

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25 D.C.

Industry Circular No. 59-36

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TREASURY DECISION AMENDING 26 CFR PART 295

Manufacturers of tobacco products
and cigarette papers and tubes:

Purpose. The purpose of this industry circular is to acquaint you with the provisions of Treasury Decision 6379, effective July 1, 1959, amending regulations in 26 CFR Part 295, and to furnish guidelines for determining the eligibility of agencies and institutions to receive tobacco products and cigarette papers and tubes under such regulations.

Background. A notice of proposed rulemaking to simplify the requirements in connection with the removal of tobacco products and cigarette papers and tubes, without payment of tax, for use of the United States was published in the Federal Register of December 13, 1958 (23 F.R. 9674). Since no objections were received, the proposed amendments were adopted.

Nature of Amendments. Sections 295.51, 295.52, and 295.58 were revoked to eliminate the use of internal revenue requisition, Form 7996, notice of removal, Form 7997, and certificate of receipt, Form 7998. Section 295.56 was amended to require a manufacturer who makes removals under Part 295 to keep supporting records showing, with respect to each removal, the date of removal, the name and address of the Federal agency or institution to which shipped or delivered, the quantity and, with respect to large cigars, the class designation. Section 295.59 was amended to require a manufacturer, when he has knowledge that a Federal agency or institution has not received all or part of a shipment, to immediately notify the assistant regional commissioner (alcohol and tobacco tax) and furnish him all pertinent details with respect to the loss or shortage.

The supporting records required by section 295.56 may consist of copies of invoices or other commercial records, if such records contain the required information as to each removal and are kept at the factory in an orderly manner so that the information may be readily ascertained therefrom. Supporting records must be retained, and made available for inspection by internal revenue officers, for two years following the close of the year in which the removals are made.

In the case of a loss or shortage in a shipment, section 295.59 requires the manufacturer to either pay the tax due or to file a claim for remission of the tax liability under applicable provisions of regulations.

Restrictions on Removals. Section 295.50 provides that tobacco products and cigarette papers and tubes may be removed, without payment of tax, for shipment only to Federal agencies and institutions for gratuitous distribution (but not for sale) in the United States. There follows a guide for determining the eligibility of agencies and institutions to receive such removals, under the provisions of 26 CFR Part 295:

1. Tobacco products and cigarette papers and tubes for gratuitous distribution to patients in Federal hospitals (other than Armed Forces and Veterans Administration hospitals) or to prisoners in Federal

prisons must be purchased with funds appropriated out of the Treasury by the Congress of the United States and such patients or prisoners must constitute a charge on the Federal Government.

2. Tobacco products and cigarette papers and tubes may be gratuitously distributed, under the direction and supervision of the Veterans Administration, to present and former members of the Armed Forces of the United States who are patients in hospitals and institutions operated by the Veterans Administration and also to present and former members of the Armed Forces of the United States who are patients in hospitals and institutions operated by the governments of the several States, the Territory of Hawaii, and the District of Columbia. Such articles may be purchased with funds appropriated by the Congress or with donated funds.
3. The American National Red Cross is such a government organization or institution as to bring it within the meaning of section 5704(b) of the Internal Revenue Code, and the regulations in 26 CFR Part 295. Such organization may purchase tax-exempt tobacco products or cigarette papers or tubes from its own funds or from funds donated to it for gratuitous distribution to present or former members of the Armed Forces of the United States who are patients in hospitals operated by the Armed Forces or Veterans Administration. Such articles must remain within the control and supervision of the American Red Cross from the time of receipt until free distribution is made by representatives of the American Red Cross to such patients.
4. The United States Soldiers Home, Washington, D. C., is such a government organization or institution as to bring it within the meaning of section 5704(b) of the Internal Revenue Code, and the regulations in 26 CFR Part 295. Such organization may purchase tax-exempt tobacco products or cigarette papers and tubes from its own funds for gratuitous distribution to patients in the hospital and members in domiciliary barracks at the home.

Where any doubt exists as to whether removal of tobacco products, without payment of tax, may properly be made for shipment to a particular Federal agency or institution, you should refer the matter to the assistant regional commissioner (alcohol and tobacco tax) of your region.

Removals Prior to July 1, 1959. Certificate of receipt, Form 7998, will be forwarded to the assistant regional commissioner (alcohol and tobacco tax) to cover all shipments made prior to July 1, 1959, even though such shipments were not received by the consignee until after June 30, 1959.

Inquiries. Inquiries in regard to this industry circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



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