



**CRAFT
BREWERS
CONFERENCE**
& BrewExpo America

TTB Bootcamp for Brewers

Craft Brewers Conference

Denver | April 8, 2019



TTB Disclaimer

This information is being presented to help the public to understand and comply with the laws and regulations that the Alcohol and Tobacco Tax and Trade Bureau (TTB) administers.

It is not intended to establish any new, or change any existing, definitions, interpretations, standards, or procedures regarding those laws and regulations.

In addition, this presentation may be made obsolete by changes in laws and regulations.

Please consult the applicable laws and regulations for the most current requirements.

Sample documents (such as records, returns, and labels) and can images are for illustrative purposes only and contain fictitious data.

TTB 2019 Bootcamp Schedule

Time	Subject	Speaker
12:00 to 12:20	TTB Overview	Susan Evans
12:20 to 12:30	Hemp Update	Janelle Christian
12:30 to 1:15	Brewer's Notices	Susan Evans
1:15 to 2:00	Records, Reports, and Returns	Charyl Sjowall Missy Keller
2:00 to 2:15	Break	
2:15 to 3:00	Formulas	Christian Fay
3:00 to 4:00	Labeling	Michael Webster

TTB Overview

SUSAN EVANS

Director, Office of Industry and State Outreach





TTB Overview

- We are a bureau within the Department of the Treasury
- We currently have about 480 employees
- Our headquarters are in Washington, DC
- The National Revenue Center is in Cincinnati, Ohio
- We have field offices located across the country
- We have 4 laboratories, located in Maryland and California



Our Mission

- **COLLECT** the taxes on alcohol, tobacco, firearms, and ammunition
- **PROTECT** the consumer by ensuring the integrity of alcohol products
- **ENSURE** only qualified businesses enter the alcohol and tobacco industries
- **PREVENT** unfair and unlawful market activity for alcohol and tobacco products



Our 5-Year Strategic Goals



GOAL 1: Facilitate Commerce through the Timely Issuance of Permits to Qualified Applicants



GOAL 4: Address Cross-Border Tax Risk through Data Driven Enforcement



GOAL 2: Facilitate Commerce through a Modern Labeling Program Focused on Service and Market Compliance



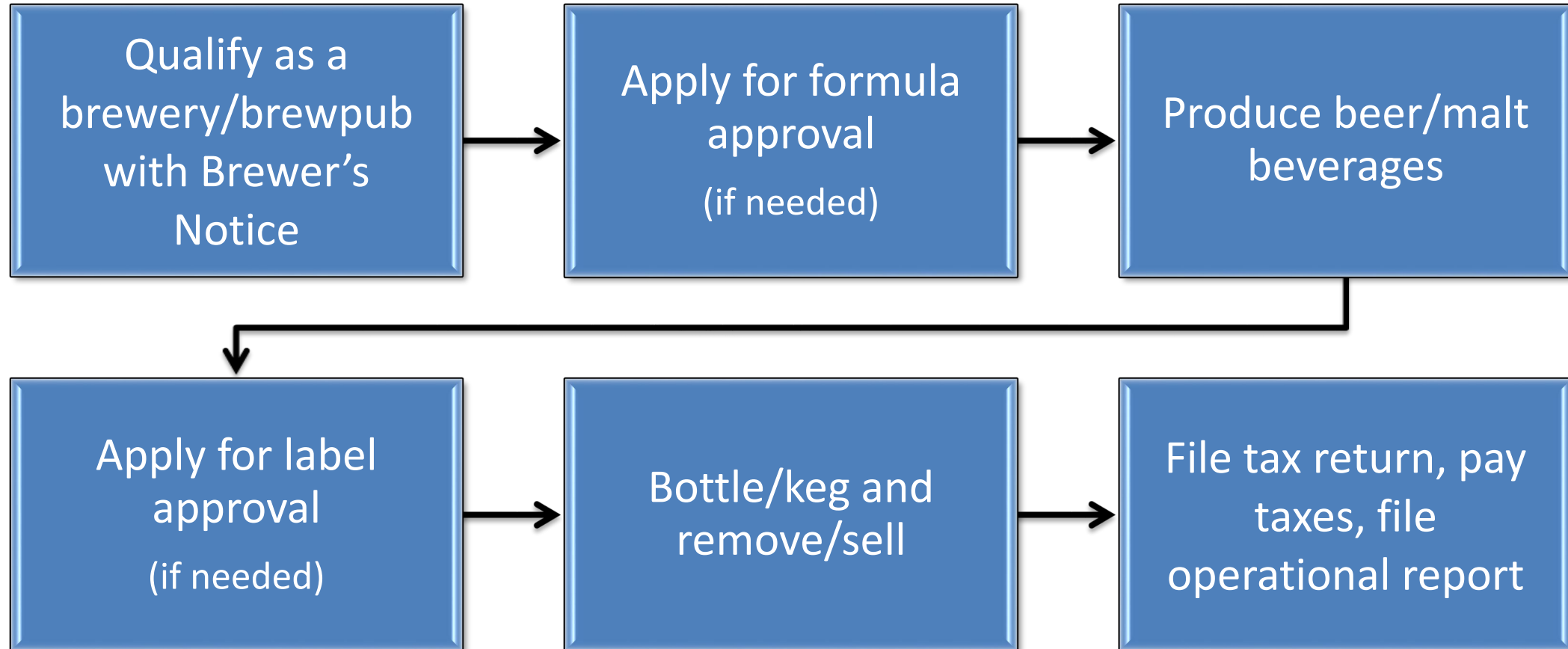
GOAL 5: Equip the Workforce for Professional Growth and Development by Revitalizing TTB Training



GOAL 3: Improve Tax Compliance through Increased Voluntary Compliance and Enhanced Enforcement

[TTB Strategic Plan FY 2018-2022](#)

Follow the TTB Path for Brewers

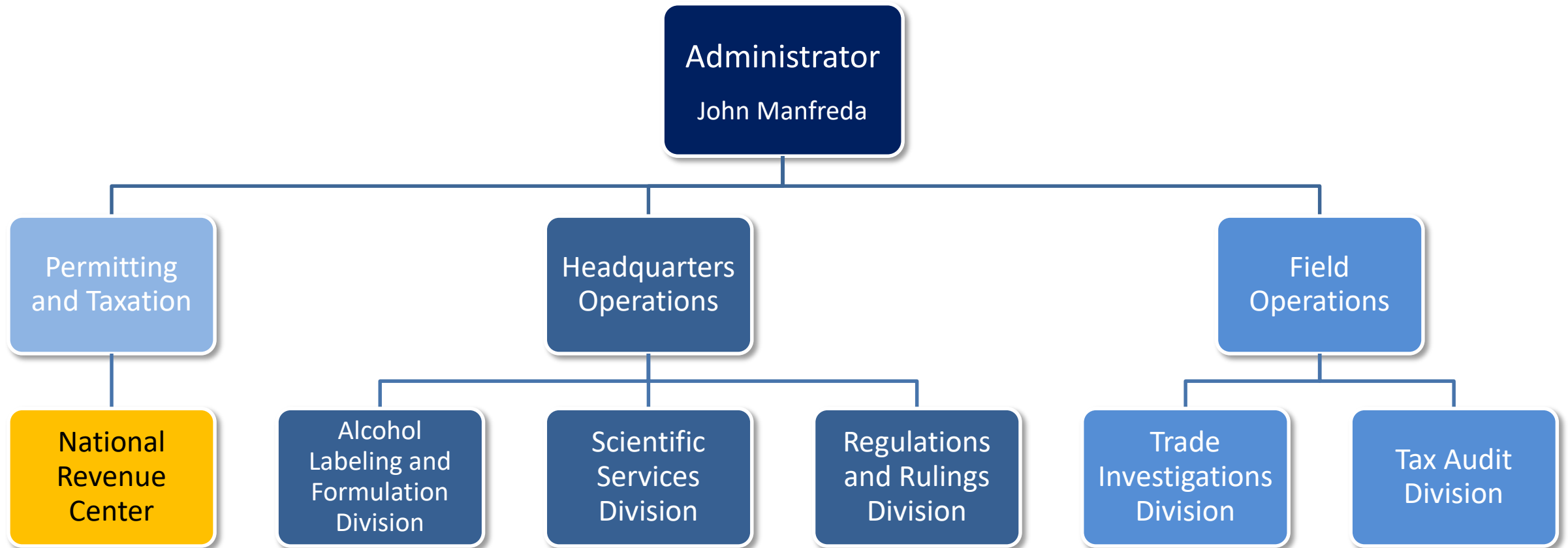


Ongoing once your Brewer's Notice is approved:

- 1) Keep records of brewery operations
- 2) report changes to your business or brewery to TTB



TTB Organizational Chart



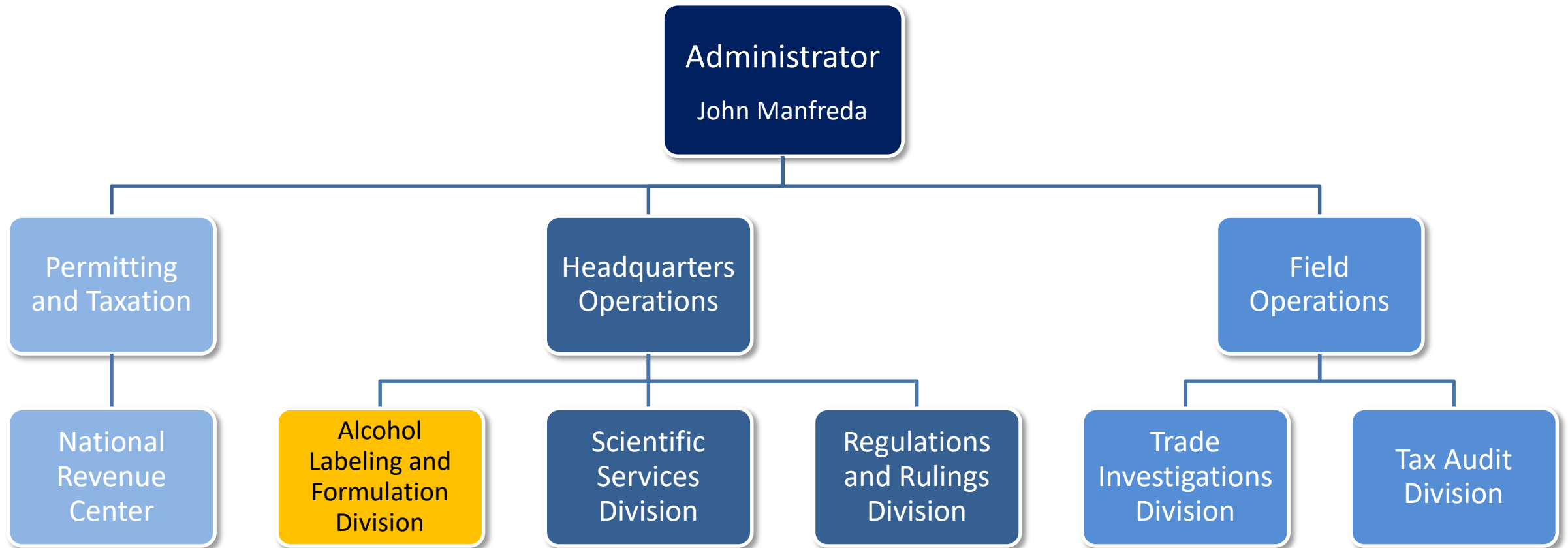


National Revenue Center

- Issues permits/notices/registrations
- Processes tax returns, operational reports, and claims
- Located in Cincinnati, Ohio
- Toll-Free: 877-882-3277
- Web Form: [Submit Online Inquiry](#)



TTB Organizational Chart





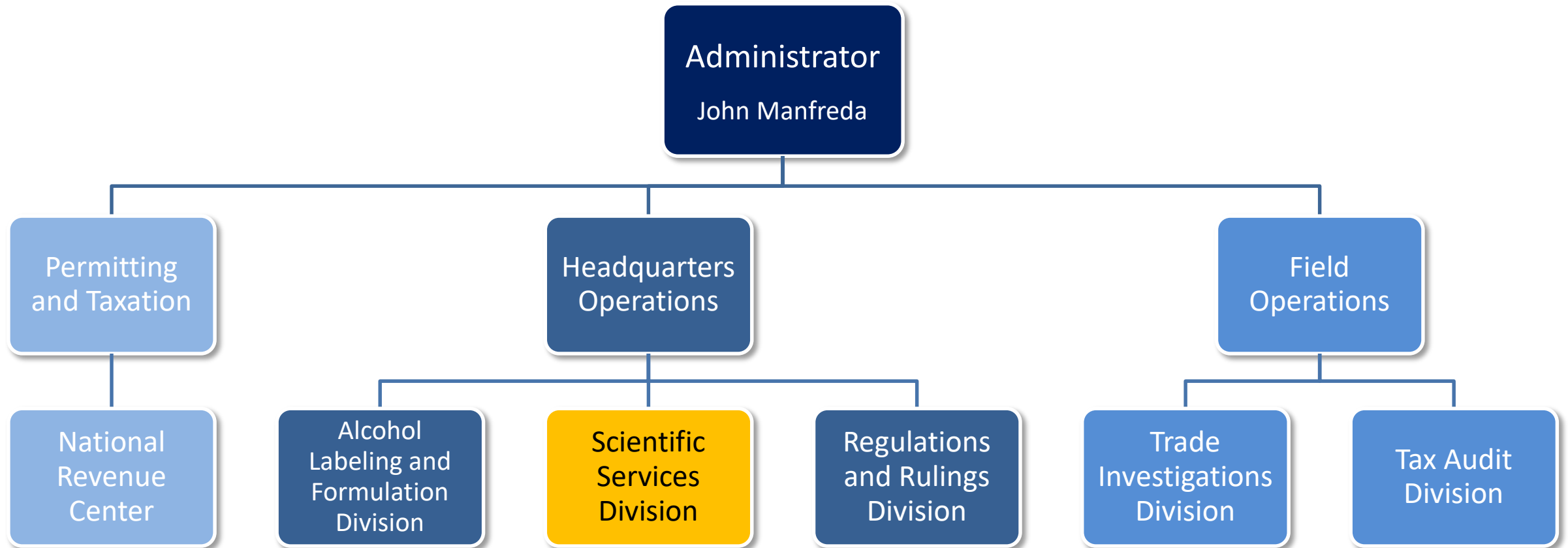
Alcohol Labeling and Formulation Division

- Processes applications for formula approval
- Processes applications for label approval

- Located in Washington, DC
- Toll-Free: 866-927-2533
- Web Form: [Submit Online Inquiry](#)



