Information for
Specially
Denatured
Spirits
Applicants
SDS
Specially Denatured Spirits (SDS) is alcohol or rum which has been treated with denaturants to make it unfit for beverage use. SDS includes Specially Denatured Alcohol (SDA) and Specially Denatured Rum (SDR). An Industrial Alcohol User Permit is needed to procure, use, recover and/or deal in SDS. This publication provides applicants with the information necessary to file an application for a permit to procure, use, recover and/or deal in SDS.

Users and Recoverers of SDS
A user purchases SDS to use in a process or in the manufacture of a substance, preparation, or product. SDS has many uses, such as:

- In laboratories as a solvent, for cleansing purposes, or in the preparation of indicator solutions and reagents.
- In the manufacture of such articles as perfumes, proprietary solvents, tobacco flavors, lotions and sprays.
- In conversion processes to produce other substances, such as vinegar or ethyl acetate.

A recoverer reclaims or salvages SDS or articles (substances or preparations containing SDS) during or after the manufacturing process. The recovered SDS may be used again as is (if still sufficiently denatured) or it may be reconditioned.

All users and recoverers of SDS must obtain an Industrial Alcohol User Permit.

If you use only small amounts of a SDS formula for laboratory purposes, consider using reagent alcohol instead of SDS. Reagent alcohol is an ethyl alcohol denatured with approximately 5 percent methyl alcohol and further denatured with 5 parts per hundred of isopropyl alcohol. It can be obtained from most laboratory supply houses and may be obtained without a permit.

If you obtain reagent alcohol in containers exceeding 4 liters, a letterhead application must be filed with TTB.

Dealers in SDS
A dealer purchases and stores SDS for resale to users of SDS or to other dealers. A dealer conducts no manufacturing or processing operations but may package SDS in appropriate size containers for resale. Dealers who physically receive or intend to receive SDS (including receipt by an agent, such as an independent warehouse) must obtain an Industrial Alcohol User Permit. Persons who buy and sell SDS which they never physically receive do not need a permit.

Bottlers and Reprocessors
A bottler and/or reprocessor purchases products containing SDS for the purpose of bottling and packaging or reprocessing them for resale. A bottler merely receives SDS products and bottles them for resale. A reprocessor takes the SDS products and by additional treatment, produces a product different from the original product. In some processing operations, recovery of SDS or production of articles may occur. If recovery operations are conducted, you must apply for and obtain a permit to use SDS before commencing operations. Although no permit is required for reprocessing and rebottling; TTB can prohibit any activities which could pose a jeopardy to the revenue or a threat to public safety. In some cases, bottlers and reprocessors are required to submit a description of their activities to TTB.

Samples
If you need a sample of SDS in excess of 5 gallons to determine if a permit is desired, file a letterhead application with TTB, describing why the requested quantity is necessary.

Permit Application Requirements
To apply for a permit to procure, use, recover and/or deal in SDS, all applicants must submit the following to TTB:

- TTB Form 5150.22, Application for Industrial Alcohol User Permit.
- Registration of stills used for recovery or redistillation of alcohol, including SDS. This requirement is met by listing the stills on the application, TTB Form 5150.22.
- List of trade names under which operations will be conducted. List them on the application, TTB Form 5150.22. Include the States where the names are registered OR a statement that the State does not require registration or approval of trade or fictitious names.
- Signature authority for any person, other than the sole owner of a business, authorized to sign a document to be filed with TTB. Evidence of signature authority may be furnished by submitting either:
(1) TTB Form 5000.8, Power of Attorney, for each person who will have signature authority (the form itself must be signed by a person authorized to do so), OR

(2) For a partnership, a copy of the partnership agreement delegating authority to sign, OR

(3) For a corporation, TTB Form 5100.1, Signing Authority for Corporate Officials, if signature authority is granted in the Articles of Incorporation, the Bylaws, or by a Resolution of the Board of Directors (the wording must be specific in granting authority to sign applications and other documents required to be filed with TTB in connection with SDS) - or other evidence that the corporation has given signature authority to an individual or to an office.

(4) In lieu of the above, States, counties, or municipal agencies should submit copies of resolutions, excerpts from ordinances or charters, or a statement from the head of the department, bureau, or commission, designating the name or official title of the person(s) authorized to sign.

• Environmental protection items as follows:

(1) TTB Form 5000.29, Environmental Information;

(2) TTB Form 5000.30, Supplemental Information on Water Quality Considerations; and

(3) State certification or waiver for any discharge into navigable waters.

