 but not over \$1,000,000	\$510,000 plus 50 percent of excess over \$600,000.
Over \$1,000,000 but not over \$2,000,000	\$710,000 plus 35 percent of excess over \$1,000,000.
Over \$2,000,000	\$1,060,000 plus 25 percent of excess over \$2,000,000.

Type of bond	Basis	Minimum	Maximum
(c) <b>Withdrawal bond:</b> (1) One plant qualified for distilled spirits operations.	The amount of tax which, at any one time, is chargeable against such bond but has not been paid.	1,000	1,000,000
(2) Two or more plants in a region qualified for distilled spirits operations.	Sum of the penal sums for each plant calculated in (c)(1) of this section.	(1)	(2)
(d) <b>Unit bond:</b> (1) Both operations at ..... <ul style="list-style-type: none"> <li>• a distilled spirits plant</li> <li>• (and any adjacent bonded wine cellar)</li> </ul> and withdrawals from <ul style="list-style-type: none"> <li>• the bonded premises of the same distilled spirits plant.</li> </ul>	Total penal sums of ..... <ul style="list-style-type: none"> <li>• (a) and</li> <li>• (c)(1) of this section.</li> </ul>	6,000	1,300,000
(2) Both operations at ..... <ul style="list-style-type: none"> <li>• two or more distilled spirits plants</li> <li>• (and any adjacent bonded wine cellar) within the same region</li> </ul> and withdrawals from <ul style="list-style-type: none"> <li>• the bonded premises of the same distilled spirits plants.</li> </ul>	Total penal sums of ..... <ul style="list-style-type: none"> <li>• (b) and</li> <li>• (c)(2) of this section in lieu of which given.</li> </ul>	(3)	(4)

\1\ Sum of the minimum penal sums required for each plant covered by the bond.

\2\ Sum of the maximum penal sums required for each plant covered by the bond. (The maximum penal sum for one plant is \$1,000,000.)

\3\ Sum of the minimum penal sums for operations and withdrawal bonds required for each plant covered by the bond.

\4\ Sum of the maximum penal sums for area operations bonds and withdrawal bonds required for the plants covered by the unit bond.

(Sec. 805(c), Pub. L. 96-39, 93 Stat. 276 (26 U.S.C. 5173))

[T.D. ATF-198, 50 FR 8464, Mar. 1, 1985; 50 FR 23410, June 4, 1985]

**§ 19.246 Strengthening bonds.**

In all cases when the penal sum of any bond becomes insufficient, the principal shall either give a strengthening bond with the same surety to attain a sufficient penal sum, or give a new bond to cover the entire liability. Strengthening bonds will not be approved where any notation is made thereon which is intended, or which may be construed, as a release of any former bond, or as limiting the amount of any bond to less than its full penal sum. Strengthening bonds shall show the current date of execution and the effective date.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1394, as amended (26 U.S.C. 5551); sec. 805(c), Pub. L. 96–39, 93 Stat. 276 (26 U.S.C. 5173))

**Subpart I - Construction, Equipment and Security**

**§ 19.271 Construction of buildings**

Buildings in which spirits, denatured spirits, articles, or wines are produced, stored, or processed shall be constructed with substantial material (e.g., masonry, concrete, wood, metal, etc.), and arranged, equipped, and protected to provide adequate security to the revenue.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended) (26 U.S.C. 5178))

**§ 19.272 Equipment.**

The proprietor shall provide equipment suitable for the operations conducted on the distilled spirits plant. The equipment shall also meet the needs for revenue protection.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended) (26 U.S.C. 5178))

**§ 19.273 Tanks.**

(a) **General.**

- (1) Tanks used as receptacles for spirits, denatured spirits, or wines shall be located, constructed, and equipped to be suitable for the intended purpose and to allow ready examination.
- (2) An accurate means of measuring the contents of each tank shall be provided by the proprietor.
- (3) When a means of measuring is not a permanent fixture of the tank, the tank shall be equipped with a fixed device to allow the approximate contents to be determined readily.
- (4) Tanks used for determining the tax imposed by 26 U.S.C. 5001 shall be mounted on

scales and an additional suitable device shall be provided so that the volume of the contents can be quickly and accurately determined.

- (5) The proprietor shall install walkways, landings and stairways which will permit safe access to all parts of a tank.
- (6) Tanks in which gauges required by this part are to be made shall not be used until they are accurately calibrated and a statement of certification of accurate calibration is included in the notice of registration.
- (7) If tanks or their fixed gauging devices are moved in location or position subsequent to original calibration, the tanks shall not be used until recalibrated.
- (8) All tanks shall be equipped or situated so that they may be locked or otherwise secured.
- (9) Any tank vents, flame arresters, foam devices, or other safety devices shall be constructed to prevent extraction of spirits or wines.

