

2009 TTB Expo Presentation

# Industrial Distilled Spirits Plant Recordkeeping

Presented by

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# Overview

- Allowable Operations
- DSP Qualifications and Recordkeeping Accounts — General Rules, Production, Storage, and Processing
- Additional Required Records
- Common Compliance Issues

# Allowable Operations

# Distiller — Allowable Operations

- Receipt and use of fermenting and distilling materials and spirits
- Distilling
- Treatment of spirits
- Addition of materials
- Redistillation
- Removal of spirits

27 CFR 19.311 —19.333

# Warehouseman — Allowable Operations

- Receipt and storage of bulk spirits and wines (includes importation of spirits as allowed under 26 USC Section 5232)
- Addition of materials
- Filling packages (casks, barrels, drums)
- Mingling and blending

# Processor — Allowable Operations

- Manufacture, treatment, mixing of distilled spirits
- Manufacture of nonbeverage flavors and flavoring extracts as intermediate products in the manufacture of distilled spirits products
- Denaturing of spirits and the manufacture of articles
- In-bond transfer of bulk spirits
- Taxpaid removal of spirits

# DSP Qualifications and Recordkeeping Accounts

Qualifications

Accounts

Distiller



Production

Warehouseman



Storage

Processor



Processing

# DSP Qualifications and Recordkeeping Accounts

General Rules



# General Rules — Daily Records

- Entries are made on the day of activity
- Supplemental entries may be made not later than the 3<sup>rd</sup> day after activity
- Date of activity and details for:
  - Proper identification and labeling of product
  - Preparation of summaries, reports, returns
  - TTB verification and tracing
- Commercial records may be used, unless a TTB form is prescribed

# General Rules — Daily Records (Continued)

- Spirits are recorded by kind and quantity in proof gallons
- Denatured spirits shall be recorded by formula number and by quantity in wine gallons
- Distilling materials produced are recorded by kind and quantity in wine gallons
- Containers or cases are recorded by type, serial number, and number of containers or cases

## General Rules — Daily Records (Continued)

- Materials used in production are recorded by kind and quantity (in gallons for liquids, in pounds for others)
- Name, address, registry number (or industrial use permit number) of consignor and consignee are recorded when materials are removed and received

## General Rules — Daily Records (Continued)

- Tank serial numbers are recorded for each operation
- Rate of duty paid on imported spirits (if any) is recorded
- Imported spirits and spirits from Puerto Rico or U.S. Virgin Islands (if any) are recorded
- Spirits used exclusively for fuel use shall be recorded

# Daily Records Overview

- Spirits shall be recorded by kind and by quantity in proof gallons, except as provided in §19.751
- Denatured spirits shall be recorded by formula number and by quantity in wine gallons
- Materials intended for use in production of spirits shall be recorded by kind and by quantity, recording liquids in gallons and other materials in pounds

## Daily Records Overview (Continued)

- Name and address of consignee or consignor, and if any, plant number or industrial use permit number of such person, shall be recorded for each receipt or removal of materials, spirits, denatured spirits, articles, spirits residues, and wine
- Serial number of tank used shall be recorded for each operation or transaction
- Duty paid on imported spirits, if applicable
- Records shall identify spirits that are to be used exclusively for fuel use

# DSP Qualifications and Recordkeeping Accounts

Production Account

# Daily Production Records

- Receipt of fermenting materials or other non-alcoholic material
- Receipt and use of spirits, articles and spirits residues received for redistillation
- Receipt and use of distilling material, including residue of beer returned to producing brewery
- Fermenting material set in each fermenter



## Daily Production Records (Continued)

- Gauge of spirits in each receiving tank
- Fermenting materials or other non-alcoholic materials used or removed
- Quantity and testing for alcohol content of fusel oil
- Kind and quantity of distillates removed from the production system
- Kind and quantity of spirits lost or destroyed prior to production gauge

# Byproduct Spirits Production Record

- If substances other than spirits are manufactured in a process which produces spirits as a byproduct, daily production records will show:
  - Kind and quantity of materials received
  - Spirits produced and disposed of
  - Kind and quantity of other substances produced

# Maintaining Production Records

- Production records will be maintained so that:
  - Produced spirits may be traced through distilling system from source material from which it was produced, and
  - Identity of spirits traced can be clearly established

# DSP Qualifications and Recordkeeping Accounts

Storage Account

# Daily Storage Records

- Receipt of spirits
- Spirits mingled
- Spirits in tanks
- Spirits filled into packages from tanks and retained for storage
- Spirits of less than 190° proof transferred from one tank to another

