

# Tax-Free Alcohol Permits

Presented by

Janet Counts, TTB Specialist, National  
Revenue Center



# Objectives

- Determine the eligible and prohibited uses of tax-free alcohol
- Identify how to originally qualify for a tax-free permit
- Determine how to amend your existing permit application
- Understand the changes that must be reported to the National Revenue Center (NRC)
- Learn what to do if you discontinue operations

# Tax-Free Alcohol

- Tax-Free Alcohol, also known as ethanol or ethyl alcohol, is 190° or more proof (95% alcohol by volume).
- It may be withdrawn free of tax from the bonded premises of a distilled spirits plant (DSP) and may be diluted or mixed during subsequent processes.

# Eligible Uses and Prohibited Uses of Tax-Free Alcohol

# Eligible Uses of Tax-Free Alcohol

- For the use of an educational organization, scientific university, or college of learning.
- For any laboratory for use exclusively in scientific research.
- For use at hospitals, blood banks, or sanitariums, or at any pathological laboratory exclusively engaged in making analyses or tests for hospitals or sanitariums.
- For the use of any clinic operated for charity and NOT FOR PROFIT.
- For use by any State or political subdivision (27 CFR 22.103).

**27 CFR 22.101**

# Prohibited Uses of Tax-Free Alcohol

- Under **NO** circumstances may tax-free (TF) alcohol be used for beverage purposes, food products, or in any preparation used in preparing beverage or food products.
- Industry members are prohibited from selling TF alcohol, using TF alcohol in the manufacture of any product for sale, or selling any products resulting from the use of TF alcohol.
- EXCEPTION: A hospital, sanitarium, or clinic can use TF alcohol for medicines compounded and dispensed to patients (27 CFR 22.105 - 22.106).

## Prohibited Uses of Tax-Free Alcohol (Continued)

- TF alcohol may not be removed from the premises unless specifically authorized by the terms of the permit, or permission is obtained from the NRC.
- NOTE: Industry members who use TF alcohol in any manner prohibited by the regulations become liable for the tax on the alcohol.

# Permit Qualifications



# Who Needs to Apply?

- Subpart D – 27 CFR 22.41 states:
  - “Each person desiring to withdraw and use tax-free alcohol shall, before commencing business, file an application and obtain a permit.”

# Qualifying Documents

- For 1,500 proof gallons or less:
  - TTB Form 5150.22, Application for an Industrial Alcohol User Permit
  - TTB Form 5100.1, Signing Authority for Corporate Officials or Form 5000.8, Power of Attorney (27 CFR 22.53)-Not required if sole ownership

# Annual Allowance Exceeds 1,500 Proof Gallons

- Additional forms are required:
  - Articles of Incorporation, Articles of Organization, or a Partnership Agreement.
  - Certificate of Incorporation or document authorizing the corporation to do business in the State in which the Industry member is located (if other than the State in which the company is organized).
  - Listing of names and addresses of officers, directors, and stockholders owning 10% or more.
  - Statement showing number of shares of each class of stock, authorized and outstanding, par value, and voting rights of respective owners.

# Qualification Exception

- Are you a State, County, or Federal entity? If so, you may:
  - Obtain a SINGLE permit authorizing the withdrawal and use of TF alcohol for MULTIPLE institutions under your control.
  - Your application should list all locations and include a detailed explanation of how you intend to distribute and account for all the TF alcohol to be withdrawn.

# Proper Storage Facilities

- Tanks and containers must be constructed and secured to prevent unauthorized access; equipped for locking when unattended; and have a means of accurately measuring the tax-free alcohol they contain (27 CFR 22.92).
- Alcohol should **not** be held indefinitely at the shipping address (central receiving dock or central stores) but deposited at the tax-free premises as soon as possible.

# Receipts and Inventories

- Tax-Free users are responsible for:
  - Verifying shipments are complete, and in the event of any loss in transit, file the required claim form per 27 CFR 22.125.
  - Maintaining a record of receipt at the address where TF alcohol is used per 27 CFR 22.113.
  - Conducting a semi-annual inventory of all TF alcohol per 27 CFR 22.162.

# Changes after Original Qualification

# Change in Name

- TTB F 5150.22 or letterhead notice per 27 CFR 22.57. The person who signs must have signing authority on file.
- Amended Articles to show the name change.
- You will need to return the previous permit for disposition – if it cannot be found you must notate in letterhead form that the permit cannot be located and if found will be returned to the NRC.



# Change in Location

- TTB F 5150.22 or letterhead notice.
- You will need to return the previous permit to the NRC for disposition.

# Change in Withdrawal Allowance

- TTB F 5150.22 or a letterhead notice.
- If you are increasing your annual withdrawal from under 1,500 pg to over 1,500 proof gallons, you will need to submit all the supplemental corporate documentation that is required for an original application.

# Change in Stock Ownership

- TTB F 5150.22 or letterhead notice.
- If the permit withdrawal amount is over 1,500 proof gallons, a new listing of stockholders and stock information must be submitted to the NRC.
- NOTE: For ANY stock transfer that results in a change of control per 27 CFR 22.58(b), the permittee must file an application for a new permit within 30 days of the change.

## Change in Proprietorship/Ownership

- The company has 10 days from the date of the change to notify the NRC in writing and 30 days to submit a new application.
- Permits are NOT transferable, and the industry member must obtain a new permit in the same manner as an original qualification.

# Lost or Misplaced Permit

- You will need:
  - A letterhead notice requesting a certified copy of your permit signed by an authorized signer.

# Discontinuance of Operations

# Permanent Discontinuance

- You will need to submit a letterhead notice that contains a request to cancel the permit and the date of discontinuance.
- You will need to surrender your original permit. If permit cannot be located, submit a statement to that effect.
- Provide a statement regarding the disposition of all TF and recovered alcohol in your inventory according to 27 CFR 22.154.

# Disposition

- What can I do with TF alcohol still on hand once I go out of business?
- You have THREE choices:
  - Return the spirits to a DSP, as provided in 27 CFR 22.151.
  - Destroy them, as provided in 27 CFR 22.142.
  - Ship them to another TF user, in accordance with 27 CFR 22.155.



# Summary

- Determined the eligible and prohibited uses of tax-free alcohol.
- Identified how to originally qualify for a tax-free permit.
- Determined how to amend your existing permit application.
- Reviewed the changes that must be reported to the NRC.
- Learned the requirements for discontinuance of operations.

# Contact Information

- **Mail:** National Revenue Center  
8002 Federal Office Bldg.  
550 Main Street  
Cincinnati, OH 45202
- **Phone:** 1-877-882-3277 (toll free) or  
1-513-684-7150
- **Online:** [www.ttb.gov](http://www.ttb.gov) 27 CFR PART **22**