(b) **Scale tanks.**

- (1) Beams or dials of scale tanks used for determining the tax imposed by 26 U.S.C. 5001 shall have minimum graduations not greater than the following:

Quantity to be weighed	Minimum Graduation
Not exceeding 2,000 pounds.....	1/2\ pound;
Between 2,000 and 6,000 pounds .....	1 pound;
Between 6,000 and 20,000 pounds .....	2 pounds;
Between 20,000 and 50,000 pounds .....	5 pounds;
Over 50,000 pounds. ....	10 pounds.

- (2) For scales having a capacity greater than 2,000 pounds, the minimum quantity which may be entered onto the weighing tank scale for gauging for tax determination shall be the greater of
  - (i) 1,000 times the minimum graduation of the scale or
  - (ii) 5 percent of the total capacity of the weighing tank scale.

(3) The weighing of lesser quantities for determination of tax may be authorized by the appropriate TTB officer where the beam of the scale is calibrated in 1/2 pound or 1 pound graduations and it is found by actual test that the scales break accurately at each graduation.

(4) Lots of spirits weighing 1,000 pounds or less shall be weighed on scales having 1/2 pound graduations.

(c) **Testing of scale tanks.**

(1) Proprietors shall ensure the accuracy of scales used for weighing lots of spirits or denatured spirits through tests conducted at intervals of not more than 6 months, and whenever scales are adjusted or repaired.

(2) Proprietors shall also test, at least once a month, the gallonage represented to be in a scale tank against the gallonage indicated by volumetric determination of the contents of the tank. However, if the scale is not used during a month the volumetric determination need only be verified at the next time actually used.

(3) The volumetric determination shall be made in accordance with [27 CFR part 30](#), and if the variation exceeds 0.5 percent of the quantities shown to be in the tank, the proprietor shall take appropriate steps to have the accuracy of the scale verified.

(4) When an appropriate TTB officer determines that a tank scale may be inaccurate, the proprietor shall have the accuracy of the scale tested.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1320, as amended, 1358, as amended, 1391, as amended ([26 U.S.C. 5006, 5204, 5505](#)))

**§ 19.274 Pipelines.**

(a) **General.**

(1) Pipelines for the conveyance of spirits, denatured spirits, articles, or wines shall be of permanent character and constructed, connected, arranged, and secured so as to afford adequate protection to the revenue and to permit ready examination. However, the appropriate TTB officer may approve pipelines which may not be readily examined if no jeopardy to the revenue is created.

(2) Where a pipeline connection must be flexible, a hose may be used if connected and secured so as to protect the revenue.

(b) **Identification.** The appropriate TTB officer may require permanent pipelines for conveyance of

spirits or denatured spirits to be color coded to provide identification.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended ([26 U.S.C. 5178](#)))

**§ 19.275 Continuous distilling system.**

The distilling system shall be continuous, and designed, constructed, and connected in such a manner as to prevent the unauthorized removal of distilled spirits.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended ([26 U.S.C. 5178](#)))

**§ 19.276 Package scales.**

Proprietors shall ensure the accuracy of scales used for weighing packages of spirits through tests conducted at intervals of not more than 6 months or whenever scales are adjusted or repaired. However, if the scales are not used during such period, the scales need only be tested prior to use. Scales used to weigh packages designed to hold 10 wine gallons or less shall indicate weight in ounces or in hundredths of a pound.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1358, as amended ([26 U.S.C. 5204](#)))

**§ 19.277 Measuring devices and proofing instruments.**

(a) **General.** Proprietors shall provide for their own use accurate hydrometers, thermometers, and other necessary equipment to determine proof or volume.

(b) **Instruments.** Hydrometers and thermometers used by proprietors to gauge spirits shall show subdivisions or graduations of proof and temperature which are at least as delimited as those prescribed in [27 CFR part 30](#). Proprietors shall make frequent tests of their hydrometers and thermometers, and, if they appear to be in error in excess of one subdivision, the instruments shall not be used until they are further tested and certified as accurate by the manufacturer or another qualified person.

(c) **Meters.** The appropriate TTB officer may approve applications to measure spirits by meter for purposes other than tax determination. Applications shall include sufficient technical data, such as the make, model and accuracy tolerance, to enable the appropriate TTB officer to evaluate the suitability of the meter for its intended use. Corrections for temperature of the spirits being measured shall be made in conjunction with the volumetric measurement of spirits by meter. If a meter does not have a temperature compensating feature, temperature correction shall be ascertained and made from a

representative sample taken from the spirits being measured.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1358, as amended (26 U.S.C. 5204))

