



UNITED STATES TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

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**IMPORTATION OF TOBACCO MATERIALS,
TOBACCO PRODUCTS, AND CIGARETTE PAPERS AND TUBES**

Title 26—INTERNAL REVENUE

**Chapter I—Internal Revenue Service,
Department of the Treasury**

**SUBCHAPTER E—ALCOHOL, TOBACCO, AND
OTHER EXCISE TAXES**

**PART 275—IMPORTATION OF TO-
BACCO MATERIALS, TOBACCO
PRODUCTS, AND CIGARETTE PA-
PERS AND TUBES**

On June 7, 1961, a notice of proposed rule making proposing new regulations in Part 275 of Title 26 of the Code of Federal Regulations was published in the FEDERAL REGISTER (26 F.R. 5058). The purposes of the notice were to prescribe provisions relating to the importation and taxpayment of tobacco materials, cigars, cigarettes, manufactured tobacco, and cigarette papers and tubes in a single part of this chapter, and to implement the Internal Revenue Code of 1954, as amended by the Excise Tax Technical Changes Act of 1958 (Public Law 85-859, 72 Stat. 1275).

No comments or suggestions pertaining to these regulations were received during the period of 30 days from the date of publication of the notice of proposed rule making. Accordingly, the regulations so published are hereby adopted with the changes set forth below:

1. The *Preamble* is changed:

(A) By striking from the first sentence the word "and", after the word "cigarettes", and by inserting after the words "manufactured tobacco" the words ", and cigarette papers and tubes"; and

(B) By redesignating paragraph 2 as paragraph 3 and by inserting a new paragraph 2.

(over)

2. Section 275.11 is changed:
 (A) By rewording the first sentence of the definition of "Tobacco materials".

(B) By inserting in the definition of "Waste", after the word "Tobacco" the first time it appears, the word "materials".

3. Section 275.22 is changed by striking the period at the end of the first sentence and adding the phrase ", or in the case of an authorization, for three years following the close of the calendar year in which the operation under such authorization is concluded."

4. Section 275.25 is changed by rewording the second sentence to read "Where the articles are not sold, the officer may deliver them to a Federal or State hospital or institution (if they are fit for consumption) or cause their destruction by burning completely or by rendering them unfit for consumption."

5. Section 275.37 is changed:

(A) By rewording the first sentence to read "Large cigars are divided into seven classes, for internal revenue tax purposes, corresponding with the rates of tax imposed by section 5701(b) (2), I.R.C., and based on the retail price intended by the importer for such cigars."; and

(B) By striking in the third sentence the word "determining" and inserting in lieu thereof the word "establishing".

6. Section 275.49 is changed by striking in the last sentence the words "packaged, labeled, and" and inserting in lieu thereof the phrase "in packages which bear the notice and shall be".

7. The heading of Subpart E is changed to read "Subpart E—Packages".

8. Section 275.81 is changed by inserting in the parenthetical phrase at the end thereof, before the word "tax", the words "internal revenue".

9. Section 275.90 is changed by inserting in the parenthetical phrase at the end thereof, before the word "tax", the words "internal revenue".

10. Section 275.106 is changed by adding at the end thereof a new sentence to read "Noncommercial mail shipments of tobacco products and cigarette papers and tubes to the United States are exempt from the provisions of this section, except that the internal revenue officer in Puerto Rico receiving a payment of internal revenue tax on mail shipments of such articles will prepare a certificate to be affixed to the container stating that the United States internal revenue tax has been prepaid on the articles contained therein."

11. Section 275.107 is changed by striking in the first sentence the word "shall" and inserting in lieu thereof the word "will".

12. Section 275.108 is changed by striking, at the end thereof, the phrase "and be made available for inspection by internal revenue officers".

13. Section 275.117 is changed by striking in the first sentence the word "shall" and inserting in lieu thereof the word "will".

14. Section 275.118 is changed by striking, at the end thereof, the phrase "and be made available for inspection by internal revenue officers".

15. Section 275.121 is changed by striking in the first sentence the proviso

and inserting in lieu thereof new provisos and a new sentence, to read "Provided, That the amount of any such bond (or the total amount including strengthening bonds, if any) need not exceed \$250,000 where payment of tax on cigarettes is deferred; need not exceed \$150,000 where payment of tax on cigars is deferred; and need not exceed \$25,000 where payment of tax on manufactured tobacco is deferred: *And provided further*, That, where payment of tax is deferred with respect to more than one kind of tobacco product, the bond need not exceed the amount of the largest maximum bond prescribed with respect to any of the kinds of tobacco products on which payment is deferred. The amount of bond shall in no case be less than \$1,000."

16. Section 275.136 is changed by striking from the first sentence the phrase ", prior to obtaining the release of such articles," and inserting after the words "Form 2105 with" the phrase ", and receive a notice of approval from."

17. Section 275.137 is changed by inserting in item (a) of the last sentence, after the word "shipper", the phrase "for attachment to the bill of lading".

Effective date. The regulations in this part shall be effective on the first day of the first month which begins not less than 30 days following the date of publication in the FEDERAL REGISTER.

These regulations are issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

[SEAL] MORTIMER M. CAPLIN,
Commissioner of Internal Revenue.

Approved: August 28, 1961.

STANLEY S. SURREY,
Assistant Secretary of the Treasury.

Preamble. 1. These regulations, 26 CFR Part 275, "Importation of Tobacco Materials, Tobacco Products, and Cigarette Papers and Tubes," are promulgated to prescribe provisions relating to the importation and taxpayment of tobacco materials, cigars, cigarettes, manufactured tobacco, and cigarette papers and tubes in a single part of this chapter, and to implement the Internal Revenue Code of 1954 as amended by the Excise Tax Technical Changes Act of 1958 (Public Law 85-859, 72 Stat. 1275). These regulations supersede the existing regulations in 26 CFR Part 275 and Subpart F of 26 CFR Part 296 in their entirety; prescribe revision of provisions formerly included in 26 CFR Part 270 relating to the importation of cigars and cigarettes, the release of tobacco materials, cigars, and cigarettes from customs custody, and the manufacture of cigars in customs bonded manufacturing warehouses, class 6; prescribe revision of provisions formerly included in 26 CFR Part 275 relating to the importation of manufactured tobacco and the release of tobacco materials and manufactured tobacco from customs custody; prescribe revision of provisions formerly included in 26 CFR Part 280 relating to the release

of tobacco materials from customs custody; prescribe revision of provisions formerly included in 26 CFR Part 285 relating to the importation of cigarette papers and tubes and the release of cigarette papers and tubes from customs custody; and prescribe revision of provisions formerly included in Subpart E of 26 CFR Part 296 relating to importation of tobacco products and the manufacture of cigars in customs bonded manufacturing warehouses, class 6.

2. The function of collecting internal revenue taxes on tobacco products and cigarette papers and tubes imported or brought into the United States and removed subject to tax from customs custody, heretofore delegated to the Commissioner of Internal Revenue, is transferred on the effective date of these regulations to the Commissioner of Customs by delegation of authority from the Secretary of the Treasury (Treasury Department Order No. 165-12).

3. These regulations shall not affect any act done, or any liability or right accruing or accrued, or any suit or proceeding had or commenced, before the effective date of these regulations.

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AUTHORITY: §§ 276.1 to 276.180 are issued under section 7805, 68A Stat. 917; 26 U.S.C. 7805. Additional authority is cited in parentheses following the sections affected.

Subpart A—Scope of Regulations

§ 275.1 Importation of tobacco materials, tobacco products, and cigarette papers and tubes.

This part contains the regulations relating to tobacco materials, tobacco products, and cigarette papers and tubes, imported into the United States from a foreign country or brought into the United States from Puerto Rico, the Virgin Islands, or a possession of the United States; the removal of cigars from a customs bonded manufacturing warehouse, class 6; and the release of tobacco materials, tobacco products, and cigarette papers and tubes from customs custody, without payment of internal revenue tax.

Subpart B—Definitions

§ 275.11 Meaning of terms.

When used in this part and in forms prescribed under this part, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, each of the following terms shall have the meaning ascribed in this section. Words in the plural form shall include the singular, words in the singular form shall include the plural, and words importing the masculine gender shall include the feminine. The terms "includes" and "including" do not exclude things not enumerated which are in the same general class.

Assistant regional commissioner. An assistant regional commissioner (alcohol and tobacco tax) who is responsible to, and functions under the direction and supervision of, a regional commissioner.

Bonded manufacturer. A manufacturer of tobacco products in Puerto Rico who has an approved bond, in accordance with the provisions of this part, authorizing him to defer the payment in Puerto Rico of the internal revenue tax imposed on such products by section 7652(a), I.R.C., as provided in this part.

CFR. The Code of Federal Regulations.

Cigar. Any roll of tobacco wrapped in tobacco.

Cigarette. Any roll of tobacco, wrapped in paper or any substance other than tobacco.

Cigarette paper. Paper, or any other material except tobacco, prepared for use as a cigarette wrapper.

Cigarette papers. Taxable books or sets of cigarette papers, i.e., books or sets of cigarette papers containing more than 25 papers each.

Cigarette tube. Cigarette paper made into a hollow cylinder for use in making cigarettes.

Collector of customs. The person having charge of a customs collection district, including assistant collector of customs, deputy collector of customs, and any person authorized by law, or by regulations approved by the Secretary of the Treasury, to perform the duties of a collector of customs.

Commissioner. The Commissioner of Internal Revenue.

Computation or computed. When used with respect to the tax on tobacco products of Puerto Rican manufacture, computation or computed shall mean that the bonded manufacturer has ascertained the quantity, kind, and (if applicable) class, of tobacco products being shipped to the United States, that the payment, in Puerto Rico, of the tax on such products is to be deferred under Subpart G of this part, that the tax imposed on such products by section 7652(a), I.R.C., has been calculated, that the bonded manufacturer has executed an agreement to pay the internal revenue tax which will become due with respect to such products, as provided in this part, and that an internal revenue officer has verified and executed a certification of such calculation.

Dealer in tobacco materials. Any person who receives and handles tobacco materials for sale, shipment, or delivery to another dealer in such materials, to a manufacturer of tobacco products, or to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, or who receives tobacco materials, other than stems and waste, for use by him in the production of fertilizer, insecticide, or nicotine. The term "dealer in tobacco materials" shall not include (a) an operator of a warehouse who stores tobacco materials solely for a qualified dealer in tobacco materials, for a qualified manufacturer of tobacco products, for a farmer or grower of tobacco, or for a bona fide association of farmers or growers of tobacco; (b) a farmer or grower of tobacco with respect

to the sale of leaf tobacco of his own growth or raising, or a bona fide association of farmers or growers of tobacco with respect to sales of leaf tobacco grown by farmer or grower members, if the tobacco so sold is in the condition as cured on the farm: *Provided*, That such association maintains records of all leaf tobacco acquired or received and sold or otherwise disposed of by the association, in accordance with Part 280 of this chapter; (c) a person who buys leaf tobacco on the floor of an auction warehouse, or who buys leaf tobacco from a farmer or grower, and places the tobacco on the floor of such a warehouse, or who purchases and sells warehouse receipts without taking physical possession of the tobacco covered thereby; or (d) a qualified manufacturer of tobacco products with respect to tobacco materials received by him under his bond as such a manufacturer.

Determined or determination. When used with respect to the internal revenue tax on tobacco products and cigarette papers and tubes, determined or determination shall mean that the quantity, kind, and (if applicable) class, of tobacco products, or the number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes, to be removed subject to internal revenue tax, has been established as prescribed by this part so that the internal revenue tax payable with respect thereto may be calculated.

Director. The Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington, D.C.

District director. A district director of internal revenue.

Factory. The premises of a manufacturer of tobacco products or cigarette papers and tubes in which he carries on such business.

Importer. Any person in the United States to whom nontaxpaid tobacco products or cigarette papers or tubes manufactured in a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States are shipped or consigned; any person who removes cigars for sale or consumption in the United States from a customs bonded manufacturing warehouse; and any person who smuggles or otherwise unlawfully brings tobacco products or cigarette papers or tubes into the United States.

Internal revenue officer. An officer or employee of the Internal Revenue Service duly authorized to perform any function relating to the administration or enforcement of this part.

I.R.C. The Internal Revenue Code of 1954, as amended.

Large cigarettes. Cigarettes weighing more than three pounds per thousand.

Large cigars. Cigars weighing more than three pounds per thousand.

Manufactured tobacco. Tobacco (other than cigars and cigarettes) prepared, processed, manipulated, or packaged, for removal, or merely removed, for consumption by smoking or for use in the mouth or nose, and any tobacco (other than cigars and cigarettes), not exempt from tax under Chapter 52, I.R.C., sold or delivered to any person

contrary to the provisions of such chapter or regulations thereunder.

Manufacturer of cigarette papers and tubes. Any person who makes up cigarette paper into books or sets containing more than 25 papers each, or into tubes, except for his own personal use or consumption.

Manufacturer of tobacco products. Any person who manufactures cigars or cigarettes, or who prepares, processes, manipulates, or packages, for removal, or merely removes, tobacco (other than cigars and cigarettes) for consumption by smoking or for use in the mouth or nose, or who sells or delivers any tobacco (other than cigars and cigarettes) contrary to the provisions of Chapter 52, I.R.C., or regulations thereunder. The term "manufacturer of tobacco products" shall not include (a) a person who in any manner prepares tobacco, or produces cigars or cigarettes, solely for his own personal consumption or use; (b) a proprietor of a customs bonded manufacturing warehouse with respect to the operation of such warehouse; (c) a farmer or grower of tobacco with respect to the sale of leaf tobacco of his own growth or raising, if it is in the condition as cured on the farm; or (d) a bona fide association of farmers or growers of tobacco with respect to sales of leaf tobacco grown by farmer or grower members, if the tobacco so sold is in the condition as cured on the farm, and if the association maintains records of all leaf tobacco, acquired or received and sold or otherwise disposed of, in accordance with Part 280 of this chapter.

Officer-in-Charge. The principal revenue officer in Puerto Rico charged with the duty of collecting internal revenue taxes, in Puerto Rico, under the jurisdiction of the Director of the Office of International Operations, Internal Revenue Service, Treasury Department, Washington, D.C.

Package. The container in which tobacco products or cigarette papers or tubes are put up by the manufacturer or the importer and offered for sale or delivery to the consumer.

Person. An individual, partnership, association, company, corporation, estate, or trust.

Region. An internal revenue region.

Regional commissioner. A regional commissioner of internal revenue.

Removal or remove. The removal of tobacco products or cigarette papers or tubes from the factory or release from customs custody, including the smuggling or other unlawful importation of such articles into the United States.

Small cigarettes. Cigarettes weighing not more than three pounds per thousand.

Small cigars. Cigars weighing not more than three pounds per thousand.

Stems. The stems or midribs of tobacco.

This chapter. Chapter I, Title 26, Code of Federal Regulations.

Tobacco materials. Tobacco (other than manufactured tobacco, cigars, and cigarettes), including tobacco in process, Perique, Black Fat, leaf tobacco, and tobacco scraps, cuttings, clippings, siftings, stems, and waste. Tobacco materials are categorized:

(a) *Unstemmed leaf tobacco.* Leaf tobacco from which the stem or midrib has not been removed.

(b) *Other tobacco materials.* Tobacco materials other than unstemmed leaf tobacco.

Tobacco products. Manufactured tobacco, cigars, and cigarettes.

United States. When used in a geographical sense shall include only the States and the District of Columbia.

U.S.C. The United States Code.

Waste. Tobacco materials, including dust, and foreign substances resulting from the handling, manipulation, or processing of tobacco, and which are worthless for use in the manufacture of tobacco products and have no market value for that purpose.

Subpart C—General

§ 275.21 Forms prescribed.

The Director is authorized to prescribe all forms required by this part. All of the information called for in each form shall be furnished as indicated by the headings on the form and the instructions thereon or issued in respect thereto, and as required by this part. When a return, form, claim, or other document called for under this part is required by this part, or by the document itself, to be executed under penalties of perjury, it shall be so executed.

§ 275.22 Retention of records.

All records required to be kept under this part, including copies of claims and schedules, authorizations, notices of release, reports, and returns, shall be retained for three years following the close of the year in which filed or made, or in the case of an authorization, for three years following the close of the calendar year in which the operation under such authorization is concluded. Such records shall be made available for inspection by any internal revenue officer upon his request.

(72 Stat. 1423; 26 U.S.C. 5741)

§ 275.23 Authority of internal revenue officers to enter premises.

Any internal revenue officer may enter in the daytime any premises where tobacco products and cigarette papers and tubes are produced or kept, and where tobacco materials are kept, so far as it may be necessary for the purpose of examining such articles. When such premises are open at night, any internal revenue officer may enter them, while so open, in the performance of his official duties. The owner of such premises, or person having the superintendence of the same, who refuses to admit any internal revenue officer or permit him to examine such articles shall be liable to the penalties prescribed by law for the offense.

(68A Stat. 872, 903; 26 U.S.C. 7342, 7606)

§ 275.24 Interference with administration.

Whoever, corruptly or by force or threats of force, endeavors to hinder or obstruct the administration of this part, or endeavors to intimidate or impede any

internal revenue officer acting in his official capacity, or forcibly rescues or attempts to rescue or causes to be rescued any property, after it has been duly seized for forfeiture to the United States in connection with a violation of the internal revenue laws, shall be liable to the penalties prescribed by law.

(68A Stat. 855; 26 U.S.C. 7212)

§ 275.25 Disposal of forfeited, condemned, and abandoned tobacco materials, tobacco products, and cigarette papers and tubes.

When any Federal, State, or local officer having custody of forfeited, condemned, or abandoned tobacco materials, tobacco products, or cigarette papers or tubes, upon which the Federal tax has not been paid, is of the opinion that the sale thereof will not bring a price equal to the tax due and payable thereon, and the expenses incident to the sale thereof, he shall not sell, nor cause to be sold, such articles for consumption in the United States. Where the articles are not sold, the officer may deliver them to a Federal or State hospital or institution (if they are fit for consumption) or cause their destruction by burning completely or by rendering them unfit for consumption. Where such articles are sold, they shall not be released by the officer having custody thereof until they are properly packaged and taxpaid, which tax shall be considered as a portion of the sales price. Except where the tax is to be paid to collectors of customs in accordance with Part 20, Customs Regulations (19 CFR Part 20), on sales of articles by customs officers, the payment of tax on such articles shall be evidenced by presentation, to the officer having custody of the articles, of a receipt from the district director showing such payment: *Provided*, That tobacco materials may be sold to the highest bidder, without regard to any tax, whether by sealed bid or otherwise, if such bidder is a manufacturer of tobacco products or a dealer in tobacco materials, qualified under Chapter 52, I.R.C., to engage in such business, such materials to be accounted for in records required to be kept by him for internal revenue purposes. In the case of such articles held by or for the Federal Government, the sale thereof shall be subject to the applicable provisions of the Regulations of the General Services Administration, Title 1, Personal Property Management.

(72 Stat. 1425; 26 U.S.C. 5753)

§ 275.26 Alternate methods or procedures.

An importer, on specific approval by the Director as provided in this section, may use an alternate method or procedure in lieu of a method or procedure specifically prescribed in this part. The Director may approve an alternate method or procedure, subject to stated conditions, when he finds that—

(a) Good cause has been shown for the use of the alternate method or procedure,

(b) The alternate method or procedure is within the purpose of, and consistent with the effect intended by, the

specifically prescribed method or procedure, and affords equivalent security to the revenue, and

(c) The alternate method or procedure will not be contrary to any provision of law, and will not result in an increase in cost to the Government or hinder the effective administration of this part.

No alternate method or procedure relating to the giving of any bond or to the assessment, payment, or collection of tax, shall be authorized under this section. Where an importer desires to employ an alternate method or procedure, he shall submit a written application to do so, in triplicate, to the assistant regional commissioner for transmittal to the Director. The application shall specifically describe the proposed alternate method or procedure, and shall set forth the reasons therefor. Alternate methods or procedures shall not be employed until the application has been approved by the Director. The importer shall, during the period of authorization of an alternate method or procedure, comply with the terms of the approved application. Authorization for any alternate method or procedure may be withdrawn whenever in the judgment of the Director the revenue is jeopardized or the effective administration of this part is hindered. The importer shall retain, as part of his records, any authorization of the Director under this section.

§ 275.27 Emergency variations from requirements.

The Director may approve methods of operation other than as specified in this part, where he finds that an emergency exists and the proposed variations from the specified requirements are necessary, and the proposed variations—

(a) Will afford the security and protection to the revenue intended by the prescribed specifications,

(b) Will not hinder the effective administration of this part, and

(c) Will not be contrary to any provision of law.

Variations from requirements granted under this section are conditioned on compliance with the procedures, conditions, and limitations set forth in the approval of the application. Failure to comply in good faith with such procedures, conditions, and limitations shall automatically terminate the authority for such variations and the importer thereupon shall fully comply with the prescribed requirements of regulations from which the variations were authorized. Authority for any variations may be withdrawn whenever in the judgment of the Director the revenue is jeopardized or the effective administration of this part is hindered by the continuation of such variation. Where an importer desires to employ such variation, he shall submit a written application to do so, in triplicate, to the assistant regional commissioner for transmittal to the Director. The application shall describe the proposed variations and set forth the reasons therefor. Variations shall not be employed until the application has been approved. The importer shall retain, as part of his records, any authorization of the Director under this section.

§ 275.28 Penalties and forfeitures.

Anyone who fails to comply with the provisions of this part becomes liable to the civil and criminal penalties, and forfeitures, provided by law.

(72 Stat. 1425, 1426; 26 U.S.C. 5761, 5762, 5763)

Subpart D—Taxes

TAX RATES

§ 275.31 Cigars.

On cigars imported or brought into the United States, the following internal revenue taxes are imposed by law:

(a) Small cigars. 75 cents per thousand.

(b) Large cigars. (1) If removed to retail at not more than 2½ cents each, \$2.50 per thousand;

(2) If removed to retail at more than 2½ cents each and not more than 4 cents each, \$3 per thousand;

(3) If removed to retail at more than 4 cents each and not more than 6 cents each, \$4 per thousand;

(4) If removed to retail at more than 6 cents each and not more than 8 cents each, \$7 per thousand;

(5) If removed to retail at more than 8 cents each and not more than 15 cents each, \$10 per thousand;

(6) If removed to retail at more than 15 cents each and not more than 20 cents each, \$15 per thousand; and

(7) If removed to retail at more than 20 cents each, \$20 per thousand.

Cigars not exempt from tax under this part which are removed but not intended for sale shall be taxed at the same rate as similar cigars removed for sale.

(68A Stat. 907, 72 Stat. 1414; 26 U.S.C. 7652, 5701)

§ 275.32 Cigarettes.

On cigarettes imported or brought into the United States, the following internal revenue taxes are imposed by law:

(a) Small cigarettes. \$4 per thousand.

(b) Large cigarettes. \$8.40 per thousand; except that where such cigarettes are more than 6½ inches in length, the rate of tax is \$4 per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

(68A Stat. 907, 72 Stat. 1414; 26 U.S.C. 7652, 5701)

§ 275.33 Tobacco.

On tobacco, whether in the form of manufactured tobacco or tobacco materials, imported or brought into the United States, an internal revenue tax of 10 cents per pound is imposed by law.

(68A Stat. 907, 72 Stat. 1414; 26 U.S.C. 7652, 5701)

§ 275.34 Cigarette papers.

On each book or set of cigarette papers containing more than 25 papers imported or brought into the United States, the law imposes an internal revenue tax of ½ cent for each 50 papers or fractional part thereof; except that where cigarette papers measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette paper.

(68A Stat. 907, 72 Stat. 1414; 26 U.S.C. 7652, 5701)

§ 275.35 Cigarette tubes.

On cigarette tubes imported or brought into the United States, the law imposes an internal revenue tax of 1 cent for each 50 tubes or fractional part thereof; except that where cigarette tubes measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette tube.

(68A Stat. 907, 72 Stat. 1414; 26 U.S.C. 7652, 5701)

TAX CLASSIFICATION OF LARGE CIGARS AND OF CIGARETTES

§ 275.37 Large cigars.

Large cigars are divided into seven classes, for internal revenue tax purposes, corresponding with the rates of tax imposed by section 5701(b)(2), I.R.C., and based on the retail price intended by the importer for such cigars. The classes are designated, from the lowest to the highest rate of tax, as Class A, Class B, Class C, Class D, Class E, Class F, and Class G, respectively. In establishing the retail price, for tax purposes, regard shall be had to the ordinary retail price of a single cigar in its principal market, exclusive of any State or local taxes imposed on cigars as a commodity. Where there is more than one price for the same cigar in its principal market, the tax to be paid shall be determined, at the time of removal, according to the price at which the majority are sold therein. Subsequent retail sale at a price in excess of the maximum for the class at which taxpaid will not, in itself, cause the importer to incur any additional tax liability.

(72 Stat. 1414; 26 U.S.C. 5701)

§ 275.38 Cigarettes.

For internal revenue tax purposes, small cigarettes are designated Class A and large cigarettes are designated Class B.

(72 Stat. 1414; 26 U.S.C. 5701)

LIABILITY FOR AND PAYMENT OF TAXES

§ 275.40 Persons liable for tax.

The importer of tobacco materials, tobacco products, and cigarette papers and tubes, shall be liable for the internal revenue taxes imposed thereon by section 5701 or 7652, I.R.C.: *Provided*, That when tobacco products or cigarette papers or tubes are released in bond from customs custody for transfer to the bonded premises of a manufacturer of tobacco products or of a manufacturer of cigarette papers and tubes, the transferee shall become liable for the internal revenue tax on such articles upon release from customs custody and the importer shall thereupon be relieved of his liability for such tax.

(68A Stat. 907, 72 Stat. 1417; 26 U.S.C. 7652, 5703)

§ 275.41 Determination of tax and method of payment.

Tobacco materials, tobacco products, and cigarette papers and tubes, imported

or brought into the United States, on which internal revenue taxes are due and payable, shall not be released from customs custody until such taxes have been determined and paid. The taxes on such articles which are determined to be due shall be paid on the basis of a return in accordance with the provisions of this part.

(68A Stat. 907, 72 Stat. 1417; 26 U.S.C. 7652, 5703)

EXEMPTIONS FROM TAXES

§ 275.45 Tobacco products and cigarette papers and tubes imported by consular officers and employees of foreign states.

No internal revenue tax shall be imposed with respect to tobacco products and cigarette papers and tubes imported by a consular officer of a foreign state, or by an employee of a consulate of a foreign state, whether such articles accompany the officer or employee to his post in the United States, or are imported by him at any time during the exercise of his functions therein, if:

(a) Such officer or employee is a national of the state appointing him and is not engaged in any profession, business, or trade within the territory specified in this section;

(b) The tobacco products and cigarette papers and tubes are imported by the officer or employee for his personal or official use; and

(c) The foreign state grants an equivalent exemption to corresponding officers or employees of the Government of the United States stationed in such foreign state, as certified by the Secretary of State.

(68A Stat. 900; 26 U.S.C. 7511)

§ 275.46 Samples of cigars and cigarettes.

Samples of cigars and cigarettes, to be used in the United States by persons importing tobacco products in commercial quantities, are, subject to the limitations in this section, exempt from payment of any internal revenue tax imposed on, or by reason of, importation. This exemption applies only to samples to be used for soliciting orders for products of foreign countries. Only one sample of cigars and cigarettes of the same brand, blend, size, shape, and weight, and having the same kind of wrapper, filter, mouthpiece, etc., shall be so admitted during any calendar quarter for the use of each such person. No such sample shall contain more than 3 cigars or 3 cigarettes.

(71 Stat. 486; 19 U.S.C. 1201)

§ 275.47 Samples of manufactured tobacco.

Samples of manufactured tobacco, to be used in the United States by persons importing tobacco products in commercial quantities, are, subject to the limitations in this section, exempt from payment of any internal revenue tax imposed on, or by reason of, importation. This exemption applies only to samples to be used for soliciting orders for products of foreign countries. Only one sample of manufactured tobacco of the same kind, brand, blend, form, flavor,

cut, grind, etc., shall be so admitted during any calendar quarter for the use of each such person. No such sample shall contain more than one-eighth of an ounce of manufactured tobacco.

(71 Stat. 486; 19 U.S.C. 1201)

§ 275.48 Samples of cigarette tubes.

Samples of cigarette tubes, to be used in the United States by persons importing cigarette papers or tubes in commercial quantities, are, subject to the limitations in this section, exempt from payment of any internal revenue tax imposed on, or by reason of, importation. This exemption applies only to samples to be used for soliciting orders for cigarette tubes manufactured in foreign countries. Only one sample of cigarette tubes of the same brand, size, shape, color, weight, and burning characteristics, and having the same kind of tip, filter, mouthpiece, etc., shall be so admitted during any calendar quarter for the use of each such person. No such sample shall contain more than 3 cigarette tubes.

(71 Stat. 486; 19 U.S.C. 1201)

§ 275.49 Tobacco products and cigarette papers and tubes for exhibition at trade fairs.

Tobacco products and cigarette papers and tubes may be imported into the United States, without payment of internal revenue tax, for the purpose of exhibition at a trade fair, exhibition, or exposition pursuant to the Trade Fair Act of 1959 (73 Stat. 18; 19 U.S.C. 1751), in accordance with Customs Regulations, 19 CFR Part 32. Such tobacco products and cigarette papers and tubes imported into the United States must be disposed of in accordance with 19 CFR Part 32. However, if such products are sold or otherwise disposed of for consumption within, or removed from, the area of such fairs pursuant to 19 U.S.C. 1753(a), and regulations thereunder, they shall be in packages which bear the notice and shall be taxpaid, in accordance with the applicable provisions of this part, prior to release from customs custody.

§ 275.50 Other exemptions.

Customs Regulations, 19 CFR, Chapter I, provide for certain other exemptions from internal revenue taxes with respect to tobacco products and cigarette papers and tubes imported into the United States.

ASSESSMENT OF TAXES

§ 275.60 Assessment.

Whenever any person required by law to pay internal revenue tax on tobacco materials, tobacco products, or cigarette papers or tubes, fails to pay such tax, the tax shall be ascertained and assessed against such person, subject to the limitations prescribed in section 6501, I.R.C. The tax so assessed shall be in addition to the penalties imposed by law for failure to pay such tax when required. Except in cases where delay may jeopardize collection of the tax, or where the amount is nominal or the result of an evident mathematical error, no such assessment shall be made until and after notice has been afforded such person to

show cause against assessment. The person will be allowed 45 days from the date of such notice to show cause, in writing, against such assessment.

(72 Stat. 1417; 26 U.S.C. 5703)

CUSTOMS' COLLECTION OF TAXES

§ 275.62 Customs' collection of internal revenue taxes on tobacco materials, tobacco products, and cigarette papers and tubes, imported or brought into the United States.

Internal revenue taxes on tobacco materials, tobacco products, and cigarette papers and tubes, imported or brought into the United States, which are to be paid to a collector of customs, in accordance with this part, shall be collected, accounted for, and deposited as internal revenue collections by the collector of customs, in accordance with customs procedures and regulations: *Provided*, That, the collector of customs shall deposit the taxes collected on tobacco products and cigarette papers and tubes brought into the United States from Puerto Rico or the Virgin Islands in the internal revenue account designated for the deposit of taxes collected on articles of Puerto Rican manufacture, or the deposit of taxes collected on articles coming from the Virgin Islands, as the case may be.

Subpart E—Packages

§ 275.71 Package.

All tobacco products and cigarette papers and tubes, except as provided in § 275.75, shall, before removal subject to internal revenue tax, be put up in packages which shall be of such construction as will securely contain the articles therein and maintain the notice thereon as required by this subpart. No package of tobacco products or cigarette papers or tubes shall have contained in, attached to, or stamped, marked, written, or printed thereon (a) any certificate, coupon, or other device purporting to be or to represent a ticket, chance, share, or an interest in, or dependent on, the event of a lottery, (b) any indecent or immoral picture, print, or representation, or (c) any statement or indication that United States tax has been paid.

(72 Stat. 1422; 26 U.S.C. 5723)

§ 275.72 Notice for manufactured tobacco.

Every package of manufactured tobacco, except as provided in § 275.75, shall, before removal subject to internal revenue tax, have adequately imprinted thereon, or on a label securely affixed thereto, the designation "manufactured tobacco," "tobacco," or "snuff," and the quantity, by weight, of such product contained therein.

(72 Stat. 1422; 26 U.S.C. 5723)

§ 275.73 Notice for cigars.

Every package of cigars, except as provided in § 275.75, shall, before removal subject to internal revenue tax, have adequately imprinted thereon, or on a label securely affixed thereto, the designation "cigars", the quantity of such

product contained therein, and the classification of the product for tax purposes, i.e., for small cigars, either "small" or "little", and for large cigars, the appropriate following class designation corresponding with the rate of tax imposed by section 5701(b) (2), I.R.C.:

(a) "A. The ordinary retail price of the cigars herein contained is intended by the importer to be not more than 2½ cents each";

(b) "B. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 2½ cents each and not more than 4 cents each";

(c) "C. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 4 cents each and not more than 6 cents each";

(d) "D. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 6 cents each and not more than 8 cents each";

(e) "E. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 8 cents each and not more than 15 cents each";

(f) "F. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 15 cents each and not more than 20 cents each"; or

(g) "G. The ordinary retail price of the cigars herein contained is intended by the importer to be more than 20 cents each."

(72 Stat. 1422; 26 U.S.C. 5723)

§ 275.74 Notice for cigarettes.

Every package of cigarettes, except as provided in § 275.75, shall, before removal subject to internal revenue tax, have adequately imprinted thereon, or on a label securely affixed thereto, the designation "cigarettes", the quantity of such product contained therein; and the classification for tax purposes, i.e., for small cigarettes either "small" or "Class A", and for large cigarettes, either "large" or "Class B".

(72 Stat. 1422; 26 U.S.C. 5723)

§ 275.75 Exemptions.

The provisions of this subpart requiring that tobacco products and cigarette papers and tubes be put up in packages and that proper notice be placed on such packages shall not apply to imported tobacco products and cigarette papers and tubes authorized to be released from customs custody, without payment of internal revenue tax, pursuant to §§ 275.45, 275.46, 275.47, 275.48, and 275.50, and shall not apply to tobacco products imported in passengers' baggage, or by mail where the value does not exceed \$250, where such products are solely for the personal consumption of the importer or for disposition as his bona fide gift.

(72 Stat. 1422; 26 U.S.C. 5723)

Subpart F—Tobacco Materials, Tobacco Products, and Cigarette Papers and Tubes, Imported or Brought into the United States

§ 275.81 Taxpayment.

Except as otherwise provided in this part, any internal revenue tax payable on tobacco materials, tobacco products, and cigarette papers and tubes, imported or brought into the United States from a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, shall be determined and paid to the collector of customs before removal on the basis of a return made on the customs form by which release from customs custody is to be effected. There shall be set forth on such customs form at the time of entry for consumption or for warehousing and at the time of withdrawal from warehouse for consumption, in addition to any information required for customs purposes, the quantity, kind, and (if applicable) class, of tobacco products, or the number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes, to be removed on payment of tax, the applicable rate of tax, and the amount of tax due, substantially in the form as shown in the example below:

Quantity	Article and tax class	Rate of tax	Amount
20,000.....	Small cigars.....	\$0.75 per thousand.....	\$15.00
5,000.....	Large cigars—Class D.....	\$7 per thousand.....	35.00
1,000.....	Large cigars—Class E.....	\$10 per thousand.....	10.00
500.....	Large cigars—Class G.....	\$20 per thousand.....	10.00
10,000.....	Small cigarettes.....	\$4 per thousand.....	40.00
5,000.....	Large cigarettes.....	\$8.40 per thousand.....	42.00
2,000 sets.....	Cigarette papers—50 each set.....	\$0.005 per set.....	10.00
1,000 sets.....	Cigarette papers—100 each set.....	\$0.01 per set.....	10.00
1,000.....	Cigarette tubes.....	\$0.01 per 50 tubes.....	.20
500 pounds.....	Manufactured tobacco (including smoking and chewing tobacco, and snuff).....	\$0.10 per pound.....	50.00
500 pounds.....	Tobacco materials.....	do.....	50.00
Total.....			272.20

An extra copy of the customs form shall be prepared by the importer, marked "For internal revenue purposes", and filed with the collector of customs who will transmit it to the assistant regional commissioner of the region wherein the customs collection headquarters is located. (For provisions relating to the prepayment or deferred payment of internal revenue tax in Puerto Rico on tobacco products and cigarette papers and tubes brought into the United States, see Subpart G of this part.)

(68A Stat. 907, 72 Stat. 1417; 26 U.S.C. 7652, 5703)

RELEASE OF TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES FROM CUSTOMS CUSTODY, WITHOUT PAYMENT OF TAX

§ 275.85 Release from customs custody authorized.

Tobacco products manufactured in a foreign country, the Virgin Islands, or a possession of the United States may be released by the collector of customs from

customs custody, without payment of internal revenue tax, for transfer to the factory of a manufacturer of tobacco products under the bond of such manufacturer. Cigarette papers and tubes manufactured in a foreign country, the Virgin Islands, or a possession of the United States may be released by the collector of customs from customs custody, without payment of internal revenue tax, for transfer, under the bond of the manufacturer to whom such articles are released, to the factory of (a) a manufacturer of cigarette papers and tubes; or (b) a manufacturer of tobacco products solely for use in the manufacture of cigarettes; or (c) in the case of cigarette papers only, a manufacturer of tobacco products to be put up by him in units of not more than 25 papers each for distribution with packages of manufactured tobacco. Releases under this section shall be in accordance with § 275.86: *Provided, however,* That a manufacturer of tobacco products or a manufacturer of cigarette papers and tubes who desires to obtain the release of Virgin Islands tobacco products or cigarette papers or tubes from customs custody, without payment of internal revenue tax, under his bond, shall, in addition, file an extension of coverage of his bond on Form 2105 in the same manner and form as prescribed for Puerto Rican articles in § 275.136. Articles received into the factory of a manufacturer under the provisions of this section are subject to the provisions of Part 270 and Part 285 of this chapter. (For provisions relating to release of Puerto Rican tobacco products and cigarette papers and tubes from customs custody, without payment of internal revenue tax, see Subpart G of this part.)

(72 Stat. 1418; 26 U.S.C. 5704)

§ 275.86 Procedure for release.

Every manufacturer of tobacco products and cigarette papers and tubes who desires to obtain the release of tobacco products and cigarette papers and tubes from customs custody, without payment of internal revenue tax, under his bond, as provided in § 275.85, shall prepare a notice of release, Form 2145, in triplicate, and file the three copies of the form with the assistant regional commissioner for the region wherein the manufacturer is located. The assistant regional commissioner will not certify Form 2145 covering the release of tobacco products and cigarette papers and tubes unless the manufacturer is authorized, under Parts 270 and 285 of this chapter, to receive, without payment of tax, the kinds of articles set forth in the form. After certification by the assistant regional commissioner, all copies shall be presented by the manufacturer to the collector of customs having custody of the tobacco products and cigarette papers and tubes prior to release thereof. The collector of customs may release such articles upon completion of the notice of release and, after release, he will retain one copy of the form, transmit one copy to the assistant regional commissioner shown thereon, and return one copy to the manufacturer, which shall be retained by the manufacturer.

(72 Stat. 1418, 1423; 26 U.S.C. 5704, 5741)

RELEASE OF TOBACCO MATERIALS FROM CUSTOMS CUSTODY, WITHOUT PAYMENT OF TAX

§ 275.90 Release from customs custody authorized.

The collector of customs may release tobacco materials grown in a foreign country, the Virgin Islands, or a possession of the United States, from customs custody, without payment of internal revenue tax, for delivery to a dealer in tobacco materials or to a manufacturer of tobacco products, under the bond of such dealer or manufacturer. Such release shall be in accordance with § 275.91. (For provisions relating to release of Puerto Rican tobacco materials from customs custody, without payment of internal revenue tax, see Subpart G of this part.)

(72 Stat. 1418; 26 U.S.C. 5704)

§ 275.91 Procedure for release.

Every dealer in tobacco materials who desires to obtain the release of tobacco materials from customs custody, without payment of internal revenue tax, under his bond, as provided in § 275.90, shall certify on the customs form by which release from customs custody is to be effected that he is a properly bonded dealer in tobacco materials, under Part 280 of this chapter, giving the internal revenue number assigned to his establishment, and that he is authorized, by section 5704(d), I.R.C., to receive tobacco materials without payment of internal revenue tax. Similarly, every manufacturer of tobacco products shall certify on the customs form by which release from customs custody is to be effected that he holds an internal revenue permit as a manufacturer of tobacco products, under Part 270 of this chapter, giving such permit number, and that he is authorized, by section 5704(d), I.R.C., to receive tobacco materials without payment of internal revenue tax. Upon release of the tobacco materials, the collector of customs will return one copy of the customs release form to the dealer or manufacturer, as the case may be, which shall be retained by such dealer or manufacturer.

(72 Stat. 1418, 1423; 26 U.S.C. 5704, 5741)

Subpart G—Puerto Rican Tobacco Materials, Tobacco Products, and Cigarette Papers and Tubes, Brought Into the United States

§ 275.101 General.

Tobacco products and cigarette papers and tubes manufactured in Puerto Rico which are brought into the United States and withdrawn for consumption or sale are subject to the tax imposed by section 7652(a), I.R.C., at the rates set forth in section 5701, I.R.C. All United States internal revenue taxes collected on such tobacco products and cigarette papers and tubes are, pursuant to section 7652(a)(3), I.R.C., covered into the Treasury of Puerto Rico. This internal revenue tax on tobacco products and cigarette papers and tubes of Puerto Rican manufacture may be prepaid in Puerto Rico prior to shipment of such articles to the United States in accordance with § 275.105, or in the case of

tobacco products such tax may be paid in Puerto Rico on the basis of a semi-monthly return in accordance with the applicable provisions of this subpart. Tobacco products may also be shipped to the United States and released from customs custody, without payment of internal revenue tax, for transfer to the factory of a manufacturer of tobacco products under the bond of such manufacturer in accordance with § 275.135; and cigarette papers and tubes may be similarly shipped and released from customs custody for transfer to the factory of (a) a manufacturer of cigarette papers and tubes, or (b) a manufacturer of tobacco products solely for use in the manufacture of cigarettes, or (c) in the case of cigarette papers only, a manufacturer of tobacco products to be put up by him in units of not more than 25 papers each for distribution with packages of manufactured tobacco under the bond of the manufacturer to whom such articles are released, in accordance with § 275.135. Tobacco products and cigarette papers and tubes of Puerto Rican manufacture on which the internal revenue tax has not been paid or computed in Puerto Rico and which are not to be released from customs custody, without payment of internal revenue tax, under bond, shall not be withdrawn from customs custody until internal revenue tax thereon has been paid in accordance with § 275.81. Tobacco materials brought in from Puerto Rico may be released from customs custody, without payment of internal revenue tax, for delivery to a dealer in tobacco materials or to a manufacturer of tobacco products under the bond of such dealer or manufacturer in accordance with § 275.145.

(68A Stat. 907, 72 Stat. 1417, 1418; 26 U.S.C. 7652, 5703, 5704)

PREPAYMENT OF TAX IN PUERTO RICO ON TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES

§ 275.105 Prepayment of tax.

To prepay, in Puerto Rico, the internal revenue tax imposed by section 7652(a), I.R.C., on tobacco products and cigarette papers and tubes of Puerto Rican manufacture which are to be shipped to the United States, the shipper shall file, or cause to be filed, with the Officer-in-Charge, a tax return, Form 3073, in triplicate, with full remittance of tax which will become due on such tobacco products or cigarette papers or tubes. The Officer-in-Charge will present a receipted copy of the return to the person filing the return and paying the tax, retain one copy, and forward the remaining copy to the Assistant Regional Commissioner, Alcohol and Tobacco Tax, New York, New York. The person who filed the return and prepaid the tax shall present the receipted copy of the return to the internal revenue officer assigned by the Supervisor-in-Charge, Alcohol and Tobacco Tax, Puerto Rico, to inspect the tobacco products or cigarette papers or tubes to be shipped to the United States. Such officer will endorse the receipted copy of the return to show release of the tobacco products or cigarette papers or tubes, or, if less than the quantity of tobacco products or cigarette

papers or tubes covered by the return is released, to show the quantity, kind, and (if applicable) class, of tobacco products, or the number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes, in fact released and will return such copy to the taxpayer.

(68A Stat. 907, 72 Stat. 1417; 26 U.S.C. 7652, 5703)

§ 275.106 Inspection of shipment and certification of prepayment by internal revenue officer.

The internal revenue officer, assigned to inspect Puerto Rican tobacco products and cigarette papers and tubes to be shipped to the United States in accordance with § 275.105, will prepare, for each shipping container, a statement on Form 3074 that the tax has been prepaid, and show the name and address of the shipper, date of prepayment, and the quantity, kind, and (if applicable) class, of tobacco products, or the number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes. The shipper shall affix the completed Form 3074 to the outside of each shipping container in which the articles are packed. Such statement, Form 3074, shall be affixed to the outer container used in the shipment of freight in bulk (crate, packing box, van, trailer, etc.) and not on the individual cartons, cases, etc., included in such outer container. In addition, such officer will prepare Form 3075, in quintuplicate, identifying the tobacco products and cigarette papers and tubes released in each shipment and certifying that the tax has been prepaid thereon, and will (a) present one copy to the taxpayer for attachment to the bill of lading to accompany the shipment (in custody of the carrier) for presentation to the collector of customs at the port of entry; (b) promptly mail two copies to the collector of customs at the port of entry; (c) mail one copy to the assistant regional commissioner of the region wherein the customs collection headquarters is located; and (d) retain the remaining copy. Noncommercial mail shipments of tobacco products and cigarette papers and tubes to the United States are exempt from the provisions of this section, except that the internal revenue officer in Puerto Rico receiving a payment of internal revenue tax on mail shipments of such articles will prepare a certificate to be affixed to the container stating that the United States internal revenue tax has been prepaid on the articles contained therein.

§ 275.107 Procedure at port of entry.

The collector of customs at the port of entry will inspect the shipment to determine whether the quantity specified on the Form 3075 is contained in the shipment. He will then execute his certificate on the three copies of the Form 3075, in his possession, and indicate on each copy any exceptions found at the time of release. The statement of exceptions shall identify each shipping container which sustained a loss, the tobacco products or cigarette papers or tubes reported shipped in such container, and the tobacco products or cigarette

papers or tubes lost from such container. Losses occurring as the result of missing packages, cases, or shipping containers shall be listed separately from losses caused by damage. Where the statement is made on the basis of tobacco products or cigarette papers or tubes missing or damaged, the quantity, kind, and (if applicable) class, of tobacco products, or the number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes shall be shown. If the collector of customs finds that the full amount of the tax has not been prepaid, he will require the difference due to be paid to him prior to release of the tobacco products or cigarette papers or tubes. When the inspection of the shipment has been effected, and any additional tax found to be due has been paid to the collector of customs, the shipment may be released.

§ 275.108 Disposition of forms by collector of customs.

One copy of the Form 3075 will be forwarded to the Assistant Regional Commissioner, Alcohol and Tobacco Tax, New York, New York, one copy will be furnished the consignee, and one copy of this form will be retained by the collector of customs.

DEFERRED PAYMENT OF TAX IN PUERTO RICO ON TOBACCO PRODUCTS

§ 275.109 Bond required for deferred taxpayment.

Where a manufacturer of tobacco products in Puerto Rico desires to defer payment in Puerto Rico of the internal revenue tax imposed by section 7652(a), I.R.C., on tobacco products of Puerto Rican manufacture coming into the United States, he shall file a bond, Form 2986, with the Officer-in-Charge, in accordance with the provisions of this subpart. Such bond shall be conditioned on the payment, at the time and in the manner prescribed in this subpart, of the full amount of tax computed under the provisions of this subpart with respect to tobacco products which are released for shipment to the United States on computation of tax. All taxes which are computed under the provisions of this subpart shall be chargeable against the bond, until such taxes are paid, as provided in § 275.112. The bond shall show the location of the factory from which the tobacco products to which it relates are to be shipped.

