

2009 TTB Expo Presentation

Wine Excise Tax and the Small Domestic Wine Producer Credit

Presented by

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Overview

- Excise Tax:
 - Attachment, tax rates, filing requirements
 - Small domestic wine producer credit
 - Records for taxpaid and untaxpaid removals
 - Claims
- Special Occupational Tax:
 - Suspension, repeal, registration

Tax Rates, Tax Attachment, and Filing the Return

Tax Attachment and Determination

- Tax attaches when wine is produced
- Tax is determined when wine is removed from bonded premises for consumption or sale
- Tax is paid at a later date
- Tax rates are based on alcohol content or production method

Excise Tax Rates per Gallon

26 U.S.C. 5041	
Not over 14%	= \$1.07*
Over 14% to not over 21%	= \$1.57*
Over 21% to not over 24%	= \$3.15*
Artificially carbonated	= \$3.30*
Sparkling wine	= \$3.40
Hard cider	= \$.226*

*Small wine producer credit may be available on taxable removal of these products.

Excise Tax Periods

- 1st – 15th of the month
- 16th – end of the month
- September has three tax periods
- Quarterly tax period = 3 calendar months
- Annual tax period = calendar year

Excise Tax Due Dates

- 14 days after close of tax period
- Saturday, Sunday, Holiday rule
- Quarterly return: 14 days after close of quarter
- Annual return: 30 days after close of year
- No tax return is filed if no taxes are due!

3 September Tax Periods

EFT Taxpayers:

- Sept. 1 – 15
 - Due Sept. 29
- Sept. 16 – 26
 - Also due Sept. 29
- Sept. 27 – 30
 - Due Oct. 14

Non-EFT Taxpayers:

- Sept. 1 – 15
 - Due Sept. 29
- Sept. 16 – 25
 - Due Sept. 28
- Sept. 26 – 30
 - Due Oct. 14

Safe Harbor Option for 2nd September Tax Period

- EFT Taxpayers:
 - 73.3% of taxes incurred Sept. 1 – 15
paid Sept. 29
 - Remaining taxes incurred Sept. 16 – 26
paid Oct. 14
- Non-EFT Taxpayers:
 - 66.7% of taxes incurred Sept. 1 – 15
paid Sept. 28
 - Remaining taxes incurred Sept. 16 – 25
paid Oct. 14

Quarterly Tax Payments

- Allowed if:
 - Taxes will total not more than \$50,000 current year
 - Taxes totaled not more than \$50,000 last year
 - Deferral bond coverage is sufficient
 - Paid 14 days after close of quarter
 - Removals are listed on TTB F 5120.17 as they occur

Quarterly Return Limits

- If Quarterly Return limits are exceeded:
 - Taxes must be paid right away
 - 14th-day filing schedule resumes
 - Eligibility is lost for the next year

Annual Tax Payments

- Allowed if:
 - Taxes will total less than \$1,000 current year
 - Taxes totaled less than \$1,000 previous year
 - Deferral bond coverage is sufficient
 - No additional deferral coverage is given
 - Paid 30 days after close of calendar year
 - Removals are listed on TTB F 5120.17 as they occur

Annual Return Limits

- If Annual Return limits are exceeded:
 - Taxes must be paid right away
 - 14th-day filing schedule resumes
 - Eligibility is lost for the next year
 - May be eligible for quarterly filing

Deferral Bond Coverage

- Must be sufficient to cover taxes due but not yet paid
- Semi-monthly filers: 1 tax period + 14 days
- Quarterly filers: 3 months + 14 days
- Annual filers: must have \$1,000 bond
- File a strengthening or superseding bond if insufficient

Electronic Fund Transfer (EFT)

- Required if excise tax will be \$5 million or more per year
- All members of a controlled group must EFT if total paid is \$5 million or more
- Funds are transferred electronically
- Tax Return, TTB F 5000.24, is mailed or submitted through Pay.gov

Filing the Return

Completion of the Return

- Serial number
- Return period
- Double-check the EIN
- Double-check the math
- Signer has signature authority

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

EXCISE TAX RETURN

(Prepare in duplicate - See instructions below)