**§ 19.278 Identification of structures, areas, apparatus, and equipment.**

- (a) Each room or enclosed area where spirits, denatured spirits, articles, wine, distilling or fermenting materials, or containers are held, and each building, within the plant, shall be appropriately marked with a distinguishing number or letter.
- (b) Each tank or receptacle for spirits, denatured spirits, or wine shall be marked to show a unique serial number and capacity.
- (c) Each still, fermenter, cooker, and yeast tank shall be numbered and marked to show its use.
- (d) All other major equipment used for processing or containing spirits, denatured spirits, or wine, or distilling or fermenting material, and all other tanks, shall be identified as to use unless the intended purpose is readily apparent.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended (26 U.S.C. 5178))

**§ 19.279 Office facilities.**

- (a) If the appropriate TTB officer assigns on a continuing basis an appropriate TTB officer to a plant to supervise operations, the proprietor shall provide an office at the distilled spirits plant for the exclusive use of appropriate TTB officers in performing their duties. The office shall be provided with adequate office furniture, lighting, ventilation, heating, and toilet and lavatory facilities. A secure cabinet, fitted for locking with a Government lock and of adequate size, shall also be provided by the proprietor. The office, facilities, and equipment provided by the proprietor shall be subject to the approval of the appropriate TTB officer. Where suitable facilities are otherwise available, the appropriate TTB officer may waive the requirements for a separate Government office.
- (b) If an appropriate TTB officer is not assigned to a plant on a continuing basis, the appropriate TTB officer may require the proprietor to provide for Government use a cabinet as specified in paragraph (a) of this section.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended (26 U.S.C. 5178))

**§ 19.280 Signs.**

The proprietor shall place and keep conspicuously on the outside of his place of business a sign showing the name of the proprietor and denoting the business, or businesses, in which engaged.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1355, as amended (26 U.S.C. 5180))

**§ 19.281 Security.**

- (a) **General.** The proprietor shall provide adequate security measures at the distilled spirits plant to protect the revenue.
- (b) **Buildings.** The buildings, rooms, and partitions shall be constructed of substantial materials. Doors, windows, or any other openings to the building shall be secured or fastened during times when distilled spirits plant operations are not being conducted.
- (c) **Outdoor tanks.** Outdoor tanks containing spirits, denatured spirits, or wine shall be individually locked or locked within an enclosure when they are not in use.
- (d) **Indoor tanks.** Indoor tanks containing spirits, denatured spirits, or wines or the rooms or buildings in which they are housed, shall be equipped so that they may be secured.
- (e) **Approved locks.**
  - (1) Approved locks shall be used to secure:
    - (i) Outdoor tanks containing spirits in the storage account or on an enclosure around such tanks;
    - (ii) Indoor tanks containing spirits in the storage account or on the door from which access may be gained from the outside to the rooms or buildings in which such tanks are housed; and
    - (iii) Any doors from which access may be gained from the outside to rooms or buildings containing spirits in portable bulk containers in the storage account.
  - (2) Approved locks shall meet the following minimum specifications:
    - (i) Corresponding serial number on the lock and on the key, except for master key locking systems;
    - (ii) Case hardened shackle at least one-fourth inch in diameter, with heel and toe locking;
    - (iii) Body width of at least 2&inch;;
    - (iv) Captured key feature (key may not be removed while shackle is unlocked);
    - (v) Tumbler with at least 5 pins; and

(vi) Lock or key contains no biting data.

Master key locking systems may be used at the option of the proprietor. Locks meeting the specifications in this section are approved locks for the purpose of **26 U.S.C. 5682**. Proprietors who wish to use locks of unusual design, which do not meet the specifications in this part, shall submit an example or prototype of the lock to the appropriate TTB officer, with a request that the lock be approved for use. The appropriate TTB officer may require submission of the lock for testing prior to approval.

- (f) **Additional security.** Where the appropriate TTB officer finds the construction, arrangement, equipment, or protection inadequate, additional security shall be provided (i.e., fences, flood lights, alarm systems, guard services) or changes in construction, arrangement, or equipment shall be made to be extent necessary to protect the revenue.

(Sec. 201, Pub. L. 85–859, 72 Stat. 1353, as amended, 1410, as amended (**26 U.S.C. 5178, 5682**); sec. 806, Pub. L. 96–39, 93 Stat. 279 (**26 U.S.C. 5202**))

**§ 19.282 Breaking Government locks.**

Where affixed, Government locks shall not be removed without the authorization of the appropriate TTB officer, except where a person or property is in imminent danger from a disaster or other emergency. When a disaster or other emergency occurs, and it is impractical to first obtain authorization from an appropriate TTB officer, Government locks may be removed, by the proprietor, or by police or firefighters. When such action is taken, the proprietor shall see that security measures are taken to prevent illegal removal of spirits and, as soon as practical, shall notify the appropriate TTB officer of the action taken and submit within 5 days a written report, executed under the penalties of perjury, describing the emergency and the action.

(Sec. 806, Pub. L. 96–39, 93 Stat. 279 (**26 U.S.C. 5202**))