§ 275.110 Computation of tax and execution of agreement to pay tax.

Where tobacco products are to be shipped to the United States on computation of internal revenue tax in Puerto Rico (involving deferred tax payment), the bonded manufacturer shall calculate the tax and shall prepare Form 2987, in septuplicate, shall enter on such form under the penalties of perjury the kind, quantity, and (if applicable) class, of the tobacco products to be shipped to the United States, the amount of the tax to be paid on such products under the provisions of this subpart, and the name and address of the consignee in the United States to whom such products are being shipped, and shall date and execute the agreement to pay the amount of tax

which shall be computed on such products covered by the Form 2987. The Form 2987 shall be serially numbered by the bonded manufacturer beginning with the number "1" on January 1 of each year. The bonded manufacturer shall then request the Supervisor-in-Charge, Alcohol and Tobacco Tax, Puerto Rico, to assign an internal revenue officer to inspect the tobacco products, verify the tax calculation with respect to such products, and release such products for shipment in accordance with § 275.111. The bonded manufacturer shall present all copies of the prepared Form 2987 to the internal revenue officer assigned. The date of certification of Form 2987 by the internal revenue officer shall be treated as the date of computation of tax. Tobacco products may be released for shipment to the United States in accordance with the provisions of this section only after computation of tax.

§ 275.111 Inspection of shipment and certification by internal revenue officer.

On receipt of the original and six copies of the Form 2987 completed and executed by the bonded manufacturer in accordance with § 275.110, an internal revenue officer will inspect the tobacco products covered by the form, verify the tax calculation made with respect to such products, date and execute the certification on such form, and release the tobacco products for shipment to the United States. Such officer will then promptly distribute the certified Form 2987 by (a) mailing the original to the Officer-in-Charge; (b) mailing two copies to the collector of customs at the port of entry; (c) mailing one copy to the assistant regional commissioner of the region wherein the customs collection headquarters is located; (d) returning two copies to the bonded manufacturer who will attach one copy to the bill of lading to accompany the shipment (in custody of the carrier) for presentation to the collector of customs at the port of entry; and (e) submitting one copy to the Supervisor-in-Charge, Alcohol and Tobacco Tax, Puerto Rico. Such officer will also prepare, for each shipping container, a statement on Form 2989 that the tax on the tobacco products to be shipped to the United States has been computed and show the name and address of the bonded manufacturer, date of tax computation, and the quantity, kind, and (if applicable) class, of tobacco products. The bonded manufacturer shall affix the completed Form 2989 to the outside of each shipping container in which the products are packed. Such statement, Form 2989, shall be affixed to the outer container used in the shipment of freight in bulk (crate, packing box, van, trailer, etc.) and not on the individual cartons, cases, etc., included in such outer container.

§ 275.112 Tax return.

The internal revenue taxes imposed by section 7652(a), I.R.C., with respect to tobacco products manufactured in Puerto Rico and shipped to the United States on computation of tax under the provisions of this subpart shall be paid on the basis of a semimonthly tax return.

The bonded manufacturer of such products shall file with the Officer-in-Charge a semimonthly tax return, Form 2988, in triplicate, for each and every return period. The bonded manufacturer shall show on the return the serial numbers of all Forms 2987 certified during the return period, the kind, quantity, and (if applicable) class, of tobacco products upon which the tax has been computed during the semimonthly return period, and the tax due thereon, and shall execute the return, Form 2988, under the penalties of perjury. He shall file a return for each return period at the time specified in § 275.113, regardless of whether tax is due for that return period: *Provided*, That where the Assistant Regional Commissioner, Alcohol and Tobacco Tax, New York, New York, grants specific authorization, the bonded manufacturer need not file a tax return during the term of such authorization for any period in which tax liability was not incurred under the provisions of this subpart.

§ 275.113 Return periods.

The periods to be covered in the semimonthly tax returns shall be from the 1st day through the 15th day of each month, and from the 16th day through the last day of each month.

§ 275.114 Time of filing.

Every semimonthly tax return under this subpart shall be filed by the bonded manufacturer not later than the third business day succeeding the last calendar day of the return period: *Provided*, That where the return and remittance are delivered by United States mail to the Officer-in-Charge, the date in the official postmark of the United States Post Office stamped on the cover in which the return and remittance were mailed shall be deemed to be the date of delivery. The Officer-in-Charge will transmit a receipted copy of the semimonthly tax return to the bonded manufacturer who filed the return and paid the tax, retain one copy, and forward one copy to the Assistant Regional Commissioner, Alcohol and Tobacco Tax, New York, New York. As used in this section, the term "business day" shall mean any day other than Saturday, Sunday, or a legal holiday in the Commonwealth of Puerto Rico.

§ 275.115 Remittance with return.

Remittance for the full amount of internal revenue tax computed during the return period shall accompany the return. Such remittance may be in any form the Officer-in-Charge is authorized to accept under the provisions of § 301.6311-1 of this chapter (Procedure and Administration—Payment by check or money order) and which is acceptable to that officer. In paying the tax, a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent.

(68A Stat. 778; 28 U.S.C. 6313)

§ 275.116 Default.

Where a check or money order tendered with a semimonthly return for

payment of internal revenue tax under the provisions of this subpart is not paid on presentment, where a bonded manufacturer fails to remit with the semimonthly return the full amount of tax due thereunder, or where a bonded manufacturer is otherwise in default in payment of tax under the provisions of this subpart, he shall not ship tobacco products to the United States on computation of tax, until the Officer-in-Charge finds that the revenue will not be jeopardized by deferred payment of tax under the provisions of this subpart.

§ 275.117 Procedure at port of entry.

The collector of customs at the port of entry will inspect the shipment to determine whether the quantity specified on the Form 2987 is contained in the shipment. He will then execute his certificate on the three copies of the Form 2987, in his possession, and indicate on each copy any exceptions found at the time of release. The statement of exceptions shall identify each shipping container which sustained a loss, the tobacco products reported shipped in such container, and the tobacco products lost from such container. Losses occurring as the result of missing packages, cases, or shipping containers shall be listed separately from losses caused by damage. Where the statement is made on the basis of tobacco products missing or damaged, the quantity, kind, and (if applicable) class, of tobacco products shall be shown. If the collector of customs finds that the full amount of tax due has not been computed, he will require the difference due to be paid to him prior to release of the tobacco products. When the inspection of the shipment has been effected, and any additional tax found to be due has been paid to the collector of customs, the shipment may be released.

§ 275.118 Disposition of forms by collector of customs.

One copy of the Form 2987 will be forwarded to the Assistant Regional Commissioner, Alcohol and Tobacco Tax, New York, New York, one copy will be furnished the consignee, and one copy of this form will be retained by the collector of customs.

§ 275.119 Corporate surety.

Surety bonds, required under the provisions of this subpart, may be given only with corporate sureties holding certificates of authority from the Secretary of the Treasury of the United States as acceptable sureties on Federal bonds. Power of attorney and other evidence of appointment of agents and officers to execute bonds on behalf of such corporate sureties shall be filed with, and passed upon by, the Surety Bonds Branch, Division of Deposits and Investments, Bureau of Accounts, Treasury Department. Limitations concerning corporate sureties are prescribed by the Secretary in Treasury Department Circular No. 570, as revised. The surety shall have no interest whatever in the business covered by the bond.

(61 Stat. 648; 6 U.S.C. 6)

§ 275.120 Deposit of securities in lieu of corporate surety.

In lieu of corporate surety, the manufacturer of tobacco products in Puerto Rico may pledge and deposit, as security for his bond, securities which are transferable and are guaranteed both as to interest and as to principal by the United States, in accordance with the provisions of 31 CFR Part 225.

(61 Stat. 650; 6 U.S.C. 15)

§ 275.121 Amount of bond.

In order that tobacco products may be shipped to the United States on computation of tax under the provisions of this subpart, the total amount of the bond or bonds shall at all times be in an amount not less than the amount of unpaid tax chargeable at any one time against the bond: *Provided*, That the amount of any such bond (or the total amount including strengthening bonds, if any) need not exceed \$250,000 where payment of tax on cigarettes is deferred; need not exceed \$150,000 where payment of tax on cigars is deferred; and need not exceed \$25,000 where payment of tax on manufactured tobacco is deferred: *And Provided Further*, That, where payment of tax is deferred with respect to more than one kind of tobacco product, the bond need not exceed the amount of the largest maximum bond prescribed with respect to any of the kinds of tobacco products on which payment is deferred. The amount of bond shall in no case be less than \$1,000. Where the amount of a bonded manufacturer's bond is less than the maximum prescribed, the bonded manufacturer shall maintain a running account accurately reflecting all outstanding taxes with which his bond is chargeable. He shall charge such account with the amount of tax he agreed to pay on Forms 2987 and shall credit the account for the amount he paid with his return, Form 2988, at the time he files such return.

§ 275.122 Strengthening bond.

Where the amount of any bond is no longer sufficient under the provisions of § 275.121, the bonded manufacturer shall immediately file a strengthening bond in an appropriate amount with the same surety as that on the bond already in effect, unless a superseding bond is filed pursuant to § 275.123. A strengthening bond will not be approved where any notation is made thereon which is intended, or which may be construed, as a release of any former bond, or as limiting the amount of either bond to less than its full amount.

§ 275.123 Superseding bond.

A bonded manufacturer shall immediately file a new bond to supersede his current bond when (a) the corporate surety on the current bond becomes insolvent, (b) the Officer-in-Charge approves a request from the surety on the current bond to terminate his liability under the bond, (c) the payment of any liability under a bond is made by the surety thereon, (d) the amount of the bond is no longer sufficient under the provisions of § 275.121 and a strengthening bond has not been filed, or (e) the

Officer-in-Charge considers a superseding bond necessary for the protection of the revenue.

§ 275.124 Extension of coverage of bond.

An extension of coverage of the bond of a bonded manufacturer shall be required in the case of any change in the location of the factory as set forth in the bond. Such extension of coverage of the bond shall be manifested on Form 2105 by the bonded manufacturer and by the surety on the bond with the same formality and proof of authority as required for the execution of the bond.

§ 275.125 Approval of bond and extension of coverage of bond.

The Officer-in-Charge is authorized to approve all bonds and extensions of coverage of bonds (except under § 275.136) filed under this subpart. No manufacturer of tobacco products in Puerto Rico shall defer taxes under this subpart until he receives from the Officer-in-Charge notice of approval of the bond or of an appropriate extension of coverage of the bond required under this subpart. Upon receipt of the duplicate copy of an approved bond or extension of coverage of bond from the Officer-in-Charge, such copy of the bond or extension of coverage of bond shall be retained by the bonded manufacturer and shall be made available for inspection by any internal revenue officer upon his request.

§ 275.126 Termination of bond.

Any bond given under the provisions of this subpart may be terminated as to future transactions, by the Officer-in-Charge, (a) pursuant to application of surety as provided in § 275.127; (b) on approval of a superseding bond; (c) on notification by the bonded manufacturer to the Officer-in-Charge that he has discontinued the deferral of taxes under the bond; or (d) on notification by the bonded manufacturer to the Officer-in-Charge that he has discontinued business. When any bond is terminated, the Officer-in-Charge shall notify both the bonded manufacturer and surety on such bond, in writing, of such action.

§ 275.127 Application of surety for relief from bond.

A surety on any bond given under the provisions of this subpart may at any time in writing notify the bonded manufacturer and the Officer-in-Charge that he desires, after a date named, to be relieved of liability under said bond. Such date shall be not less than 10 days after the date the notice is received by the Officer-in-Charge. The surety shall also file with the Officer-in-Charge an acknowledgment or other proof of service on the bonded manufacturer. If such notice is not thereafter in writing withdrawn, the rights of the bonded manufacturer as supported by said bond shall be terminated on the date named in the notice, and the surety shall be relieved from liability to the extent set forth in § 275.128.

§ 275.128 Relief of surety from bond.

Where the surety on a bond given under the provisions of this subpart has

filed application for relief from liability, as provided in § 275.127, the surety shall be relieved from liability for transactions occurring wholly subsequent to the date specified in the notice, or the effective date of a new bond, if one is given.

§ 275.129 Release of pledged securities.

Securities of the United States, pledged and deposited as provided in § 275.120, shall be released only in accordance with the provisions of 31 CFR Part 225. Such securities will not be released by the Officer-in-Charge until the liability under the bond for which they were pledged has been terminated. When the Officer-in-Charge is satisfied that they may be released, he shall fix the date or dates on which a part or all of such securities may be released. At any time prior to the release of such securities, the Officer-in-Charge may extend the date of release for such additional length of time as he deems necessary.

(61 Stat. 650; 6 U.S.C. 15)

RELEASE OF PUERTO RICAN TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES FROM CUSTOMS CUSTODY, WITHOUT PAYMENT OF TAX

§ 275.135 Release from customs custody, without payment of tax.

Puerto Rican tobacco products and cigarette papers and tubes may not be released from customs custody, without payment of internal revenue tax, under the provisions of § 275.101, unless the manufacturer in the United States has filed an extension of coverage of his bond in accordance with § 275.136, and obtains the release of such articles as provided in this subpart.

(72 Stat. 1418; 26 U.S.C. 5704)

§ 275.136 Extension of coverage of bond.

Every manufacturer of tobacco products in the United States who desires to obtain the release of Puerto Rican tobacco products and cigarette papers and tubes from customs custody, without payment of internal revenue tax, under his bond, and every manufacturer of cigarette papers and tubes who desires to obtain the release of Puerto Rican cigarette papers and tubes from customs custody, without payment of internal revenue tax, under his bond, shall file an extension of coverage of his bond on Form 2105 with, and receive a notice of approval from, the assistant regional commissioner of the region in which his factory is located. This extension of coverage shall be executed by the principal and the surety and shall be in the following form:

Whereas, the purpose of this extension is to bind the obligors for the payment of the tax imposed by section 7652(a), I.R.C., on tobacco products and/or cigarette papers and tubes manufactured in Puerto Rico and released in the United States from customs custody without payment of tax, for delivery to the principal on said bond.

Now, therefore, the said bond is further specifically conditioned that the principal named therein shall pay all taxes imposed by section 7652(a), I.R.C., (plus penalties, if any, and interest) for which he may become liable with respect to tobacco products

and/or cigarette papers and tubes manufactured in Puerto Rico which are released to him in the United States from customs custody without payment of tax thereon, and comply with all provisions of law and regulations with respect thereto.

(72 Stat. 1418; 26 U.S.C. 5704)

§ 275.137 Notice of release.

Every manufacturer of tobacco products and cigarette papers and tubes in the United States who desires under the provisions of this subpart to obtain the release of Puerto Rican tobacco products and cigarette papers and tubes from customs custody, without payment of internal revenue tax, under his bond, shall prepare a notice of release, Form 3072, in quintuplicate, and file the five copies of the form with the assistant regional commissioner for the region wherein the manufacturer is located. The assistant regional commissioner will not certify Form 3072 covering the release of tobacco products and cigarette papers and tubes unless the manufacturer is authorized, under Parts 270 and 285 of this chapter, to receive, without payment of tax, the kinds of articles set forth in the form. After certification by the assistant regional commissioner, the manufacturer shall forward all five copies of the form to the shipper in Puerto Rico. The shipper in Puerto Rico shall execute Part I on all copies of the form, forward four copies to the Supervisor-in-Charge, Alcohol and Tobacco Tax, Puerto Rico, and retain the remaining copy for his records. The internal revenue officer assigned to inspect the tobacco products and cigarette papers and tubes to be shipped, after determining that the shipment has been correctly described in Part I, will execute Part II on all four copies of the form, and will (a) present one copy to the shipper for attachment to the bill of lading to accompany the shipment (in custody of the carrier) for presentation to the collector of customs at the port of entry; (b) promptly mail two copies to the collector of customs at the port of entry in the United States; and (c) retain the remaining copy.

(72 Stat. 1418; 26 U.S.C. 5704)

§ 275.138 Action by collector of customs.

The collector of customs at the port of entry will note in Part III, on the three copies of the notice of release, Form 3072, in his possession, any exceptions found, showing the numbers and marks on each shipping container from which a loss was sustained, the quantity of tobacco products or cigarette papers or tubes reported shipped in such shipping container, and the quantity of the articles lost. The collector of customs will execute the Notice of Release on each such copy of the form, release the shipment with one copy to the consignee, mail one copy to the assistant regional commissioner shown on the form, and retain the remaining copy for his records.

§ 275.139 Records.

Every manufacturer of tobacco products and cigarette papers and tubes in the United States who receives tobacco products and cigarette papers and tubes

of Puerto Rican manufacture, without payment of internal revenue tax, under his bond, shall keep a separate record which will show the date and quantity, kind, and (if applicable) class, of tobacco products, and the date and number of books or sets of cigarette papers of each different numerical content, or the number of cigarette tubes: (a) received, (b) removed subject to tax, (c) removed for tax-exempt purposes, and (d) otherwise disposed of.

(72 Stat. 1423; 26 U.S.C. 5741)

§ 275.140 Taxpayment in the United States.

Every manufacturer of tobacco products in the United States who receives Puerto Rican tobacco products from customs custody, without payment of internal revenue tax, under his bond, and subsequently removes such products, subject to tax, shall pay the tax imposed on such products by section 7652(a) I.R.C., at the rates prescribed in section 5701, I.R.C., on the basis of a return under the provisions of Part 270 of this chapter applicable to the taxpayment of tobacco products. Similarly, every manufacturer of cigarette papers and tubes in the United States who receives Puerto Rican cigarette papers and tubes and subsequently removes such articles, shall pay the tax imposed on such articles by section 7652(a), I.R.C., at the rates prescribed in section 5701, I.R.C., on the basis of a return under the provisions of Part 285 of this chapter applicable to taxpayment of cigarette papers and tubes. Such tobacco products and cigarette papers and tubes shall be separately listed and identified as articles of Puerto Rican manufacture on the returns, Form 3071 and Form 2137, and the amount of tax paid on such articles shall be separately stated on such forms.

§ 275.141 Reports.

Every manufacturer of tobacco products and cigarette papers and tubes in the United States who receives Puerto Rican tobacco products and cigarette papers and tubes from customs custody, without payment of internal revenue tax, under his bond, shall report the receipt and disposition of such tobacco products and cigarette papers and tubes on supplemental monthly reports. Such supplemental reports shall be made on Form 3068 or Form 2138 and shall have inserted thereon the heading, "Tobacco Products of Puerto Rican Manufacture" or "Cigarette Papers and Tubes of Puerto Rican Manufacture", as the case may be. The original of such supplemental report shall be attached to the manufacturer's regular monthly report when filed.

(72 Stat. 1422; 26 U.S.C. 5722)

RELEASE OF PUERTO RICAN TOBACCO MATERIALS FROM CUSTOMS CUSTODY, WITHOUT PAYMENT OF TAX

§ 275.145 Procedure for release.

