

27 CFR Part 20

[Notice No. 827]

RIN 1512-AB57

Distribution and Use of Denatured Alcohol and Rum (95R-028P)

AGENCY: Bureau of Alcohol, Tobacco and Firearms (ATF), Department of the Treasury.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: Pursuant to the President's regulatory reform initiative, ATF is conducting a complete review of all Federal government regulations relating to the distribution and use of denatured alcohol and rum. ATF believes that the regulations can be modernized and simplified since the last major revision in 1985.

ATF is issuing this advance notice to solicit comments on ways in which the regulations can be simplified so as to greatly reduce or eliminate unnecessary regulatory burdens on industry members, while continuing to provide adequate protection of the revenue.

DATES: Comments must be submitted by August 12, 1996.

ADDRESSES: Submit all comments to: Chief, Wine, Beer, and Spirits Regulations Branch; Bureau of Alcohol, Tobacco and Firearms; P.O. Box 50221; Washington, DC 20091-0221. ATTN: Notice No. 827.

FOR FURTHER INFORMATION CONTACT: Mary A. Wood; Wine, Beer, and Spirits Regulations Branch; Bureau of Alcohol, Tobacco and Firearms; 650 Massachusetts Avenue, NW; Washington, DC 20226; (202) 927-8210.

SUPPLEMENTARY INFORMATION:**Background**

ATF wishes to solicit comments from the public on its proposal to conduct a complete review of the regulatory requirements in Part 20 pertaining to the distribution and use of denatured alcohol and rum. ATF aims to eliminate, revise, or simplify the regulations where necessary. ATF believes that the current regulations may contain unnecessary provisions and ATF desires to delete regulatory requirements which have become obsolete.

ATF wants to ensure that the regulations provided for in this part are made as simple as possible, while still providing the necessary protection to the revenue. In updating the regulations, primary emphasis will be given to the simplification of procedures for qualifying as a denatured alcohol and rum distributor and user or for keeping records and filing reports.

ATF solicits comments on the following issues:

(1) Are specific regulations in Part 20 duplicative and unnecessary? Can specific sections of the regulations be combined to eliminate such duplication?

(2) Can the permit application, approved formula or statement of process, or loss claim requirements in these regulations be made more streamlined, while continuing to provide adequate safeguards to the revenue?

(3) Can the labeling requirements for articles or packages of specially denatured spirits be simplified?

(4) Are there any other suggestions for providing flexibility in the provisions in Part 20, including the recovery of denatured spirits and the reuse of the recovered spirits.

(5) Overall, ATF would like to solicit general comments on ways in which it could reduce recordkeeping paperwork and/or simplify procedures, while continuing to maintain adequate safeguards to the revenue.

(6) Finally, under the current regulations, ATF may grant a permittee's request for an alternate method or procedure as a variance from some regulatory requirements. ATF is interested in comments from permittees concerning their experience with such variances and whether these regulations should be revised to incorporate some of the practices authorized by existing variances.

Participation

ATF requests comments from all interested persons. All comments received on or before the closing date will be carefully considered. Comments received after that date will be given the same consideration if it is practical to do so, but assurance of consideration cannot be given except as to comments received on or before the closing date.

ATF will not recognize any material as confidential. Comments may be disclosed to the public. Any material which the commenter considers to be confidential or inappropriate for disclosure should not be included in the comment. The name of the person submitting the comment is not exempt from disclosure.

During the comment period, any person may request an opportunity to present oral testimony at a public hearing. However, the Director reserves the right, in light of all circumstances, to determine if a public hearing is necessary.

Executive Order 12866

It has been determined that this proposed regulation is not a significant regulatory action as defined in Executive Order 12866. Accordingly, this proposal is not subject to the analysis required by this Executive Order.

Drafting Information: The principal author of this document is Mary A. Wood of the Wine, Beer, and Spirits Regulations Branch, Bureau of Alcohol, Tobacco and Firearms.

List of Subjects in 27 CFR Part 20

Administrative practice and procedure, Advertising, Alcohol and alcohol beverages, Authority delegations, Claims, Excise taxes, Reporting and recordkeeping requirements, Surety bonds.

Authority and Issuance

This advance notice of proposed rulemaking is issued under the authority in 26 U.S.C. 5001, 5206, 5214, 5241-5276, 5311, 5552, 5555, 5607, 6065, 7805.

Signed: May 17, 1996.

Bradley A. Buckles,

Acting Director.

Approved: May 24, 1996.

John P. Simpson,

Deputy Assistant Secretary (Regulatory, Tariff and Trade Enforcement).

[FR Doc. 96-14858 Filed 6-12-96; 8:45 am]

BILLING CODE 4810-31-P

27 CFR Part 22

[Notice No. 828]

RIN 1512-AB51

Distribution and Use of Tax-Free Alcohol (95R-030P)

AGENCY: Bureau of Alcohol, Tobacco and Firearms (ATF), Department of the Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: Pursuant to the President's regulatory reform initiative, the Bureau of Alcohol, Tobacco and Firearms (ATF) is proposing revisions in this notice to eliminate and liberalize certain regulatory requirements relating to tax-free alcohol. ATF believes that these proposed revisions will greatly reduce and simplify the qualification process governing the tax-free alcohol permit application process.

DATES: Written comments must be received on or before August 12, 1996.

ADDRESSES: Submit written comments to: Chief, Wine, Beer, and Spirits

Regulations Branch; Bureau of Alcohol, Tobacco and Firearms; P.O. Box 50221; Washington, DC 20091-0221. ATTN: Notice No. 828.

FOR FURTHER INFORMATION CONTACT: Mary A. Wood, Wine, Beer, and Spirits Regulations Branch; Bureau of Alcohol, Tobacco and Firearms; 650 Massachusetts Avenue, NW; Washington, DC 20226; (202) 927-8210.

SUPPLEMENTARY INFORMATION:

Background

There are certain registration requirements under the law and its implementing regulations that must be met prior to the issuance of a permit to withdraw and use tax-free alcohol. Depending upon the class of the applicant, these registration requirements may include the submission of a detailed application and supporting data, the payment of special (occupational) tax (SOT) and the acquisition of bond coverage. Once such registration requirements are met, the applicant is issued a tax-free alcohol users permit and may commence conducting any of the uses authorized under the law and regulations for tax-free alcohol permittees. The permittee is allowed to purchase and acquire alcohol from a registered distilled spirits plant (DSP) free of the excise tax payments normally required to be made by the DSP proprietor.

For this reason, tax-free alcohol authorized uses and users are limited or restricted under the law. Tax-free alcohol may not be withdrawn and used for beverage purposes, in food products, or in any preparation used in preparing beverage or food products. Tax-free alcohol may not be sold, used in the manufacture of any product for sale, or sold in any product resulting from the use of tax-free alcohol. Finally, tax-free alcohol or products resulting from the use of tax-free alcohol may not be removed from the permit premises.

Authorized users of tax-free alcohol include any State or political subdivision of a State, or the District of Columbia acquiring the alcohol for nonbeverage purposes. Tax-free alcohol may also be used by any educational organization (exempt from income tax), scientific university or college of learning, laboratory for use exclusively in scientific research, hospital, blood bank, sanitarium, pathological laboratory exclusively engaged in making analyses, or tests, for hospitals or sanitariums, or clinic operated for charity and not for profit. These permittees are unique in that they are not engaged in the business of selling tax-free alcohol or any product

manufactured from or containing tax-free alcohol. Any permittee who uses tax-free alcohol in a manner that violates the laws and regulations becomes liable for the tax and other provisions of the Internal Revenue Code of 1986, 26 U.S.C. 5001(a)(4).

ATF believes that the present bond requirements are unnecessary and the qualification requirements can be effectively streamlined. Therefore, ATF is proposing to delete the bond requirements and revise the qualification requirements for obtaining a permit to withdraw and use tax-free alcohol and is soliciting public comments on them.

Bonds and Consents of Surety

Section 5272 of the Internal Revenue Code of 1986 provides that bond coverage may be required as part of the tax-free alcohol permit qualification process. Subpart E of the implementing regulations at 27 CFR Part 22, requires every applicant, with certain exceptions, to obtain a bond prior to the issuance of a permit. In 1985, the tax-free regulations were revised and the exemption from bond coverage was expanded. See, T.D. ATF-199, 50 Fed. Reg. 9152 (March 6, 1985). Under those revisions, the percentage of users of tax-free alcohol who were exempt from filing a surety bond increased from 36 percent under the prior regulations to 75 percent under the adopted regulations.

Based on the post-1985 experience in administering Part 22, ATF believes that bond coverage should no longer be required of any applicant for a tax-free alcohol permit.

Additionally, ATF believes that elimination of the bond requirement under Subpart E will result in substantially reduced administrative and financial burdens on the tax-free alcohol permittees.

Qualification

Section 5271 of the Internal Revenue Code of 1986 requires the submission of an application before a permit may be issued to procure and use tax-free alcohol. Current regulations require the submission of a detailed application with supporting data by all applicants. The regional director (compliance) is authorized to waive some of the detailed data for applicants who are a State, political subdivisions thereof or the District of Columbia or whose annual withdrawal and usage of tax-free alcohol will not exceed 1,500 proof gallons.

ATF believes that this waiver should be available to all applicants when the regional director (compliance) concludes that the revenue is adequately protected with respect to the

person submitting the application. ATF is, therefore, proposing that regulatory provisions be made that will allow the regional director (compliance) to waive detailed applications with supporting data for all applicants. The regulations will continue to recognize the current waiver category of applicants who are governmental entities and the waiver category based on the 1,500 proof gallon annual withdrawal and usage is encompassed by the proposed amended regulation.

Public Participation

ATF requests written comments from all interested persons. All comments received on or before the closing date will be carefully considered. Comments received after that date will be given the same consideration if it is practical to do so, but assurance of consideration cannot be given except as to comments received on or before the closing date.

ATF will not recognize any material as confidential. Any material which the commenter considers to be confidential or inappropriate for disclosure should not be included in the comment. The name of the person submitting the comment is not exempt from disclosure.

Any interested person who desires an opportunity to comment orally at a public hearing should submit his or her request, in writing, to the Director within the 60-day comment period. The Director, however, reserves the right to determine, in light of all circumstances, whether a public hearing will be scheduled.

Written comments will be available for public inspection during normal business hours at the following address: ATF Reading Room, Office of Public Affairs and Disclosure, Room 6480, 650 Massachusetts Avenue, NW, Washington, DC.

Regulatory Flexibility Act

It is hereby certified that this proposed regulation will not have a significant economic impact on a substantial number of small entities. The regulations will give ATF specific regulatory authority to relax and remove certain registration requirements. The regulations will not increase recordkeeping or reporting requirements. Accordingly, a regulatory flexibility analysis is not required because the proposal, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities.

Executive Order 12866

It has been determined that this proposed regulation is not a significant regulatory action as defined in

Executive Order 12866. Accordingly, this proposal is not subject to the analysis required by this Executive Order.

Paperwork Reduction Act

The provisions of the Paperwork Reduction Act of 1980, Pub. L. 96-511, 44 U.S.C. Chapter 35, and its implementing regulations, 5 CFR Part 1320, do not apply to this notice because no new information collection requirements are being proposed.

The existing collections of information contained in this notice of proposed rulemaking have been previously reviewed and approved by the Office of Management and Budget in accordance with the requirements of the Paperwork Reduction Act of 1980 (44 U.S.C. 3504(h) under control numbers 1512-0334 and 1512-0335.

Drafting Information: The principal drafter of this document is Mary A. Wood of the Wine, Beer, and Spirits Regulations Branch, Bureau of Alcohol, Tobacco, and Firearms.

List of Subjects in 27 CFR Part 22

Administrative practice and procedure, Advertising, Alcohol and alcohol beverages, Authority delegations (Government agencies), Claims, Excise taxes, Reporting and recordkeeping requirements, Surety bonds.

Authority and Issuance

ATF is proposing to amend Part 22 in Title 27 of the Code of Federal Regulations as follows:

PART 22—DISTRIBUTION AND USE OF TAX-FREE ALCOHOL

Par. 1. The authority citation for Part 22 continues to read as follows:

Authority: 26 U.S.C. 5001, 5121, 5142, 5143, 5146, 5206, 5214, 5271-5276, 5311, 5552, 5555, 6056, 6061, 6065, 6109, 6151, 6806, 7011, 7805; 31 U.S.C. 9304, 9306.