2. FORM OF PAYMENT

CHECK MONEY ORDER EFT OTHER *(Specify)*

4. RETURN COVERS *(Check one)*

PREPAYMENT PERIOD

BEGINNING Jan 16, 2008

ENDING Jan 31, 2008

5. DATE PRODUCTS TO BE REMOVED *(For Prepayment Returns Only)*

6. EMPLOYER IDENTIFICATION NUMBER

99-12345xx

7. PLANT, REGISTRY, OR PERMIT NUMBER

BWN-MN-150xx

8. NAME AND ADDRESS OF TAXPAYER *(Include ZIP Code)*

Minnesota's Finest Winery
 (address)
 (address)

1. SERIAL NUMBER

2008-2

3. AMOUNT OF PAYMENT

\$ 80.83

NOTE: PLEASE MAKE CHECKS OR MONEY ORDERS PAYABLE TO THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (SHOW EMPLOYER IDENTIFICATION NUMBER ON ALL CHECKS OR MONEY ORDERS). IF YOU SEND A CHECK, SEE PAPER CHECK CONVERSION NOTICE BELOW.

FOR TTB USE ONLY

TAX \$

PENALTY

INTEREST

TOTAL \$

EXAMINED BY:

DATE EXAMINED:

CALCULATION OF TAX DUE *(Before making entries on lines 18 - 21, complete Schedules A and B)*

PRODUCT <i>(a)</i>	AMOUNT OF TAX <i>(b)</i>
9. DISTILLED SPIRITS	\$
10. WINE	<u>508.78</u>
11. BEER	
12. CIGARS	
13. CIGARETTES	

Increasing, Decreasing Adjustments

SCHEDULE A - ADJUSTMENTS INCREASING AMOUNT DUE		
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS	
	(b) TAX	(c) INTEREST
30 Missed 2 cases on last tax return	\$ 4.75	\$
31		
32		
33 SUBTOTALS OF COLUMNS (b) and (c)	\$ 4.75	\$ 4.75
34 TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$
SCHEDULE B - ADJUSTMENTS DECREASING AMOUNT DUE		
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS	
	(b) TAX	(c) INTEREST
30 Approved Claim No. XX-XXXX for taxpaid wine	\$ 101.60	\$
31 returned to bond		
32		
33 SUBTOTALS OF COLUMNS (b) and (c)	\$ 101.60	\$
34 TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$ 101.60

Small Domestic Wine Producer Credit

Small Domestic Wine Producer Credit

- Small — Not more than 250,000 gallons produced in a calendar year
- Domestic — U.S. produced wine
- Wine — Not useable on Spirits or Beer
- Producer — Wine must be produced
- Credit — Same tax rates, but a credit is applied

Annual Production and Credit Levels

Production

Credit

150,000 gallons
or less

90¢ per gallon on 1st
100,000 gallons
taxably removed

More than 150,000 gallons
but not more than
250,000 gallons

**No Production =
No Credit!**

Reduced credit on
1st 100,000 gallons
taxably removed

More than 250,000 gallons

0¢

Important Terms

- What does “Produced” mean?
- When is wine considered “Produced?”
- Which wine is counted in the 100,000 gallon removal limit?

Important Terms (Continued)

- **What does “Produced” mean?**

The amount produced by fermentation, plus volume increases due to:

- Amelioration
- Wine Spirits Addition
- Sweetening
- Formula wine production
- Sparkling wine production
- Wine produced outside the U.S. by the company

Important Terms (Continued)

When is wine considered “Produced?”

Upon completion of fermentation or removal from the fermenter, the volume of wine will be accurately determined, recorded and reported on TTB F 5120.17 as wine produced.

27 CFR 24.176(b)
Determination of wine produced

Important Terms (Continued)

- Which wine is counted in the 100,000 gallon removal limit?
 - All wine removed by and on behalf of the small producer
 - Exceptions: Sparkling Wine and wine removed by a transferee that was not produced by the small winery

May Credit be Used on Wine Received in Bond?

