

U. S. TREASURY DEPARTMENT  
Internal Revenue Service  
Washington 25, D. C.

Alcohol and Tobacco Tax Division  
Industry Circular No. 54-29

December 17, 1954

Regulations Relating to Wine

TO PROPRIETORS OF BONDED WINERIES,  
BONDED WINE STOREROOMS, AND BONDED  
FIELD WAREHOUSES:

1. On November 27, 1954, a notice of proposed rulemaking was published in the Federal Register (19 F.R. 7642) covering the new wine regulations (26 CFR Part 240) to be issued under the provisions of the Internal Revenue Code of 1954. It is anticipated that the new regulations will be issued to become effective on January 1, 1955. Accordingly, it will be necessary for proprietors of bonded wineries, bonded wine storerooms, and bonded field warehouses to take certain actions before that date in order to avoid any possible interruption of operations.

2. There is attached a statement highlighting the most important aspects of the new regulations and calling attention to actions which must be taken before January 1, 1955, to permit the continued operations of these establishments after that date.

3. Your Assistant Regional Commissioner, Alcohol and Tobacco Tax, will lend all possible assistance in advising you concerning changes which must be made and documents which must be filed, and he will allow all reasonable latitude in effecting the changes required by the new law and regulations.

4. Inquiries in regard to this industry circular should refer to the number thereof and be addressed to the office of your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

  
Dwight E. Avis,  
Director, Alcohol and Tobacco Tax Division.

IRS-5861

STATEMENT REGARDING NEW WINE  
REGULATIONS (PART 240, 26 CFR 1954)

The following detailed comments are made in connection with the new wine regulations (26 CFR 240). The wine regulations will no longer be known as Regulations 7 and any references to Regulations 7 in the following comments refer to the regulations in effect prior to January 1, 1955. The new regulations are referred to as part 240, title 26, Code of Federal Regulations, or for brevity simply as part 240.

SUBPART A - SCOPE

No action required.

SUBPART B - DEFINITIONS

No action required.

SUBPART C - ESTABLISHMENT OF PREMISES

Premises operated as bonded wineries under the present regulations will automatically be designated bonded wine cellars on January 1, 1955, unless (a) they are, or have been within two years, used in production activities; (b) the proprietor holds permit as a wine producer under the Federal Alcohol Administration Act; and (c) the proprietor files application for designation as "bonded winery" in accordance with section 240.193 of the new regulations.

Bonded storerooms will automatically be designated as "bonded wine cellars" on and after January 1, 1955.

The new wine law and regulations contain no provisions for bonded field warehouses. If a warehouse company desires to continue the storage of wine for credit purposes on and after January 1, 1955 on premises now contiguous to a bonded winery or bonded storeroom, the bonded wine cellar premises must be extended to include the bonded field warehouse by the filing of a new application, Form 698, and the bonded field warehouse discontinued as provided in Article XIX of Regulations 7. It will also be necessary that the warehouse company or other proprietor of the bonded field warehouse file an application for establishment of a bonded wine warehouse under the provisions of section 240.201 of the new regulations. If desired, the bonded field warehouse may be established as a separate bonded wine cellar, but in that case the premises must meet the structural requirements of subpart E of the new regulations and all openings between the former

bonded field warehouse and any contiguous bonded premises must be permanently closed except as authorized in section 240.140. Provision is made in the new regulations, however, for the transfer of wine by pipeline between contiguous or adjacent bonded wine cellars. These actions must be taken so as to be effective January 1, 1955.

#### SUBPART D - USE OF BONDED WINE CELLARS

Proprietors of bonded wineries and bonded storerooms operating under Regulations 7, in general need make no changes to continue operations as bonded wine cellars under part 240. In case of certain special operations applications are required by part 240 which are dealt with individually in other subparts. Section 240.131 requires segregation of operations under certain conditions. Assistant regional commissioners will allow a reasonable period in which to effect necessary segregation. (see also section 240.511). Where it is not practicable to effect the segregation contemplated, consideration should be given to the temporary continuation of operations extended under section 240.123, which relates to premises heretofore established, so that the problem may be reviewed in connection with similar situations in other regions.