§ 22.21 [Amended]

Par. 2. Section 22.21(a) is amended by removing the word "bonds," from the first sentence.

§ 22.25 [Removed]

Par. 3. Section 22.25 is removed.

§ 22.26 [Redesignated]

Par. 4. Section 22.26 is redesignated as § 22.25.

§ 22.27 [Redesignated]

Par. 5. Section 22.27 is redesignated as § 22.26.

§ 22.43 [Amended]

Par. 6. In § 22.43, paragraphs (a)(2) and (b) are revised as follows:

§ 22.43 Exceptions to application requirements.

(a) * * *

(2) Applications, Form 5150.22, filed by applicants where the regional director (compliance) has determined that the waiver of such requirements does not pose any jeopardy to the revenue or a hindrance of the effective administration of this part.

(b) The waiver provided for in this section will terminate for a permittee, other than States or political subdivisions thereof or the District of Columbia, when the permittee files an application to amend the permit and the regional director (compliance) determines that the conditions justifying the waiver no longer exist. In this case, the permittee will furnish the information in respect to the previously waived items, as provided in § 22.57(a)(2).

§ 22.59 [Amended]

Par. 7. In § 22.59, the second sentence of the section is removed.

§ 22.60 [Amended]

Par. 8. Section 22.60 is amended as follows:

1. Paragraph (b) is removed.
2. Paragraph (c) is redesignated as paragraph (b).
3. Paragraph (d) is redesignated as paragraph (c).

§ 22.62 [Amended]

Par. 9. Section 22.62 is amended by the removal of the last sentence in the section.

§ 22.63 [Amended]

Par. 10. Section 22.63 is amended as follows:

1. Paragraph (b) is removed.
2. The paragraph letter and title "(a) Permit." designation is removed.

§ 22.68 [Amended]

Par. 11. Section 22.68 is amended as follows:

1. Paragraph (b) is removed.
2. The paragraph letter and title "(a) Notice." designation is removed.

Subpart E [Removed and Reserved]

Par. 12. Subpart E (Bonds and Consent of Surety) is removed and reserved.

§ 22.152 [Amended]

Par. 13. Section 22.152 is amended as follows:

1. Paragraph (b) is removed.
2. Paragraph (c) is redesignated as paragraph (b).

Signed: May 8, 1996.

Bradley A. Buckles,
Acting Director.

Approved: May 24, 1996.

John P. Simpson.

Deputy Assistant Secretary (Regulatory, Tariff and Trade Enforcement).

[FR Doc. 96-14850 Filed 6-12-96; 8:45 am]

BILLING CODE 4810-13-U

27 CFR Part 250

[Notice No. 825]

RIN: 1512-AB50

Liquors and Articles From Puerto Rico and the Virgin Islands (1512-AB50)

AGENCY: Bureau of Alcohol, Tobacco and Firearms (ATF), Department of the Treasury.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: ATF is considering the revision and recodification of the regulations regarding liquors and articles (hereinafter "alcoholic products") which are brought into the United States from Puerto Rico or the Virgin Islands. The purpose of the proposed revision/recodification is to update and simplify the regulations in 27 CFR Part 250 and to reissue those regulations as part of the same chapter. ATF is issuing this advance notice to solicit comments on its proposal to eliminate application and transaction forms required to be submitted by persons who bring alcoholic products into the United States from Puerto Rico.

Comments are also being solicited on proposals to coordinate with the U.S. Customs Service to reduce duplicate efforts involving shipments of merchandise from Puerto Rico to the United States. ATF would also like to receive comments regarding other suggestions for reducing or eliminating unnecessary regulatory burdens on proprietors in both Puerto Rico and the United States while continuing to provide adequate protection to the revenue.

DATES: Written comments must be received on or before September 11, 1996.

ADDRESSES: Comments must be submitted to the Chief, Wine, Beer, and Spirits Branch, P.O. Box 50221, Washington, DC 20091-0221. ATTN Notice No. 825.

FOR FURTHER INFORMATION CONTACT: Tami Light, Wine, Beer and Spirits Branch, Bureau of Alcohol, Tobacco and Firearms, Washington, DC 20226, (202) 927-8210.