Every dealer in tobacco materials and manufacturer of tobacco products in the United States who desires to bring tobacco materials from Puerto Rico into the United States, without payment of internal revenue tax, under the provisions of § 275.101, shall have such to-

bacco materials consigned to him in care of the collector of customs at the port of entry in the United States. To obtain release of such tobacco materials from customs custody, without payment of internal revenue tax, the dealer in tobacco materials in the United States shall certify in writing, under the penalties of perjury, to such collector of customs that he is a properly bonded dealer in tobacco materials, under Part 280 of this chapter, giving the internal revenue number assigned to his establishment, and that he is authorized, by section 5704(d), I.R.C., to receive tobacco materials without payment of internal revenue tax. Similarly, a manufacturer of tobacco products in the United States shall certify in writing, under the penalties of perjury, to the collector of customs that he holds an internal revenue permit as a manufacturer of tobacco products under Part 270 of this chapter, giving such permit number, and that he is authorized, by section 5704(d), I.R.C., to receive tobacco materials without payment of internal revenue tax. Upon release of the tobacco materials, the collector of customs will stamp the date of release on the certification and return it to the dealer or manufacturer, as the case may be, which shall be retained by such dealer or manufacturer.

(72 Stat. 1418, 1423; 26 U.S.C. 5704, 5741)

Subpart H—Taxpayment of Cigars Produced in Customs Bonded Manufacturing Warehouses, Class 6

§ 275.151 Taxpayment.

A proprietor of a customs bonded manufacturing warehouse, class 6, who removes cigars for sale or consumption in the United States shall pay the tax on such cigars on the basis of a return to the collector of customs in accordance with customs procedures and regulations. The tax shall be accounted for and deposited as internal revenue collections by the collector of customs.

(72 Stat. 1417; 26 U.S.C. 5703)

§ 275.152 Packaging requirements.

Cigars removed from a customs bonded manufacturing warehouse, class 6, for sale or consumption in the United States shall be put in packages and bear the notice for cigars, in accordance with §§ 275.71 and 275.73.

(72 Stat. 1422; 26 U.S.C. 5723)

Subpart I—Claims

GENERAL

§ 275.161 Abatement of assessment.

A claim for abatement of the unpaid portion of the assessment of any tax on tobacco materials, tobacco products, and cigarette papers and tubes, or any liability in respect thereof, may be allowed to the extent that such assessment is excessive in amount, is assessed after expiration of the applicable period of limitation, or is erroneously or illegally assessed. Any claim under this section shall be prepared on Form 843, in duplicate, and shall set forth the particulars under which the claim is filed. The original of the claim, accompanied by such evidence as is necessary to estab-

lish to the satisfaction of the assistant regional commissioner that the claim is valid, shall be filed with the assistant regional commissioner for the region in which the tax or liability was assessed, and the duplicate of the claim shall be retained by the claimant.

(68A Stat. 792; 26 U.S.C. 6404)

§ 275.162 Losses caused by disaster occurring after September 2, 1958.

Claims involving internal revenue tax paid or determined and customs duty paid on tobacco products and cigarette papers and tubes removed, which are lost, rendered unmarketable, or condemned by a duly authorized official by reason of a "major disaster" occurring in the United States after September 2, 1958, shall be filed in accordance with the provisions of Subpart C of Part 296 of this chapter.

(72 Stat. 1420; 26 U.S.C. 5708)

§ 275.163 Refund of tax.

The taxes paid on imported tobacco products and cigarette papers and tubes may be refunded (without interest) to the taxpayer on proof satisfactory to the assistant regional commissioner that the taxpayer has paid the tax on tobacco products and cigarette papers and tubes lost (otherwise than by theft) or destroyed, by fire, casualty, or act of God, while in the possession or ownership of such taxpayer, or withdrawn by him from the market. Any claim for refund under this section shall be prepared on Form 843, in duplicate, and shall include a statement that the tax imposed on tobacco products and cigarette papers and tubes by Chapter 52, I.R.C., has been paid in respect to the tobacco products and cigarette papers and tubes covered by the claim, and that the articles were lost, destroyed, or withdrawn from the market, within six months preceding the date the claim is filed and shall be executed under the penalties of perjury. A claim for refund relating to articles lost or destroyed shall be supported as prescribed in § 275.165, and a claim relating to articles withdrawn from the market shall include a schedule prepared and verified as prescribed in §§ 275.170 and 275.171 or §§ 275.172 and 275.173. The original of the claim shall be filed with the assistant regional commissioner for the region in which the tax was paid, or, where the tax was paid in more than one region, with the assistant regional commissioner for any one of the regions in which tax was paid. The duplicate of the claim, with the copy of any verified supporting schedule, shall be retained by the claimant.

(72 Stat. 1419; 26 U.S.C. 5705)

TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES LOST OR DESTROYED

§ 275.165 Action by taxpayer.

Where imported tobacco products and cigarette papers and tubes are lost (otherwise than by theft) or destroyed, by fire, casualty, or act of God, and the taxpayer desires to file claim for refund of the tax on such articles, he shall, in addition to complying with the requirements of § 275.163, indicate on the claim the nature, date, place, and extent of

such loss or destruction. The claim shall be accompanied by such evidence as is necessary to establish to the satisfaction of the assistant regional commissioner that the claim is valid.

(72 Stat. 1419; 26 U.S.C. 5705)

TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES WITHDRAWN FROM THE MARKET

§ 275.170 Destruction, action by taxpayer.

Where imported tobacco products and cigarette papers and tubes are withdrawn from the market and the taxpayer desires to file claim for refund of the tax on such articles, he shall, in addition to the requirements of § 275.163, assemble the articles at any suitable place, if they are to be destroyed. The taxpayer shall group the articles according to the rate of tax applicable thereto, and shall prepare a schedule of the articles, on Form 3069, in triplicate. All copies of the schedule shall be forwarded to the assistant regional commissioner for the region in which the tobacco products and cigarette papers and tubes are assembled.

(72 Stat. 1419; 26 U.S.C. 5705)

§ 275.171 Destruction, action by assistant regional commissioner.

Upon receipt of a schedule of imported tobacco products and cigarette papers and tubes withdrawn from the market by a taxpayer who desires to destroy such articles, the assistant regional commissioner may assign an internal revenue officer to verify the schedule and supervise destruction of the articles (and stamps, if any), or the assistant regional commissioner may authorize the taxpayer to destroy the articles (and stamps, if any) without supervision by so stating on the original and one copy of the schedule returned to the taxpayer.

§ 275.172 Return to nontaxpaid status or reduction to materials, action by taxpayer.

Where imported tobacco products and cigarette papers and tubes are withdrawn from the market and the taxpayer desires to file a claim for refund of the tax on such articles and return such articles to a nontaxpaid status or, in the case of tobacco products, reduce such products to tobacco materials, he shall, in addition to the requirements of § 275.163, assemble the articles in or adjacent to the factory in which such articles are to be retained or received in a nontaxpaid status or in which the resultant tobacco materials are to be retained or received. The taxpayer shall group the articles according to the rate of tax applicable thereto, and shall prepare a schedule of the articles, on Form 3069, in triplicate. All copies of the schedule shall be forwarded to the assistant regional commissioner for the region in which the tobacco products and cigarette papers and tubes are assembled.

(72 Stat. 1419; 26 U.S.C. 5705)

§ 275.173 Return to nontaxpaid status or reduction to materials, action by assistant regional commissioner.

Upon receipt of a schedule of imported tobacco products and cigarette papers

and tubes withdrawn from the market by a taxpayer who desires to return such articles to a nontaxpaid status or, in the case of tobacco products, reduce such products to tobacco materials, the assistant regional commissioner may assign an internal revenue officer to verify the schedule and supervise disposition of the articles (and destruction of the stamps, if any) or the assistant regional commissioner may authorize the receiving manufacturer to verify the schedule and disposition of the articles (and destruction of the stamps, if any) covered therein, without supervision, by so stating on the original and one copy of the schedule returned to the manufacturer. Where the receipt in a factory of tobacco products and cigarette papers and tubes has been verified, such articles shall be treated by the receiving manufacturer as nontaxpaid and shall be covered by the manufacturer's bond.

§ 275.174 Disposition of tobacco products and cigarette papers and tubes, and schedule.

When an internal revenue officer is assigned to verify the schedule and supervise destruction or other disposition of imported tobacco products and cigarette papers and tubes, such officer shall, upon completion of his assignment, execute a certificate on all copies of the schedule to show the disposition and the date of disposition of such articles. The internal revenue officer shall return the original and one copy of the certified schedule to the taxpayer. When a taxpayer destroys imported tobacco products and cigarette papers and tubes (and stamps, if any) or a receiving manufacturer verifies the schedule and disposition of imported tobacco products and cigarette papers and tubes (and destruction of stamps, if any), he shall execute a certificate on the original and the copy of the schedule presented to him, to show the disposition and the date of disposition of the articles. The taxpayer shall attach the original of the certified schedule to his claim for refund.

REDEMPTION OF STAMPS

§ 275.180 Claim for redemption of stamps.

Tobacco products tax stamps which have been spoiled, destroyed, or rendered useless or unfit for the purpose intended, or for which the importer of such products has no use, may be redeemed by such importer. Any claim for redemption of stamps under this section shall be prepared on Form 843, in duplicate, and the original shall be filed with the assistant regional commissioner, for the region in which the stamps were purchased, within three years after the stamps were purchased from the Government. Stamps may be presented with the claim or they may be destroyed under internal revenue supervision, or satisfactory evidence shall be submitted with the claim showing the reason why they cannot be so presented or destroyed. Where the stamps are to be destroyed, the importer shall prepare a schedule on Form 178, in duplicate, for the stamps covered by the claim. When the schedule has been prepared, the importer shall

request the assistant regional commissioner to assign an internal revenue officer to verify the schedule and supervise the destruction of the stamps. The original of the verified schedule shall be returned to the importer and be attached to his claim, Form 843, when filed. If required, the importer shall satisfactorily trace the history of the stamps from their issuance to the filing of his claim.

(68A Stat. 830, as amended by 72 Stat. 1813; 26 U.S.C. 6805)

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