#### SUBPART E - CONSTRUCTION

No changes in construction are required of any bonded winery or bonded storeroom, operating under Regulations 7, except as provided under subpart D in regard to segregation. For changes which may be required for the qualification of bonded field warehouses as bonded wine cellars, see comment under subpart C. Where brandy is now being stored in the fortifying room the proprietor should consider the advisability of providing a wine spirits storage room or tank so that the fortifying room may be discontinued as such.

#### SUBPART F - EQUIPMENT

No changes are required January 1, 1955 in respect to the equipment of bonded wineries, bonded storerooms, or bonded field warehouses, except for the designation of certain tanks. "Fortifying Tanks" become "Wine Spirits Addition Tanks" and "Brandy Storage Tanks" become "Wine Spirits Storage Tanks". Unless Form 698 is filed for other reasons,

the filing of a new Form 698 will not be required because of changes in designations of tanks; however, sections 240.163 and 240.164 may require renumbering of fermenting and storage tanks and, if so, this project should be completed within such reasonable time as the assistant regional commissioner may allow and upon completion a new list of tanks submitted for attachment to Form 698.

The new regulations do not permit transfer of wine, distilling material, or vinegar stock between premises by hose line and proprietors who are now using hoses for such transfers should make immediate arrangements to install pipelines for transfers to fruit distilleries or other premises. Upon installation of such pipelines a letter notice, in triplicate, will be filed with the Assistant Regional Commissioner, Alcohol and Tobacco Tax.

#### SUBPART G - QUALIFYING DOCUMENTS

In general, no new qualifying documents will be required of proprietors operating bonded wineries or bonded storerooms prior to January 1, 1955, except as noted above in connection with bonded field warehouses; however, there is one important exception to this general rule, new bonds must be filed on Form 700, Revised January 1955 prior to January 1, 1955 by all proprietors of bonded wineries and bonded storerooms. The new law is quite different from the former law concerning the production of wine, and bonds on Form 699, the old Form 700, or Form 700-A will not support operations of bonded wine cellars on and after January 1, 1955.

#### SUBPART H - BONDS AND CONSENTS OF SURETY

As noted under subpart G, a new bond on Form 700, Revised January 1955, must be filed for continued operations on and after January 1, 1955. In addition, bond on Form 2053 will be required where the proprietor desires to remove wine taxpaid and the tax on the wine removed in any two-day period exceeds \$100. For details concerning this requirement, see comment under subpart AA.

The new wine cellar bond, Form 700, covers exportations or removals for use as supplies on vessels or aircraft and proprietors who now have on file Form 186 to cover exportations or removals for use as supplies need no longer maintain that bond. No change has been made in bonds for transportation to a customs manufacturing bonded warehouse, Form 1580, or for withdrawal of wine for the manufacture of vinegar, Form 1676; however, proprietors withdrawing wine free of tax for the manufacture of vinegar on contiguous premises under a consent of surety, Form 1533, must file a new consent of surety to accompany the new bond on Form 700.

SUBPART I - TERMINATION OF BONDS

No action required prior to January 1, 1955.

SUBPART J - PLAT

Plats now approved under Regulations 7 will satisfy the requirements of part 240. New plats need be filed only where changes are to be made in the extent of the bonded premises. In case a bonded field warehouse is to be discontinued, effective December 31, 1954, to become a part of a bonded wine cellar on January 1, 1955, it is possible that no new plat will be required. Assistant Regional Commissioners will examine the plats presently on file covering bonded wineries or bonded storerooms with contiguous bonded field warehouses to determine whether the plat shows the premises of the bonded field warehouse with sufficient accuracy to be acceptable. The proprietor of each such bonded winery or bonded storeroom will be advised whether a new plat will be required.

SUBPART K - REQUIREMENTS GOVERNING CHANGES IN NAME, PROPRIETORSHIP AND CONTROL

No action required before January 1, 1955.

