

PART V
ADMINISTRATIVE, PROCEDURAL, AND
MISCELLANEOUS MATTERS

26 CFR 601.301: Imposition of taxes, qualification requirements, and regulations. Rev. Proc. 64-35

(Also Part III-A, Section 5555; 173.15, 175.74, 194.221, 195.177, 197.130, 198.121, 201.611, 211.202, 213.171, 231.114, 240.913, 245.225, 250.163, 250.272, 251.133, 252.45.)

(Also Part III-B, Section 5741; 270.181, 275.139, 280.127, 285.101, 290.142.)

Guidelines for record requirements to be followed in cases where part or all of the records required by regulations issued under chapter 51 (Distilled Spirits, Wines, and Beer) and chapter 52 (Tobacco, Cigars, Cigarettes, and Cigarette Papers and Tubes) of the Internal Revenue Code of 1954 are maintained within the taxpayer's automatic data processing system.

SECTION 1. PURPOSE.

.01 The purpose of this Revenue Procedure is to set forth guidelines specifying the basic record requirements which the Internal Revenue Service considers to be essential where a proprietor or permittee operating under chapter 51 (Distilled Spirits, Wines, and Beer) or chapter 52 (Tobacco, Cigars, Cigarettes, and Cigarette Papers and Tubes) of the Internal Revenue Code of 1954 maintains records within an automatic data processing (ADP) system. For the purpose of this Revenue Procedure, ADP systems include all accounting systems which process all or a part of the records, transactions, or other applicable data of a proprietor or permittee by other than manual methods.

.02 Because the technology of ADP is evolving rapidly, these guidelines are not intended to restrict the uses made by proprietors and permittees except where such uses would result in noncompliance with record-keeping requirements of the regulations.

SEC. 2. BACKGROUND.

The inherent nature of ADP is such that it may not be possible to trace transactions from source documents to end results, or to reconstruct a given account, unless the system is designed to provide audit trails. Under regulations issued under chapter 51 of the Code, it is necessary that records of transactions be such as will enable any Internal Revenue Service officer to verify and trace the production, receipt, storage, and disposition of distilled spirits, wine, and beer, and certain other products made with or containing wine or distilled

spirits, and to ascertain whether there has been compliance with the law and regulations. Similarly, under regulations issued under chapter 52 of the Code, it is necessary that records of specified operations and transactions, and the auxiliary and supplemental records from which such records are compiled, be maintained by the proprietor or permittee and be made available for inspection by any Internal Revenue Service officer upon his request.

SEC. 3. OBJECTIVES.

Modern machine accounting systems are capable of recording business transactions much more rapidly and with greater accuracy than manual systems, and they are capable of retaining and producing vast amounts of data. The ability to produce in legible form, when needed, the data necessary to meet the requirements of law and regulations must be carefully considered in designing and programming a machine system. This factor may add to the complexity of the system and require additional cost, but this cost may be negligible when compared to the expense that may later be incurred if the system cannot practically and readily provide the required information.

SEC. 4. RECORD GUIDELINES.

.01 ADP accounting systems will vary, just as manual systems vary, to meet the needs of a particular proprietor or permittee. However, the procedures built into a computer's accounting program must include a method of producing from the punched cards or tapes visible and legible records which will provide the necessary details required by the regulations covering the respective operations, or such details must be available in supplemental records.

.02 In determining the adequacy of records required by regulations issued under chapter 51 and chapter 52, of the Code, maintained within an automatic data processing system, the Service will consider as acceptable those systems which comply with guidelines for record requirements as follows:

(1) The records maintained by ADP must be supplemented by such other records as are necessary, so that the entire record system will fully comply with the requirements of the applicable regulations.

(2) The records must provide the opportunity to trace any transaction back to the original source or forward to a final total. If printouts are not made of transactions at the time they are processed, the system must have the ability to reconstruct these transactions.

(3) The system must be such that the information required by the regulations can be readily furnished without delay.

(4) Adequate record retention facilities must be available for storing tapes and printouts as well as all applicable supporting

documents. These records must be retained in accordance with the provisions of the Code and the regulations prescribed thereunder.

(5) A description of the ADP portion of the accounting system should be available. The statements and illustrations as to the scope of operations should be sufficiently detailed to indicate (a) the application being performed, (b) the procedures employed in each application (which, for example, might be supported by flow charts, block diagrams, or other descriptions of input or output procedures), and (c) the controls used to insure accurate and reliable processing. Once an ADP system is installed, important changes, together with their effective dates, should be noted in order to preserve an accurate chronological record.

SEC. 5. NOTIFICATION TO ASSISTANT REGIONAL COMMISSIONER.

As indicated in section 3, inadequate coverage at the time an ADP system is installed can prove costly. Therefore, proprietors and permittees are encouraged to notify the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax, in advance of installation of ADP, giving him the details of the records involved and the proposed method preparation and retention so that he can, to the extent possible, determine in advance the adequacy of the records.

SEC. 6. INQUIRIES.

Comments or inquiries relating to this Revenue Procedure should be addressed to the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax.