§ 27.31 Warehouse receipts covering distilled spirits.

The sale of warehouse receipts for distilled spirits is equivalent to the sale of distilled spirits. Accordingly, every person engaged in business as an importer of distilled spirits who sells, or offers for sale, warehouse receipts for distilled spirits stored in customs bonded warehouses, or elsewhere, must register and keep records as a dealer in liquors at the place where the warehouse receipts are sold or offered for sale, in accordance with part 31 of this chapter.

(26 U.S.C. 5121, 5122, 5123, 5124)

Subpart D—Tax On Imported Distilled Spirits, Wines, and Beer

DISTILLED SPIRITS

§ 27.40 Distilled spirits.

(a) A tax is imposed on all distilled spirits in customs bonded warehouses or imported into the United States at the rate prescribed by 26 U.S.C. 5001 on each proof gallon and a proportionate tax at a like rate on all fractional parts of each proof gallon. All products of distillation, by whatever name known, which contain distilled spirits, are considered to be distilled spirits and are taxed as such. The tax will be determined at the time of importation, or, if entered into bond, at the time of withdrawal therefrom.

(b) A credit against the tax imposed on distilled spirits by 26 U.S.C. 5001 is allowable under 26 U.S.C. 5010 on each proof gallon of alcohol derived from eligible wine or eligible flavors which do not exceed 2½ percent of the finished product on a proof gallon basis. The credit is allowable at the time the tax is payable as if it constituted a reduction in the rate of tax.

(c) Where credit against the tax is desired, the person liable for the tax shall establish an effective tax rate in accordance with §27.41. The effective tax rate established will be applied to each entry.

(Approved by the Office of Management and Budget under control number 1512–0352.)


§ 27.41 Computation of effective tax rate.

(a) The proprietor shall compute the effective tax rate for distilled spirits containing eligible wine or eligible flavors as the ratio of the numerator and denominator as follows:

1. The numerator will be the sum of:
   (1) The proof gallons of all distilled spirits used in the product (exclusive of distilled spirits derived from eligible flavors), multiplied by the tax rate prescribed by 26 U.S.C. 5001;
   (2) The wine gallons of each eligible wine used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5041(b)(1), (2), or (3), as applicable; and
   (3) The proof gallons of all distilled spirits derived from eligible flavors used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5001, but only to the extent that such distilled spirits exceed 2½% of the denominator prescribed in paragraph (a)(2) of this section.

2. The denominator will be the sum of:
   (1) The proof gallons of all distilled spirits used in the product, including distilled spirits derived from eligible flavors; and
   (2) The wine gallons of each eligible wine used in the product, multiplied by twice the percentage of alcohol by volume of each, divided by 100.

(b) In determining the effective tax rate, quantities of distilled spirits, eligible wine, and eligible flavors will be expressed to the nearest tenth of a proof gallon. The effective tax rate may be rounded to as many decimal places as the proprietor deems appropriate, provided that, such rate is expressed no less exactly than the rate rounded to the nearest whole cent, and the effective tax rates for all products will be consistently expressed to the same number of decimal places. In such
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§ 27.42a

Still wines containing carbon dioxide.

Still wines may contain not more than 0.392 gram of carbon dioxide per 100 milliliters of wine; except that a tolerance to this maximum limitation, not to exceed 0.009 gram of carbon dioxide per 100 milliliters of wine, will be allowed where the amount of carbon dioxide in excess of 0.392 gram per 100 milliliters of wine was due to mechanical variations which could not be completely controlled under good commercial practices. Such tolerance will not be allowed where it is found that the limitation of 0.392 gram of carbon dioxide per 100 milliliters of wine is continuously or intentionally exceeded.


Notes:

1. Proof gallons by which distilled spirits derived from eligible flavors exceed 2½% of the total proof gallons in the batch (100.9 – (2½% × 3.371.8) = 16.6).

WINES

§ 27.42 Wines.

All wines (including imitation, sub-standard, or artificial wine, and compounds sold as wine) having not in excess of 24 percent of alcohol by volume, in customs bonded warehouse or imported into the United States are subject to an internal revenue tax at the rates prescribed by law; such tax to be determined at the time of removal from customs custody for consumption or sale. The tax is imposed on each wine gallon and at a like rate on fractional parts of a wine gallon. Fractions of less than one-tenth gallon shall be converted to the nearest one-tenth gallon, and five-hundredths gallon shall be converted to the next full one-tenth gallon. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and shall be taxed accordingly.


Notes:

1. Proof gallons by which distilled spirits derived from eligible flavors exceed 2½% of the total proof gallons in the batch (100.9 – (2½% × 3.371.8) = 16.6).

1 Proof gallons by which distilled spirits derived from eligible flavors exceed 2½% of the

BATCH RECORD

Distilled spirits ............................................................. 2249.1 proof gallons.
Eligible wine (14% alcohol by volume) .................................. 2265.0 wine gallons.
Eligible wine (19% alcohol by volume) .................................. 1020.0 wine gallons.
Eligible flavors ............................................................. 100.9 proof gallons.

2249.1($13.50) + 2265.0($1.07) + 1020.0($1.57) + 16.6\(^{1}\)($13.50)

$30,362.85 + $2,423.55 + $1,601.40 + $224.10 = $34,611.90

2,350.0 + 634.2 + 387.6

3,371.8

$10.27, the effective tax rate.

(Approved by the Office of Management and Budget under control number 1512–0352)

[Sec. 6, Pub. L. 96–598, 94 Stat. 3488, as amended (26 U.S.C. 5010)]