

## Three Convicted of Alcohol-Tax Evasion

**Convicted!**

By Tami Light (202) 927-3580

Deepak Kumar, 41; Miguel Delgado, 42; and Jose Luis Bermudez, 58, were found guilty of conspiracy to defraud the United States by evading excise taxes on distilled spirits. The defendants operated a sophisticated scheme which began with ordering 26,000 cases of tax-free alcohol from a U.S. producer, exporting the alcohol to Honduras, re-importing the same alcohol to a bonded warehouse in Miami allegedly for re-exportation to Guatemala and Venezuela, and then ended with the diversion of the alcohol to Buffalo, New York, where it was sold within the United States. Approximately \$800,000 in Federal excise taxes was evaded as a result of this scheme. The men are scheduled to be sentenced on June 25, 2001. They face a maximum of five years in prison each on at least 20 counts of conviction. These convictions send a strong message that those who seek to evade taxes on alcohol and unlawfully profit from not paying those taxes will be vigorously prosecuted. □

## National Craft Brewers Conference

By Jeannette Compton (202) 927-8130



Representatives from the Office of Alcohol and Tobacco and the Seattle Field Division attended the National Craft Brewers Conference and BrewExpo America held in Portland, Oregon, April 5-7, 2001. The ATF booth was staffed by Specialist Di-Anne Fletcher of the Market Compliance Branch, Roger Bowling, Chief, National Revenue Center, and Inspector Bernie Kipp. Susan Stewart, Chief, Alcohol Labeling and Formulation Division made a presentation to approximately 40 craft brewers at their national convention. The presentation covered the basics of malt beverage labeling, statement of process requirements, and proposed Federal labeling initiatives. □

## Offer-in-Compromise

By Jeannette Compton (202) 927-8130

**Suspended!**

The Director, Industry Operations, New York Field Division, accepted an Offer-in-Compromise (OIC) of \$300,000 from Diamond Hong, Inc., Brooklyn, New York. Diamond Hong, Inc. caused the importation, into the United States, of distilled spirits that did not contain the required Government Warning statement on the labels. The proprietor obtained the distilled spirits through an affiliate company. In addition to the OIC, Diamond Hong, Inc. served a 45-day suspension. □

## Vit Area Public Reading File

By Nancy Sutton (415) 744-9420



The Regulations Division is issuing a General Notice announcing that copies of the comments generated by California Coast viticultural area Notice of Proposed Rulemaking (NPRM) will be available for public viewing in San Francisco, CA, until the rulemaking process is complete. The California Coast proposed area covers approximately 22,000 square miles of predominantly California coastline area, from Mexico to north of San Francisco in Mendocino County, and encompasses 67 ATF-approved viticultural areas. The NPRM comment period closes April 25, 2001, and 131 letters have been received as of April 10, 2001, with a wide majority opposing the petition.

Viewing of the petition, the proposed regulations, the appropriate maps, and any written, e-mail or fax comments received is available through Specialist Nancy Sutton (415-744-9420) at 221 Main Street, 11<sup>th</sup> Floor, San Francisco, CA. The comments, only, are also available during normal business hours at the ATF Reading Room in Washington, DC.

The San Francisco ATF office does not have comments related to any other ATF notices. □

### ATF PARTICIPANTS IN APRIL/MAY EVENTS

#### April 27-30

Wine and Spirits Wholesalers of America (WSWA) 58<sup>th</sup> Annual Convention  
San Francisco, California

#### May 8

Meeting of the Joint Committee of the States  
Arlington, Virginia

#### May 16-20

National Alcohol Beverage Control Association  
La Quinta, California

## Temporary Rule



By Robert Ruhf (202) 927-8210

ATF published a temporary rule (T.D. ATF-444, 66 FR 13849) on March 8, 2001. This rule eliminates ATF on-site supervision of tobacco products and cigarette papers and tubes of Puerto Rican manufacture that are shipped from Puerto Rico to the United States and related ATF forms. Specifically, this rule eliminates the requirements that persons who ship such articles notify ATF prior to the shipment. It also eliminated the requirement that an ATF officer inspects, certifies that the amount of tax on such articles has been calculated correctly for, and releases each shipment. As a result, ATF eliminated four forms. However, this rule requires that persons who ship such articles maintain records. ATF required these records so that the amount of tax is calculated and recorded for audit and examination. ATF also published a notice of proposed rulemaking (Notice No. 912, 66 FR 13864). This notice invites comments on this rule by May 7, 2000. □