## Daily Storage Records (Continued)

- Spirits returned to bond
- Spirits voluntarily destroyed
- Spirits lost during storage
- Transfer of spirits from one package to another
- Disposition of spirits

# Package Summary Records

- Summary record for each kind of spirits in packages, showing amount deposited in, withdrawn from and remaining in storage account
- Separate records are kept for domestic spirits, imported spirits, and spirits from Puerto Rico or U.S. Virgin Islands

# Tank Record

- For spirits of less than 190<sup>0</sup> Proof:
  - Record for each tank containing spirits of less than 190<sup>0</sup> proof which shows deposits into, withdrawals from, and balance remaining in each tank
  - New record is prepared each time spirits are deposited into an empty tank
  - Transactions are recorded on the day transaction occurs

27 CFR 19.742



# Tank Summary Record

- For spirits of 190<sup>0</sup> or more of proof:
  - Summary record for spirits of 190<sup>0</sup> or more of proof held in tanks to show the proof gallons deposited into, withdrawn from, and remaining in tanks
  - Separate record is prepared for each kind of spirits
  - Entries are made for each day on which transaction occurs

# DSP Qualifications and Recordkeeping Accounts

Processing Account

# Processing Records

- Per 27 CFR 19.746, each processor shall maintain daily records of transactions and operations with respect to:
  - Manufacture of distilled spirits products (§ 19.747)
  - Finished products (§ 19.751)
  - Denaturation of spirits (§ 19.752) and
  - Manufacture of articles (§ 19.753)
- Note: §§ 19.747 – 19.751 deal primarily with beverage spirits; however, some of the content is applicable to industrial DSPs

# Processing Records

- **Key Point:** Both the record of denaturation and record of article manufacture should have sufficient detail to allow TTB personnel to determine compliance with approved formula for SDA, CDA, or article (if made from SDA) produced
- Otherwise, DSP may be in violation of 26 U.S.C. 5001(a)(5), and be subject to Federal excise tax liability

# Additional Required Records

# Additional Required Records

- Tax Records
- Records for Untaxpaid Removals
- Record of Inventories
- Other Records

# Tax Records

Record	Required By
Record of Tax Determination	27 CFR 19.761
Daily Summary of Tax Determinations	27 CFR 19.762

# Records of Untaxpaid Removals

Record	Required By
Record of Samples	27 CFR 19.766
Record of Destruction	27 CFR 19.767
Transfer Record	27 CFR 19.770
Transfer Record (importation)	27 CFR 27.172
Record of shipment of spirits withdrawn free of tax	27 CFR 19.779



# Record of Inventories

- Separate production, storage, and processing account inventories are taken quarterly for bulk spirits
- Content for each inventory:
  - Date taken
  - Identification of containers
  - Kind and quantity of spirits
  - Losses, gains, shortages
  - Signature under penalties of perjury
- Retained on premises

# Other Records

Record	Required By
Gauge Record	27 CFR 19.768
Package Gauge Record	27 CFR 19.769
Record of securing devices	27 CFR 19.775
Record of scale tests	27 CFR 19.776
Record of distilled spirits shipped to manufacturers of non-beverage products (taxable removal)	27 CFR 19.780

# Common Compliance Issues

# Recordkeeping

- Daily transactions not recorded timely
- Missing or incomplete transfer records (for domestic and imported spirits)
- No records of denaturation or for the manufacture of articles, as required by 27 CFR 19.752, 19.753
- Non-taxable removals insufficiently documented

## Recordkeeping (Continued)

- Inventories not taken, recorded, reported
- Non-reporting of excessive in-transit losses
- Inadequate records of denaturation or of article manufacture
- Transfer records indicating receipt from both domestic and foreign sources

# How Can I Learn More?

- [www.ttb.gov](http://www.ttb.gov)

# Summary

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- DSP Qualifications and Recordkeeping Accounts — General Rules, Production, Storage, and Processing
- Additional Required Records
- Common Compliance Issues

# Contact Information

- Recordkeeping:

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- For more information:

- Contacts: <http://www.ttb.gov/about/contact.shtml#general>
- Industrial alcohol: [http://www.ttb.gov/industrial/industrial\\_alcohol.shtml](http://www.ttb.gov/industrial/industrial_alcohol.shtml)
- Alcohol fuel: [http://www.ttb.gov/industrial/alcohol\\_fuel.shtml](http://www.ttb.gov/industrial/alcohol_fuel.shtml)
- Denatured alcohol: <http://www.ttb.gov/industrial/sda.shtml>