

● Industry Circular



Internal Revenue Service
Alcohol, Tobacco and Firearms Division
Washington, D.C. 20224

Industry Circular No. 72-14

May 30, 1972

Simplification of Multiple Bulk Gauges for Tax Determination

Proprietors of distilled spirits plants
and others concerned:

Purpose. The purpose of this circular is to obtain your reaction to a proposal to simplify procedures for multiple bulk gauges of spirits from one storage tank. Only the first daily withdrawal of bulk spirits from a storage tank would be subjected to a proofing gauge by the assigned officer for tax determination purposes. Subsequent withdrawals during the day from the storage tank would only be weighed by the assigned officer, who would use the first withdrawal proof as the basis of tax determination for these subsequent withdrawals.

Background. A month's study was recently completed in three regions covering the bulk gauging simplification procedure described above. This study disclosed an extremely small difference between the internal revenue tax collected under the present bulk gauging procedure versus the tax that would have been collected under the proposed procedure. At the same time, a savings in time and manpower would have accrued to both government and industry because of this simplified gauging procedure. These savings could range from small to a sizeable amount, depending upon the type of operations carried on by a plant. However, assigned officers at some of the plants pointed out operational problems that would have to be solved if this gauging concept were to operate satisfactorily. We would like to have your comments regarding any operational or other problems that you foresee as a result of its possible adoption.

Proposed Procedure. We visualize the following sequence of operations in conducting multiple tax-determination gauge withdrawals from a storage tank. (1) Agitate spirits in storage tank. (2) Proof, and take a sample in the weigh tank, of the first daily withdrawal from the storage tank. (3) Determine tax due, based on weight and proof for this first withdrawal, and enter this information on a revised Form 179. (4) Subsequent withdrawals from the storage tank would only be weighed, using the proof established at the first withdrawal to determine the tax due, with the information relating to weight, tax gallons, and distilled spirits tax due entered on the revised Form 179. (5) The individual entries of weight, tax gallons, and distilled spirits tax due as shown on the revised Form 179 would be totaled at the end of the day's operations, and the totals entered on the revised Form 179. (6) One Form 179 would cover all tax determinations for one day for each storage tank under the multiple gauge procedure.

Restrictions on use of multiple gauge withdrawals. All storage tanks from which you desire to make withdrawals for tax determination purposes using this multiple gauging concept would have to be equipped with suitable agitation devices. This would ensure that a single proofing gauge made of a tank's contents daily (in the absence of any additions thereto) would be representative of the contents. The addition of spirits to a storage tank from which a multiple gauge withdrawal was being made would require another agitation of the tank's contents. Additionally, on the next withdrawal, a new proof for the spirits would be established by the assigned officer in the weigh tank, which would form the basis for the start of a new multiple gauge withdrawal from the storage tank.

Inquiries. Any comments regarding the proposed multiple bulk gauging procedures outlined above should refer to the number of this circular and be addressed to the Director, Alcohol, Tobacco, and Firearms Division (CP:AT:RP), Internal Revenue Service, Washington, D. C. 20224.

Rex D. Davis

Rex D. Davis, Director
Alcohol, Tobacco and Firearms Division