Additional Requirements for Large Applicants

Applicants (other than States, political subdivisions, and the District of Columbia) who wish to obtain MORE THAN 5,000 gallons of SDS per year, in addition to the above requirements, must also submit the following to TTB:

• Name and address of each person with a financial interest in the business (whether the interest appears in his/her own name or in the name of another person or entity for him/her), and the nature and amount of the interest of each. For a corporation, this requirement pertains only to those persons holding 10% or more of each of the classes of stock.

• Personnel Questionnaire, TTB Form 5000.9, for each person having actual or legal control of the business as it affects the use of SDS.

• Organizational documents as follows:

(1) For a partnership, a certified true copy of the agreement, or a statement signed by all partners that none exists.

(2) For a corporation, a certified true copy of either the Certificate of Incorporation OR the authorization to operate in the State where the premises are located, if other than the State of Incorporation. Corporations must also submit a certified list of the names and addresses of the officers and directors and a statement of the number of shares and par value of each class of stock and the voting rights of each.

• List of titles of offices whose incumbents are responsible for SDS activities and are authorized by the Articles of Incorporation, the Bylaws, or by the board of directors to act and sign on, behalf of the applicant.

Formula and Process

All applicants for a permit to procure and use or recover SDS (except as indicated below) must submit TTB Form 5150.19, Formula and Process for Article Made with Specially Denatured Spirits, to the TTB Laboratory. A separate form is required for each article and for each process in which SDS is used.

Exceptions:

• No formula is required for articles made in accordance with an approved General-Use formula (see regulations in 27 CFR Part 20, Subpart F).

• No formula is required when SDS formulas 3A, 3C and 30 are used exclusively for laboratory or mechanical purposes not involving the development of a product.

However, if ethyl alcohol (with or without denaturants) is recovered, then the exceptions do not apply and TTB Form 5150.19 must be submitted.
Special (Occupational) Tax

All applicants (except as indicated below) must file TTB Form 5630.5, Special Tax Registration and Return, and pay $250 per year special (occupational) tax. The address where the return with tax payment must be filed is given on the return. A separate tax must be paid for each location for which a permit is required. For your first year in business, the tax is prorated on a monthly basis.

Exceptions:

• Agencies and Instrumentalities of the United States Government.

• Educational institutions procuring less than 25 gallons of SDS per calendar year exclusively for experimental or research use and not for consumption or sale.

(H.R. 4520, the American Jobs Creation Act of 2004, repealed Special (Occupational) Tax for certain alcohol industries required to pay Special Tax. The Act reduced the tax liability to zero for three years, from July 1, 2005 until June 30, 2008. The new legislation did not suspend the tax for specially denatured alcohol industry members. If the legislation is amended, TTB will post the update on its website at http://www.ttb.gov/.)

Other Requirements

Applicants should take note of the following additional requirements:

• Storage facilities must be of sufficient capacity to hold the maximum quantity on hand at any one time, and must be constructed and secured to prevent unauthorized access. Stationary storage tanks must be equipped with a means for measuring spirits.

• Right of entry and examination -- Under the law, TTB officers may enter your premises during regular business hours to inspect records and reports and take samples of products in order to ensure compliance with the law and regulations.

Approved Applications

When your application is approved, you will receive:

• An Industrial Alcohol User Permit designating the activities permitted and the limitations imposed, if any. You may make copies of your permit to show suppliers that you are eligible
to withdraw SDS. Each copy must be marked with the word "copy," manually signed and dated with the date of your signature. When you are not using your permit to make copies, it must be kept posted, available for inspection on the premises covered by the permit.

• A copy of your application and supporting data, along with all records, must be kept readily available for inspection by TTB officers.

References


You may also access these regulations and related laws at http://www.ttb.gov/rulesandregulations.htm.

FOR FURTHER INFORMATION:

If your operations are located in the continental U.S., please mail your application and related documents to:

Alcohol and Tobacco Tax and Trade Bureau
Director, National Revenue Center
550 Main St, Ste 8002
Cincinnati, OH  45202-5215
Toll Free 1-877-TTB-FAQS (1-877-882-3277)
513-684-3334
Email: ttbtaxfree@ttb.treas.gov

If your operations are located in Puerto Rico or Virgin Islands, please mail your application and related documents to:

Alcohol and Tobacco Tax and Trade Bureau
District Director (Investigations), Puerto Rico Operations
Ste 310, Torre Chardon
350 Carlos Chardon Ave
San Juan, PR 00918-2124
Telephone: 787-766-5584
Fax: 787-766-6426