

2009 TTB Expo Presentation

# Wine Alternations and Custom Crush Arrangements

Presented by

Martha Tebbenkamp

Trade Investigations Division



# Overview

- Alternating Proprietorships
- Custom Crush Arrangements
- Alternating Premises
- Compliance Concerns

# Alternating Proprietorships

Two or More Bonded Wine  
Premises Sharing Space

# Alternating Proprietorships

- Wine premises, or parts of the premises, may be operated alternately by proprietors who have each filed and received approval of the necessary bonded wine premises applications and bonds

27 CFR 24.136

# TTB Industry Circular 2008-4

- Issued August 18, 2008
- Explains how alternating proprietorships differ from custom crush arrangements
- Explains what TTB examines when considering alternating proprietorship applications

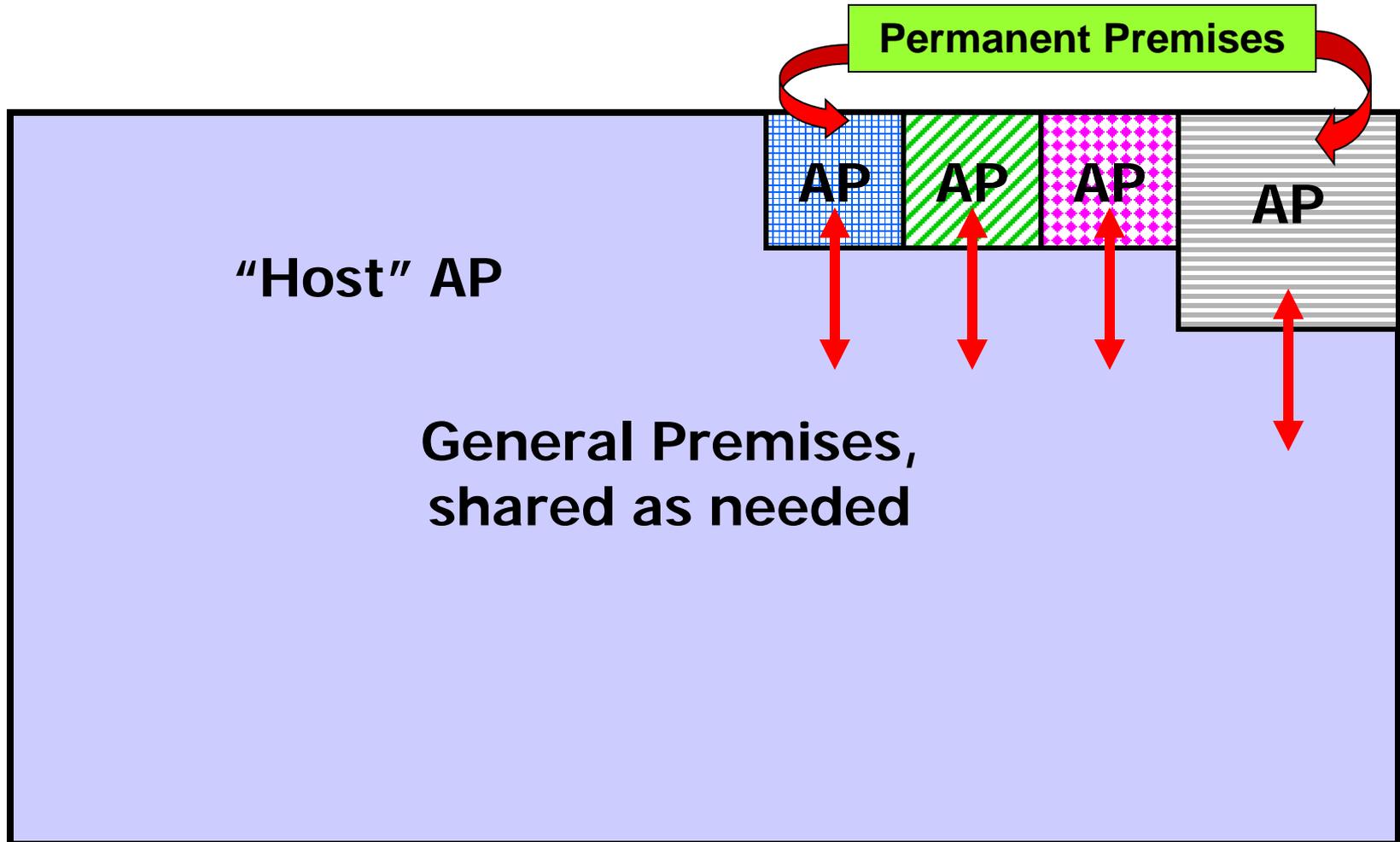
# AP or Custom Crush?