TTB Organizational Chart



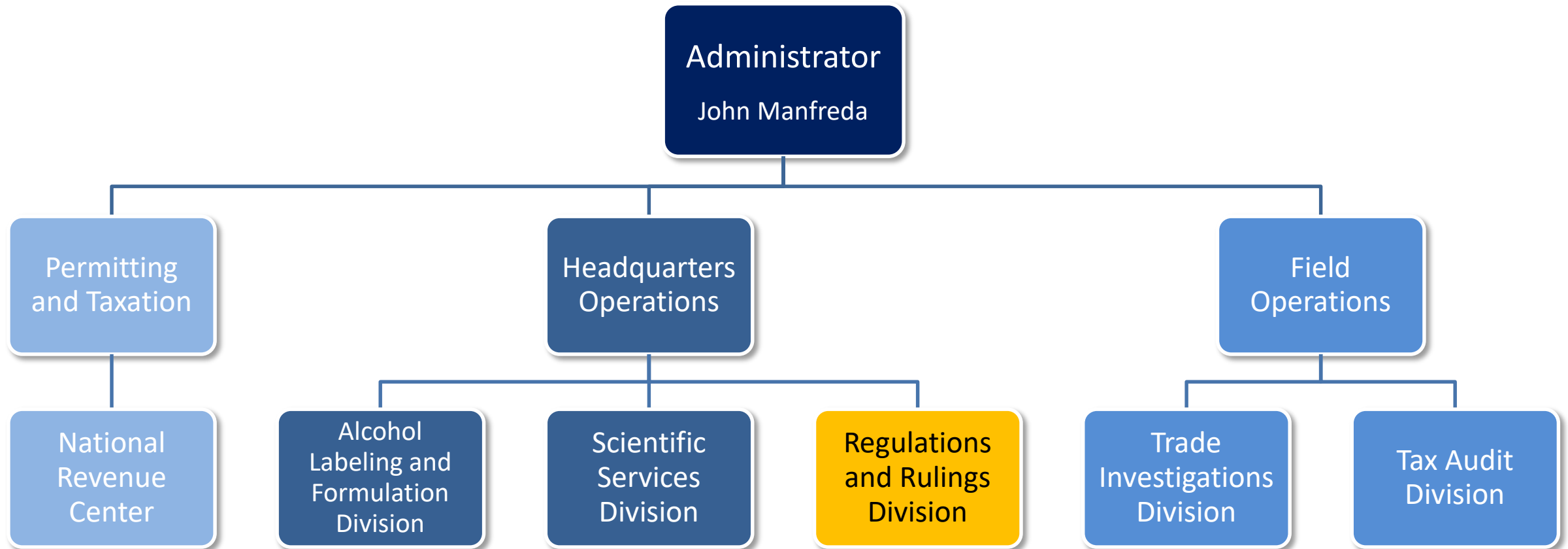


Scientific Services Division

- Beverage Alcohol Laboratory
 - Performs analysis of samples for formula approval for certain domestic and imported products
 - Located in Beltsville, Maryland
 - 240-264-1665
 - Web Form: [Submit an Online Inquiry](#)