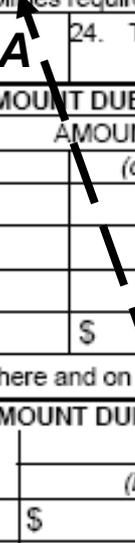
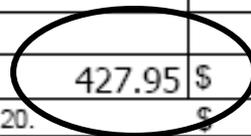
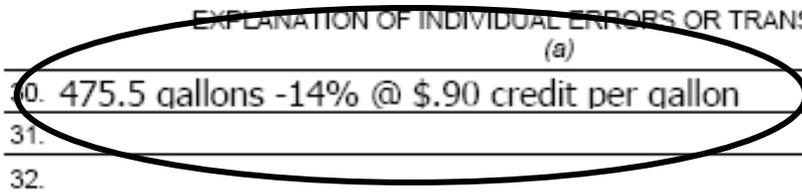
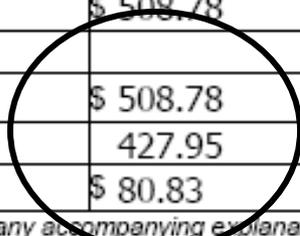
- Small winery must:
 - Make some wine itself
 - Make the taxable removal from its own premises
- May be blended with small winery's production or removed separately
- May be received in bulk or bottled

Credit During First Year

- A new winery is not entitled to credit on removals until production is performed
- A claim may be filed for overpayment of tax after wine is produced
- Credit may be used from that point on, if eligible level of production is expected

Showing Small Producer Credit on the Return

15. CHEWING TOBACCO AND/OR SMOFF			
16. PIPE TOBACCO AND/OR ROLL-YOUR-OWN TOBACCO			
17. TOTAL TAX LIABILITY (Total of lines 9-16)		\$ 508.78	
18. ADJUSTMENTS INCREASING AMOUNT DUE (From line 29)			
19. GROSS AMOUNT DUE (Line 17 plus line 18)		\$ 508.78	
20. ADJUSTMENTS DECREASING AMOUNT DUE (From line 34)		427.95	
21. AMOUNT TO BE PAID WITH THIS RETURN (Line 19 minus line 20)		\$ 80.83	
Under penalties of perjury, I declare that I have examined this return (including any accompanying explanations, statements, schedules, and forms) and to the best of my knowledge and belief it is true, correct, and includes all transactions and tax liabilities required by law or regulations to be reported.			
22. DATE 2/14/08	23. SIGNATURE Signature of person with POA	24. TITLE Owner	
SCHEDULE A – ADJUSTMENTS INCREASING AMOUNT DUE			
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS		
	(b) TAX	(c) INTEREST	(d) PENALTY
25.	\$		\$
26.			
27.			
28. SUBTOTALS OF COLUMNS (b), (c), and (d)	\$	\$	\$
29. TOTAL ADJUSTMENTS INCREASING AMOUNT DUE (Line 28, Col (b) + (c) + (d)) Enter here and on line 18.			\$
SCHEDULE B – ADJUSTMENTS DECREASING AMOUNT DUE			
EXPLANATION OF INDIVIDUAL ERRORS OR TRANSACTIONS (a)	AMOUNT OF ADJUSTMENTS		
	(b) TAX	(c) INTEREST	
30. 475.5 gallons -14% @ \$.90 credit per gallon	\$ 427.95	\$	
31.			
32.			
33. SUBTOTALS OF COLUMNS (b) and (c)	\$ 427.95	\$	
34. TOTAL ADJUSTMENTS DECREASING AMOUNT DUE (Line 33, Col (b) + (c)) Enter here and on line 20.		\$ 427.95	



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ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

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13. CIGARETTES	

Transferring Credit

- Wine produced by the sender would be eligible for credit if taxpaid by the sender
- Wine was produced by the sending winery
- Producer holds title to the wine
- Transferee (the taxpayer) is provided information to permit proper use of the credit

Transferring Credit (Continued)

- Credit may be used by any bonded wine premises ON BEHALF OF any qualified small domestic wine producer
- Information about credit must be sent to the transferee/taxpayer
- Transferee is responsible for correct tax payment and use of the credit