## Re-Opening of Comment Period



By Wanda Burgraff and Lynne Gittes (202) 927-8140

We reopened the comment period on the proposed revision of the COLA form, "Application for Certification/Exemption of Label/Bottle Approval," ATF F 5100.31.

As highlighted in our original notice, we are proposing only minor revisions to the front of the COLA form. The wording of Items 7, 16 and 17 is slightly modified for clarification purposes.

Our draft of the back of the COLA form, however, differs dramatically from the current COLA form. The instructions for completing the form and conditions of approval are restructured. The conditions under which approved labels may be modified without submission of a new COLA application are outlined in chart form. The single-most significant proposed revision is the allowance to add, delete or change any nonmandatory label information without submission of a new COLA application.

Notice of the reopening of the comment period for our proposed revision was published in the Federal Register on April 10, 2001. To request copies of the notice and draft revised form, contact the Alcohol Labeling and Formulation Division (ALFD) Customer Service Desk at (202) 927-8140 or toll free at 1-866-927-2533. If you would like to comment on the form, please address your comments in writing to Bureau of Alcohol, Tobacco and Firearms, ATTN: Linda Barnes, 650 Massachusetts Avenue, NW., Washington, DC 20226. Written comments must be received before July 9, 2001, to assure consideration. □

## U.S./European Union Wine Negotiations Continue



By the Robert White (202) 927-8100 and Robert Tobiassen (202) 927-7772

For the past several years the United States and the European Union (EU) have been engaged in negotiations to improve wine trade. The U.S. delegation to these negotiations is chaired by the Office of the United States Trade Representative (USTR). USTR receives technical assistance from several Government agencies including the Bureau of Alcohol, Tobacco and Firearms. The most recent negotiation was held in Washington, D.C., on February 20-21, 2001.

Under EU law, only wine that is made in accordance with EU requirements is eligible to be sold in the EU market. Because the U.S. industry uses other practices in addition to those approved in the EU, a substantial amount of U.S. wine cannot be sold in the EU. Wine made in accordance with EU practices or wine for which the EU has granted a derogation are permitted into the EU. In these negotiations the U.S. is seeking a mutual acceptance arrangement in which both sides recognize the respective differences of their winemaking practices but will not use those differences to prevent imports from the other unless a genuine issue of health is raised. To date, the U.S. has not excluded any EU wine because of the practices used to make it. The EU's main interest in the negotiations is to have the U.S., through its labeling regime, stop what the EU considers to be the misuse of certain geographically related terms which are allowed by U.S. statute as semi-generic names. These names include Champagne and Burgundy, just to name a couple. The EU is also seeking protection over what it calls traditional terms related to the style and character of wine.

Other topics discussed during the negotiations included additional State requirements, simplifying import certification procedures, pesticide residue limits, recent developments in the wine sector, biotech vines, EU wine reform, tariffs, subsidies, and U.S./EU cooperation.

At the end of the two days of negotiations, both sides agreed that it had been a useful exchange of information and that each side would give serious consideration to the ideas expressed by the other. □

## Red Mountain Viticultural Area Established



By Jennifer Berry (716) 551-4048

On April 10, 2001, a Treasury Decision establishing the Red Mountain viticultural area was published in the Federal Register. Red Mountain is located in Benton County, Washington, and entirely within the existing Yakima Valley viticultural area. This viticultural area is the result of a petition filed by Mr. Lorne Jacobson of Hedges Cellars, Benton City, Washington. Red Mountain is Washington's fifth and smallest viticultural area, containing approximately 4,040 acres. The final rule will become effective on June 11, 2001. □