TTB Organizational Chart





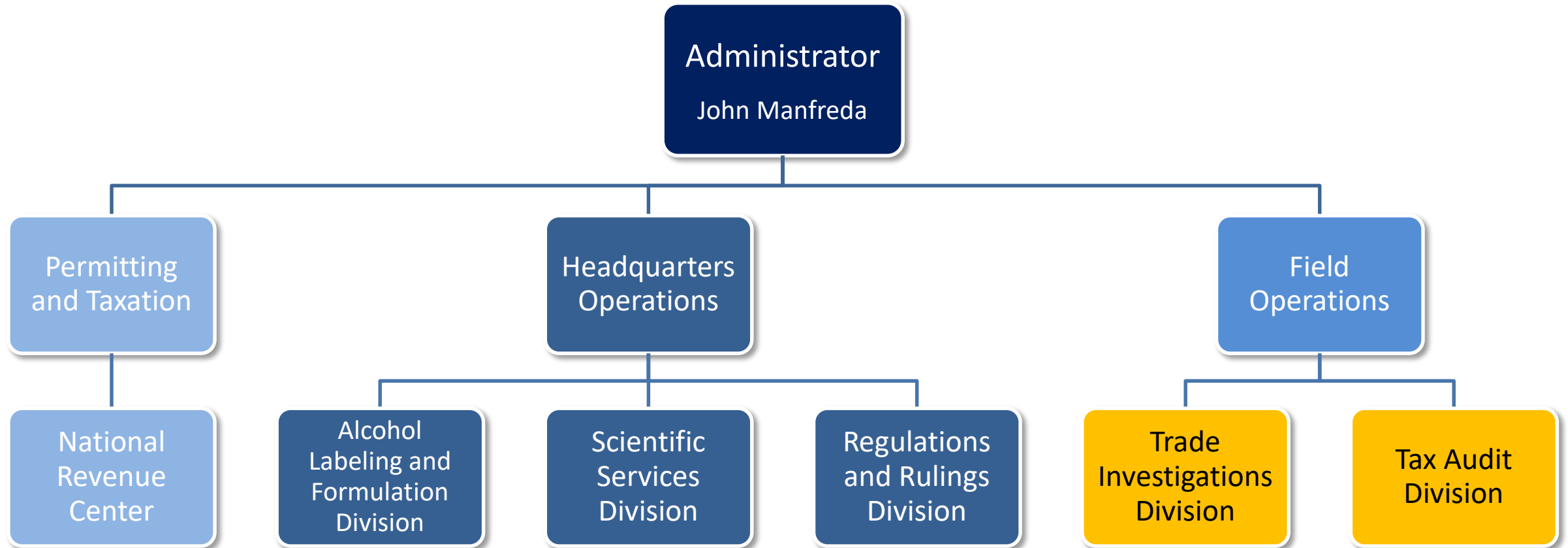
Regulations and Rulings Division

- Develops and publishes new and amended TTB regulations
- Develops and publishes industry guidance
- Evaluates requests for variances/alternate procedures

- Located in Washington, DC
- 202-453-2265
- Web form: [Submit Online Inquiry](#)



TTB Organizational Chart





Tax Audit & Trade Investigations Divisions (Field Enforcement)

- Ensures the proper payment of excise taxes
- Ensures compliance with laws and regulations
- Conducts trade practice investigations
- Located throughout the U.S.A.
- For questions about trade practices:
 - 202-453-2251
 - TradePractices@ttb.gov



Registration is Open for the Free TTB Trade Practice Seminars

Location	Date	Time	Registration Link
New York, New York Ted Weiss Federal Building	April 24, 2019	8:30 AM-Noon	Register Now
		1:00 PM-5:00 PM	Register Now
San Diego, California DoubleTree by Hilton Hotel San Diego – Mission Valley	June 4, 2019	8:00 AM-Noon	Register Now
		1:00 PM-5:00 PM	Register Now
Seattle, Washington Crowne Plaza Seattle Downtown	June 6, 2019	8:00 AM-Noon	Register Now
		1:00 PM-5:00 PM	Register Now
St. Louis, Missouri Robert A Young Federal Building	August 1, 2019	8:00 AM-Noon	Register Now

<https://www.ttb.gov/news/registration-open-2019-trade-practice-seminars.shtml>

TTB Laws and Regulations

QUICK OVERVIEW





TTB Laws and Regulations*

Domestic Breweries

- Internal Revenue Code (IRC)
 - 26 U.S.C. Chapter 51 (the law)
 - [27 CFR part 25 – Beer](#) (the regulations implementing the law)

- Federal Alcohol Administration Act (FAA Act)
 - 27 U.S.C. 205 (the law)
 - [27 CFR part 7 – Labeling and Advertising of Malt Beverages](#) (the regulations implementing the law)

* Not a complete list



IRC Definition of Beer

- *Beer is:* Beer, ale, porter, stout, and other similar fermented beverages (including saké and similar products) of any name or description **containing one-half of one percent or more of alcohol by volume, brewed or produced from malt, wholly or in part, or from any substitute for malt**
 - Only rice, grain of any kind, bran, glucose, sugar, and molasses are substitutes for malt
 - In addition, brewers may also use the following materials as adjuncts in fermenting beer: honey, fruit, fruit juice, fruit concentrate, herbs, spices, and other food materials
 - You may use flavors and other nonbeverage ingredients containing alcohol in producing beer in certain amounts

27 CFR part 25



FAA Act Definition of Malt Beverage

- A malt beverage is: A beverage made by the **alcoholic fermentation** of an infusion or decoction, or combination of both, in potable brewing water, of
 - **malted barley with hops**, or their parts, or their products, and
 - with or without other malted cereals, and
 - with or without the addition of unmalted or prepared cereals, other carbohydrates or products prepared therefrom, and
 - with or without the addition of carbon dioxide, and
 - with or without other wholesome products suitable for human food consumption

27 CFR part 7



As a Result...

- A beer is not regulated as a malt beverage under the FAA Act, unless it contains both:
 - Malted barley *AND* hops
- Malt beverages with less than 0.5% alcohol by volume are not taxed as beer under the IRC, but may be subject to FAA Act requirements
- See [TTB Ruling 2008-3](#) for additional information



Therefore...