Necessary Information for the Transferee

- The wine would be eligible for credit, if the sending winery paid the tax itself
- The sending winery holds title to the wine
- The rate of credit to be used
- If the wine is a blend, the percentage of the wine that credit should be used on

Compliance Concerns

- Small Domestic Wine Producer Credit:
 - No production
 - Use of credit by ineligible companies
 - Use of credit beyond the 100,000 gallon annual limit
 - Incorrect amount of credit used
 - Incorrect transfer of credit

Records Related to Tax Payments

Taxpaid Removals from Bond Record

- Records the volume removed from bond for consumption or sale
- An INVOICE can be an acceptable record
- Date of removal, name/address
- Volume, kind of wine, alcohol content
- Summarized daily to the nearest tenth of a gallon

Taxpaid Wine Record

- Required when taxpaid wine is stored on bonded wine premises:
 - Record of receipt
 - Record of removals
 - Record of cases or containers filled

Compliance Concerns

- Tax Records:
 - Incorrect amount paid
 - Incomplete taxpaid removal documents
 - Taxpaid removals not summarized daily by tax class to the nearest tenth of a gallon

Untaxpaid Removals

- Testing on/off premises
- Tasting on premises
- Family use
- Official use of the Government
- Other inventory reductions: Destruction, breakage
- Export out of U.S.
- Transfer in bond

Exporting Out of the U.S.

- Untaxpaid export: TTB F 5100.11, plus proof that wine left the United States
 - Tax must be paid if proof of export is not obtained
- Taxpaid export: TTB F 5120.24, plus TTB F 5120.20, plus proof of export
 - Tax is not refunded if proof of exported is not obtained

Transfer in Bond Record

- A shipping document can be sufficient:
 - Date, name/address, registry number of receiving wine premises
 - Volume, kind of wine, alcohol content, or tax class
 - Label information

Compliance Concerns

- Untaxpaid Removals:
 - Incomplete transfer in bond documents (registry number and address of receiver, alcohol content or tax class)
 - Insufficient evidence of removals for tasting, testing, breakage, family use
 - Late-filed and insufficient export documentation

Claim, TTB F 5620.8

- Allowance of Loss
- Allowance of Credit
- Export Drawback
- Abatement
- Refund

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) CLAIM - ALCOHOL, TOBACCO, AND FIREARMS TAXES <i>(File in duplicate with the Alcohol and Tobacco Tax and Trade Bureau)</i>	FOR TTB USE ONLY <hr/> CLAIM NUMBER
1. THIS CLAIM IS FILED UNDER THE PROVISIONS OF 27 CFR <i>(Enter applicable section of regulations, such as 53, 40.283, or 40.173. See www.ttb.gov.)</i>	
2. <input type="checkbox"/> REMISSION OF TAX <input type="checkbox"/> ALLOWANCE OF CREDIT FOR TAX <input type="checkbox"/> ABATEMENT OF TAX <input type="checkbox"/> ALLOWANCE OF LOSS <input type="checkbox"/> ALLOWANCE OF TAX <input type="checkbox"/> REFUND OF TAX <input type="checkbox"/> DRAWBACK-MNBP <input type="checkbox"/> DRAWBACK-EXPORT <input type="checkbox"/> OTHER (Specify) _____	
3. NAME AND ADDRESS OF CLAIMANT <i>(Telephone number and e-mail address optional)</i>	4. EMPLOYER IDENTIFICATION NUMBER <hr/> 5. PLANT, LICENSE, OR PERMIT NUMBER

Special Occupational Tax

- Collection of Special Occupational Tax from the wine industry was:
 - SUSPENDED for three years beginning July 1, 2005
 - REPEALED June 30, 2008
- Registration on TTB F 5630.5R not required for active wine premises proprietors

Summary

- Excise Tax:
 - Tax rates, filing requirements
 - Small domestic wine producer credit
 - Records for taxpaid and untaxpaid removals
- Special Occupational Tax:
 - Suspension, repeal, registration

Contact Information

National Revenue Center

Wine Tax Unit

ttbwine@ttb.treas.gov

(513) 684-7151

Perky Ramroth

Wine Industry Analyst

Industryanalyst.wine@ttb.gov

(415) 625-5789