

U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
WASHINGTON 25, D. C.

Alcohol and Tobacco Tax Division
Industry Circular No. 55-9

May 6, 1955

Accounting for Strip Stamps

All bottlers of distilled spirits:

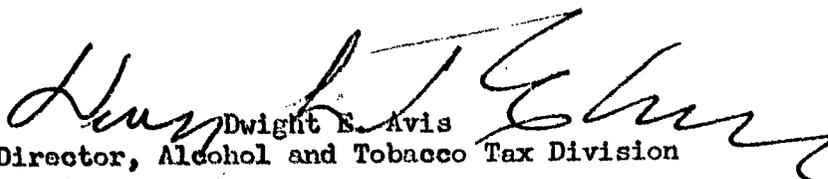
1. Effective September 1, 1954, Treasury Decision 6097 was issued to permit greater flexibility in the operations of bottling plants and to afford bottlers an opportunity to conduct their activities with as little delay as possible, while at the same time permitting Government supervision to be exercised efficiently and economically. One change made at that time was the transfer of custody of red strip stamps from the storekeeper-gauger to the proprietor; this transfer of custody carried with it full responsibility and accountability for such stamps.
2. Pursuant to the provisions of sections 5008 and 5009 of the Internal Revenue Code of 1954, regulations were issued, effective January 1, 1955, enabling bottlers of distilled spirits to obtain strip stamps without charge. On that same date custody of stamps to be affixed to distilled spirits bottled in bond was transferred to proprietors.
3. The procedures implemented by Treasury Decision 6097 have now been in effect for more than 8 months. Generally, the period of transition passed smoothly and the changes have proved beneficial. Perhaps it is now appropriate that we appraise any areas where further improvement might be indicated.
4. Representations have been made that proprietors have not properly safeguarded the control of strip stamps and that practices have developed which have resulted in the careless handling of the stamps. Our review of the statistical data available from Forms 182, "Proprietor's Monthly Record and Report of Red Strip Stamps" has not confirmed such representations. Nevertheless, inquiry concerning these allegations is being made.
5. This circular is intended to point out that the custody of strip stamps is a major obligation and demands the personal attention of management. The arrangements for proper security, usage and accounting must be made the function of responsible supervisory officials. The unnecessary mutilation, wastage or loss of stamps adds to the cost of Government supervision, an expense which you as taxpayers must share. However, there is a more immediate and more significant cause for concern which emphasizes the need for high standards in the custodial care of stamps. Any representation that you are not properly handling strip stamps is a reflection upon the integrity of your industry, and, if true, would constitute a threat both to the revenue and to your business, particularly if loose accounting should result in the diversion of stamps to illicit channels.

6. The importance of this matter is stressed in order to enlist your full cooperation in insuring that the advantages, both financial and operational, which have accrued to you through the delivery of stamps (without charge) into your custody may not be impaired. Regulations require that the storekeeper-gauger verify the receipt of stamps by you, the destruction of mutilated and unused stamps, and the month-end inventories of stamps. It is your responsibility to assure the Government that stamps are properly secured, used and accounted for. Stamp inventories must be retained by management officials who will issue daily only such number of stamps as are needed for bottling and will demand at the close of each bottling day an accounting from bottling employees of all stamps used, mutilated and returned for re-issue. Mutilated or unusable stamps must be returned promptly to the storekeeper-gauger for verification of the quantity and supervision of their destruction. Such stamps shall be so arranged that the quantity can be quickly and accurately verified by the storekeeper-gauger. Any unaccounted for shortage or loss of stamps must be investigated and every effort made to determine the facts and report such facts to the proper Government officers.

7. As a trial procedure, beginning on June 1, 1955, it is requested that each proprietor of a distilled spirits bottling house furnish to the storekeeper-gauger during the morning of the business day next succeeding that on which bottling occurred a report of bottling production. This report shall show (a) the number of cases bottled, (b) the serial numbers of such cases, (c) the size of the bottles, (d) the brand labels affixed to the bottles and (e) a summary setting out the total number of strip stamps of each denomination received, used, mutilated, unaccounted for, and on hand at the end of the day. Many of you now prepare reports for your own use which contain this information. If so, a copy of such report may be furnished to the storekeeper-gauger. If not, your report may be in simple memorandum form prepared in accordance with your usual commercial practices. It is believed that the furnishing of this report will enable storekeeper-gaugers to verify quickly the status of your strip stamp accounts and may serve as an incentive to your own employees to maintain the stamp account properly. In the event that this report serves the purpose desired, and there are no serious disadvantages, it is planned to include the procedure in the next revision of the regulations.

8. Any suggestions or comments which you may have concerning the subject matter of this circular will be welcomed. It is only through the intelligent and sympathetic cooperation of industry and Government that effective and efficient supervision of the distilled spirits industry can be maintained.

Correspondence in regard to this industry circular should refer to the number thereof and to the symbols, O:AT:PP.


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