

2014

**Instructions
for Proper
Completion of**

TTB Form 5300.26

**Federal Firearms &
Ammunition
Excise Tax Return**

**LINE BY LINE INSTRUCTIONS FOR
TTB FORM 5300.26, FEDERAL FIREARMS AND AMMUNITION EXCISE TAX
(FAET) RETURN**

(Complete in duplicate – taxpayer keeps one copy for their records and the other is sent to the Alcohol and Tobacco Tax and Trade Bureau (TTB))

PART I – GENERAL

- ITEM 1** Be sure name, business name and complete address are listed.
- If your address has changed since the filing of your last return, please check the box in this item.
- ITEM 2** Daytime e-mail address should be listed.
- ITEM 3** An Employer Identification Number (EIN) is mandatory for an on-going business.
- A Social Security Number (SSN) is acceptable only if you are filing a one-time or occasional return.
- Do not list** your Federal Firearms License (FFL) Number on this line.
- ITEM 4** Daytime phone number (including area code) should be listed.
- ITEM 5** Check applicable block. If you intend to pay via Electronic Funds Transfer (EFT), please see TTB Procedure 2011-1, dated January 13, 2011, or contact the FAET Group at the NRC for specific information.
- ITEM 6** If a “FINAL RETURN”, see Item J in the “General Instructions” for information required.
- If an ‘AMENDED RETURN”, complete **all items** on return (not just the amended items.)
- ITEM 7** Enter the appropriate tax year and select one quarterly period.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

PART II – CALCULATION OF TAXES ON SALES OR USES DURING THIS TAX PERIOD

ITEM 8 Enter the dollar amount of your **total sales** of taxable articles, including tax-exempt and tax-free sales during the tax period listed in Item 7.

If your company uses a “tax excluded price” the FAET charged is **excluded** from Item 8.

If your company uses a “tax included price”, the FAET charged is **included** in Item 8.

Do not include articles if you are not the manufacturer, producer or importer for purposes of this tax.

Except for leases and certain installment sales, you must include all sales regardless of whether your customers paid you.

The sales price is usually stated on the customer’s invoices. You should also include the dollar value of things other than money given as consideration for the article. This includes services, personal property and articles traded in.

Do not include the sales price of a non-taxable article unless you sold it as a unit with the taxable article.

When a taxable article is sold as a unit with a non-taxable article (for example, a pistol and holster) or with extra parts or accessories, you should enter the sales price of the unit. If a taxable sale, you must adjust the unit’s sales price on Item 12 to exclude the non-taxable article, part or accessory.

Some suggestions on Item 8 entries:

- Compare your total sales database to your general ledger sales on a regular basis.
- Compare your total sales to Item 8 sales and reconcile the difference on a regular basis.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

- Sort your sales by transaction code, amount and customer name and then review to make sure that all items are being properly coded (any large, unusual or questionable transactions should be reviewed to ensure proper treatment/documentation).

ITEM 9 You must enter the sales price of all articles included in Item 8 that you sold tax-exempt. Please refer to the chart in Item 10 of “Specific Instructions” for information on tax-exempt sales.

ITEM 10 You must enter the sales price of all articles included in Item 8 that you sold tax-free. Please refer to the chart in Item 10 of “Specific Instructions” for information on tax-free sales.

Do not include the sales of articles sold tax paid to customers who later resell or use the articles for tax-free purposes; however, you may take a credit in Schedule B (Decreasing Adjustments) or file a TTB Form 5620.8, Claim – Alcohol, Tobacco and Firearms Taxes, for a refund.

Taxpayer may need a Certificate of Registry that is obtained by filing a TTB Form 5300.28, Application for Registration for Tax-Free Transactions Under 26 U.S.C. 4221. See Title 27, Code of Federal Regulations, Section 53.140 to determine if you need to be registered.

Note: If you are required to be registered, you **must be qualified by TTB prior to making tax-free transactions** and receive your approved Certificate of Registry.

Your failure to follow the requirements or to be properly registered may result in additional taxes, penalties and interest.

If you make tax-free transactions, please list your TTB Tax-Free Registration Number in the space provided in Item 10.

ITEM 11 Item 8 minus Items 9 and 10.