- An Alternating Proprietor =
  - A bonded wine premises qualified to receive, produce, blend, cellar treat, store, and bottle untaxpaid wine.
- A Custom Crush Customer =
  - A wholesaler that arranges to have wine produced that it will sell. If a wholesaler, receives finished, bottled, labeled, taxpaid wine.
  - Can be another wine premises proprietor.

# Alternating Proprietorships

- Two or more wine premises proprietors alternate use of portions of a wine premises
- All parties are qualified bonded wine premises proprietors
- All parties have permanent wine premises
- All parties responsible for their own wine operations, recordkeeping, reporting, labeling, taxes, etc.

# Alternating Proprietor Premises



# Alternating Proprietorship Applications

- Complete wine premises application and bond from the new proprietor(s)
- Amended application from existing proprietor(s)
- Diagrams depicting the parts of the premises to be alternated
- Consents of surety
- Upon approval, alternation records must be maintained by each proprietor in accordance with 27 CFR 24.136(d)

# “Host” and “Tenant” Roles

- Not TTB regulatory terms. APs are not required to have designated “Hosts” and “Tenants.”
- The “Host” AP (if any) applies to curtail its bonded premises to make space for the “tenant.”
- “Tenant” AP files an application to establish wine premises in the space made available by the curtailment.

# TTB's Consideration of AP Applications

- Need for bonded wine premises qualification
- Suitability of the premises for sharing
- Segregation and identification of each proprietor's wine
- Employing the services of another proprietor's staff

## TTB's Consideration of AP Applications (Continued)

- Access to the premises
- Changing the terms of existing AP arrangements
- Small Domestic Wine Producer Credit considerations
- Need for permanent premises
- Alternation for less than a day

# Custom Crush Arrangements

A Winery Producing Wine for  
Another Company

# Customer is a Wholesaler

- When the custom crush customer is a Wholesaler:
  - No production, recordkeeping, reporting, labeling or tax responsibility
  - Receives finished, labeled, taxpaid wine
  - Qualifies with TTB as a Wholesaler
  - Minimal recordkeeping requirements as a Wholesaler; no reports to file
  - No investment in winemaking equipment or premises

# Customer is a Wine Premises

- When the custom crush customer is a Wine Premises:
  - Customer is a qualified Winery or BWC
  - Customer may have bulk or bottled wine —
    - Transferred in bond to its bonded wine premises by the producer, or
    - May receive finished, labeled, taxpaid product
  - If wine is received in bond, Customer assumes responsibility for bottling, labeling, taxes, recordkeeping, and reporting (as applicable)

# Alternating Premises

One Company, More than One Authorization

# Alternating Premises

- Wine premises, or parts thereof, may be alternated for use as a:
  - Taxpaid Wine Premises
  - Taxpaid Wine Bottling House
  - Distilled Spirits Plant
  - Brewery
  - Customs Bonded Warehouse

27 CFR 24.135  
and 24.137

# Stand-Alone Operations

**Distilled Spirits Plant (or) Brewery (or) Taxpaid  
Wine Bottling House, *etc.***

**Wine Premises**

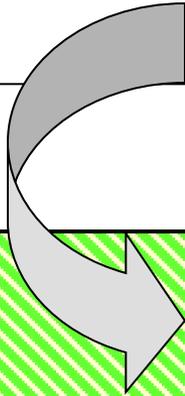
# Contiguous Operations

**Distilled Spirits Plant (or) Brewery (or) Taxpaid  
Wine Bottling House, *etc.***

**Wine Premises**

# Alternating Premises Operations

**Wine Premises (or) Distilled Spirits Plant (or)  
Brewery (or) Taxpaid Wine Bottling House, *etc.*,  
as needed**



# What to Submit

- Complete applications for qualification as a DSP, Brewery, Taxpaid Wine Bottling House, etc.
- Amended wine premises application for alternation plans
- Diagrams that depict alternation plans
- For taxpaid wine premises only: the method of segregation and identification of taxpaid wine from un taxpaid wine on the bonded premises

# Alternation as a DSP for Alcohol Reduction

- Required when alcohol reduction will take place at the winery facility
- Distillation equipment must be used on DSP premises, not on winery premises
- When alcohol reduction process is completed, premises revert to winery premises

# Compliance Concerns

Problems and Pitfalls

# Compliance Concerns

- An AP conducts another AP's wine operations
- Custom Crush clients conduct unauthorized wine operations
- Unauthorized distilled spirits or brewing operations take place on Wine Premises

# Summary

- Alternating Proprietorships
- Custom Crush Operations
- Alternating Premises
- Compliance Concerns

# Contact Information

- Qualification Questions:
  - NRC Applications Units for Wine, Beer, Spirits, as appropriate
    - Phone: (513) 684-3334
- Day-to-Day Operations:
  - Contact your local TTB office