- **Saké** is beer under the IRC but is not a malt beverage under the FAA Act (it's wine)
- **Near beer** (less than 0.5% ABV) and **alcohol free** malt beverages (0.0% ABV) are potentially subject to TTB label approval
- **Sorghum beers** and other beers made without both malted barley and hops are never subject to TTB label approval, but must be labeled in accordance with Food and Drug Administration (FDA) food labeling requirements



IRC Requirements for (Domestic) Beer

- Applies to all beer produced in the U.S.
- Includes:
 - Qualification of the Brewery/Brewpub
 - Recordkeeping requirements and reports
 - Taxes
 - Formulas (for some beers)
 - Minimum marks, brands and labels requirements

27 CFR part 25



FAA Act Requirements for Malt Beverages

- Applies to domestic and imported malt beverages, but only if they are sold or shipped ... in interstate commerce*
- Includes:
 - Labeling requirements for malt beverages
 - Certificates of Label Approval (COLA)
 - Advertising of malt beverages
 - Trade practices

*Other conditions apply for labeling and COLA requirements

27 CFR part 7

Craft Beverage Modernization & Tax Reform Act

CHANGES EFFECTIVE DURING
2018 AND 2019





Tax Rates for Domestic Beer

Tax Rates for Domestic Beer Removed During Calendar Years 2018 and 2019*

	Beer Produced by the Brewer		Beer Not Produced by the Brewer
	First 60,000 BBLs	Over 60,000 up to 2,000,000	All BBLs
Domestic Brewer who brews 2,000,000 barrels or less per calendar year	\$3.50	\$16.00	\$18.00
Domestic Brewer who brews more than 2,000,000 barrels per calendar year	\$16.00	\$18.00	

* Additional rules regarding controlled groups and single taxpayers apply



What is “Production”

- For purposes of taking the reduced rates of tax, beer is considered to have been “produced” if it is lawfully brewed or produced at a qualified brewery premises, including beer brewed by fermentation or produced by the addition of water or other liquids during any stage of production
 - Blending or combining two beers does not count as production for purposes of the reduced tax rates
 - Beer received in bond in containers and subsequently removed subject to tax, without any production activity occurring, is not eligible for the reduced tax rates
 - Beer received in bond and merely bottled is also not eligible for the reduced tax rates



What is “Production”

- The entire volume of beer to which water or other liquids is added is considered “produced” for purposes of applying the reduced tax rates
- TTB expects production activities to be undertaken in good faith in the ordinary course of production, and not solely for the purpose of obtaining a reduced rate
- The eligibility for the reduced rate is also subject to controlled group and single taxpayer rules, which may further limit the beer subject to the reduced rate upon removal by the brewer



Controlled Group and Single Taxpayer Rules

- **Controlled Group:** The Act provides that the quantities to which the credits and reduced rates apply shall be applied to the controlled group. The Act also provides that an importer electing to receive an assignment of a credit or reduced tax rate from a foreign manufacturer shall be deemed a member of the controlled group of the foreign manufacturer.
- **Single Taxpayer:** The Act provides that two or more entities (whether or not under common control) that produce products marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the credits and reduced rates.
 - See [TTB Industry Circular 2018-5](#) for additional details on single taxpayers



Tax Rates for Imported Beer

Tax Rates for Beer that is Imported During Calendar Years 2018 and 2019*

	First 6,000,000 BBLs	Over 6,000,000 BBLs
Beer Importer	\$16.00	\$18.00

* Additional controlled group, single taxpayer, and foreign producer assignment rules apply.



Foreign Manufacturer Election

- In the case of beer brewed or produced outside of the United States and imported, foreign brewers may assign the reduced rates to importers who elect to receive it
- U.S. Customs and Border Protection (CBP) is responsible for the collection of tax on imported alcohol products and for issuing guidance about foreign manufacturer elections
- CBP has issued interim guidance ([CSMS #18-000403](#)) for importers



Transfer of Beer in Bond

- The Act authorizes the transfer of beer in bond between brewers who are not owned by the same corporation or other entity
- See [2018-1 Transfer of Beer Between Breweries Not of the Same Ownership](#)



Summary & Questions