ITEM 12 You must enter the “net” amount of adjustments to the sales prices of taxable sales for this period from Item 11.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

For companies that use a “tax included price”, this line is for you. You may deduct the FAET associated with your sales on this line.

Price readjustments in the same tax period in which the sale occurs also may be taken in this item, as an adjustment to the tax in Schedule B (Decreasing Adjustments), or used in determining the sales price (Item 8).

Do not use Item 12 to subtract the sales price (including FAET) that you paid to another manufacturer or importer. If you further manufacture articles on which FAET was paid by another person, you may take a credit in Schedule B (Decreasing Adjustments) or file a TTB Form 5620.8, Claim – Alcohol, Tobacco and Firearms Taxes, for a refund.

Eligible adjustments are allowed for certain items only when included in the sales price to your customer. (Please see the chart in Item 12 of “Specific Instructions” for detailed information on “Eligible Adjustments”.)

In general - “**Eligible Adjustments**” are allowed as follows:

Exclusions (Decreasing Adjustments)

You may take decreasing adjustments for the following items when included in the sales price of the article and not as a separate charge:

- This excise tax.
- Any charges for transportation, delivery, insurance, installation, and other expenses actually incurred in connection with the delivery of an article to a purchaser in connection with a bona fide sale.
- Local advertising charges when certain conditions are met.
- Extra and identical parts and accessories.
- Non-taxable articles when sold in combination with a taxable article.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

Inclusions (Increasing Adjustments)

You may have to increase the sales price of a taxable article from the amount shown on your invoice.

When calculating your sales price you must include the following:

- Any charge which is required by the manufacturer, producer or importer to be paid as a condition of the sale – which is not an expense falling within one of the allowable exclusions.
- Any charges for tools and dies used in production.
- A charge for a warranty. This depends on whether the warranty is optional or required.
- Any charges for coverings, containers and packing.
- Taxable and non-taxable articles sold as a unit.

Constructive Sales Price (CSP)

Certain types of sales require increasing or decreasing adjustments (also referred to as a constructive sales price) because the manufacturer, producer or importers is constructing a new taxable price for the taxable article.

- Use of a CSP will arise where the taxable article is not sold at wholesale.
- A manufacturer, producer or importer may elect or will be required to use a CSP so that its taxable sale price for various types of sales are at or near the established wholesale price of the taxable article.
- When a manufacturer, producer or importer makes a sale at retail or to retailers, he **may elect** to base the FAET on either the actual sale price or a CSP, which will be a percentage of the actual sale price to either retailers or at retail.
- When a manufacturer, producer or importer makes a sale “not at arm’s length and at less than fair market value” he

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

is required to use a CSP in lieu of its actual sales price. There are other circumstances which may require a CSP to be used. (Please see the regulations listed in the chart in Item 12 of “Specific Instructions” for these circumstances.)

Some suggestions on Item 12 entries:

- Review all tax-exempt and tax-free sales on a regular basis to ensure that any large, unusual or questionable transactions are properly documented.
- Review vendor contracts for compliance with FAET documentation requirements.
- Provide training to sales and accounting staff regarding FAET law and regulations on a regular basis (i.e., proper coding of tax-free sales/export documentation).
- Establish communication protocol between sales, manufacturing and accounting to ensure that new products are properly coded and that any large or unusual business transactions are reviewed by accounting to identify tax implications and documentation requirements, prior to “sealing the deal”.

ITEM 13 Item 11 plus or minus Item 12.

ITEM 14 You must pay the tax on your “business use” of taxable articles that you manufactured, produced or imported.

If you regularly sell the articles, you must:

- Compute the tax based on the lowest established wholesale price.
- Enter the sum of the prices for articles used.

“Business Use” includes:

- Loans of articles for display,
- Demonstration or familiarization, or
- Further manufacture of an article not subject to FAET.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

ITEM 15 Item 13 plus Item 14.

ITEM 16 Multiply Item 15 by applicable tax rate.

PART III – CALCULATION OF TAX LIABILITY FOR THIS TAX PERIOD

ITEM 17 Total of amounts from Items 16(a) + 16(b) + (16(c).

ITEM 18 Include all increasing adjustments reflected in Schedule A (Increasing Adjustments), Item 27.

Use Schedule A to report adjustments increasing the amount of FAET you owe.

Examples include:

- Errors you made in calculating the tax you owed in a previous tax return period which resulted in an underpayment of your tax.
- Penalties and/or interest you owe on increasing adjustments.

ITEM 19 Item 17 plus Item 18.

ITEM 20 Include all decreasing adjustments reflected in Schedule B (Decreasing Adjustments), Item 34.

The amount you show in this item cannot exceed the amount in Item 19. Any excess must be carried over as a credit on your next tax return in Schedule B, or you can file a TTB Form 5620.8, Claim – Alcohol, Tobacco and Firearms Taxes for a refund.

Use Schedule B to report adjustments decreasing the amount you owe.

Examples include:

- Errors you made in calculating the tax you owed in a previous tax return period that resulted in an overpayment of tax.
- Interest TTB may owe you on decreasing adjustments.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

You must fully explain any adjustments you list in Schedules A and B and you may not make adjustments earlier than the period in which they arose.

Note: If you take a decreasing adjustment in Schedule B, you **must** provide a clear explanation of the adjustment and **may be** required to submit the documentation (with the TTB Form 5300.26) to support this adjustment as required by Title 27, Code of Federal Regulations, Part 53 and Title 27, Code of Federal Regulations, Section 70.123.

ITEM 21 Item 19 minus Item 20. Cannot be less than zero.

ITEM 22 Amount of tax due with this return.

SCHEDULE A – INCREASING ADJUSTMENTS

ITEMS 23-25 List explanation and amount of increasing adjustments (including applicable penalties and interest.)

ITEM 26 Totals of Columns (b), (c), and (d).

ITEM 27 Total increasing adjustments (Item 26 Columns (b), (c), and (d)). Show this amount in Item 18.

SCHEDULE B – DECREASING ADJUSTMENTS

Remember: Adjustments in Schedule B may not be made earlier than the period in which they arose.

ITEMS 28-31 List explanation and amount of decreasing adjustments (including applicable interest). If filing electronically, explanation can be obtained from the drop-down.

ITEM 32 Check the applicable box based on the type of decreasing adjustment being taken. See Item 32 of “Specific Instructions” for further details.

ITEM 33 Totals of Columns (b) and (c).

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

ITEM 34 Total decreasing adjustments (Item 33, Columns (b) and (c)). Show this amount in Item 20.

CERTIFICATION

ITEM 35 Date return is signed.

ITEM 36 Authorized signature is required.

WHO MUST SIGN THE RETURN?

If you are filing this return as a (n):

Individual	You must sign.
Sole Proprietorship	You must sign.
Partnership, LLC, etc.	A responsible and authorized member or officer having knowledge of company's affairs must sign.
Corporation	The president, vice president or other principal officer having knowledge of the company's affairs must sign.
Trust or estate	The fiduciary must sign.
Any of the above	An agent of the taxpayer may sign if an acceptable power of attorney is on file with the FAET Group at the National Revenue Center in Cincinnati, Ohio.

ITEM 37 Title of person signing the return.

LINE BY LINE INSTRUCTIONS FOR TTB FORM 5300.26, RETURN

Returns must be mailed to the following address on a timely basis*:**

TTB
Excise Tax
P. O. Box 979055
St. Louis, MO 63197-9000

*****TIMELINESS OF RETURN AND REMITTANCE**

The return and remittance must be filed/paid on or before the last day of the first calendar month following the close of the period for which it is made.

If the due date falls on a Saturday, Sunday or legal holiday, the return and remittance shall be due on the next succeeding day which is not a Saturday, Sunday or legal holiday.

If the return and remittance are made via the U.S. Mail, the official postmark of the U.S. Postal Service stamped on the cover in which the return was mailed shall be considered the date of delivery of the return. When the postmark on the cover is illegible, the burden of proving when the postmark was made will be on the taxpayer.

When the return and remittance are sent by registered mail or by certified mail, the date of registry or the date of the postmark on the sender's receipt of certified mail, as the case may be, shall be treated as the date of delivery of the return and remittance.

Questions concerning this return should be addressed to the following:

Alcohol and Tobacco Tax and Trade Bureau
National Revenue Center
FAET Group
8002 Federal Office Building
550 Main Street
Cincinnati, OH 45202-5215

Telephone No: Toll-Free: 877-882-3277

E-mail Address: ttbfaet@ttb.gov