SUBPART L - REQUIREMENTS GOVERNING CHANGES IN LOCATION, PREMISES AND EQUIPMENT

The provisions of this subpart should be followed if it is necessary to file a new plat as described in the comment under subpart J. The new regulations do not require notice to the assistant regional commissioner of changes in the designation of storage, fermenting and wine spirits addition tanks, but where tanks are renumbered to comply with the requirements of subpart F a new list of tanks must be furnished.

SUBPART M - DISCONTINUANCE OF BUSINESS

No action required. Where bonded field warehouses are to be discontinued, effective December 31, 1954, the requirements of Regulations 7 should be followed rather than the requirements of part 240.

SUBPART N - SPECIAL (OCCUPATIONAL) TAXES

No action required.

SUBPART O - PRODUCTION OF WINE

Action on January 1, 1955 in connection with subpart O is required only where substandard beverage wine produced under section 178.151

of Regulations 7 or nonstandard wine made with sugar other than pure sugar under section 178.148 of Regulations 7 is on hand. Under the new law and regulations these wines may not be produced, stored or handled on premises where standard wines are produced, stored or handled. Proprietors having such wines on hand should contact the assistant regional commissioner immediately and advise him what plans they have for disposing of such wines or designating their premises (or establishing new premises) as bonded wine cellars for the production and storage of such wines only.

#### SUBPART P - PRODUCTION AND TREATMENT OF NATURAL GRAPE WINE

No action required except in connection with the records. Instructions for transferring to the new records are given under subpart UU. Proprietors producing sherry by the Flor process under a formula need not refile the formula unless requested by the assistant regional commissioner.

#### SUBPART Q - PRODUCTION AND TREATMENT OF NATURAL FRUIT WINE

No action required, except in connection with records. See subpart UU.

#### SUBPART R - SPECIALLY SWEETENED NATURAL WINE

No action required, except in connection with records discussed under subpart UU. Formulas for the production of specially sweetened natural wine are no longer required and wine produced in accordance with this subpart need not be labeled "sweetened with excess sugar" but appropriate reference to the sweetness of the wine should be made on the label and any new or modified labels must be approved prior to use. Existing stocks of labels bearing the quoted legend, covered by certificates of label approval or exemption from label approval, may be used after the effective date of these regulations and the formula endorsements on the reverse of such certificates will be ignored.

#### SUBPART S - SPECIAL NATURAL WINE

No action required, except in connection with records as explained in subpart UU. Formulas for the production of vermouth or other aperitif wines or retsina wine need not be refiled unless required by the assistant regional commissioner, except where a change is to be made in the ingredients or the method of production. If formulas for vermouth call for the use of high alcohol wine and do not adequately show the extent to which water will be used, new formulas should be required. If old or new formulas call for the use of an essence containing distilled spirits, appropriate inquiry must be made to determine whether the product is in fact an essence or is an essence diluted with water.

#### SUBPART T - AGRICULTURAL WINE

New formulas must be filed for the production of agricultural wine

after January 1, 1955. This class of wine includes wine made from raisins or other dried fruit and honey wine.

#### SUBPART U - WINE OTHER THAN STANDARD WINE

No action required, except in connection with records discussed under subpart UU and in case of substandard wine or nonstandard wine discussed under subpart O. Formulas are no longer required for distilling material and vinegar stock and formulas presently approved for high fermentation wine, heavy bodied blending wine and Spanish type blending sherry need not be refiled unless requested by the assistant regional commissioner. The production of Spanish type blending sherry with the use of sugar is not permitted under the new law. Any such formulas now approved should be recalled.

#### SUBPART V - REFERMENTATION OF WINE AND WINE LEES

No action required.

#### SUBPART W - PRODUCTION OF EFFERVESCENT WINE

No action required, except in connection with records discussed under subpart UU. Approved formulas for the production of effervescent wine need not be refiled unless required by the assistant regional commissioner.

#### SUBPART X - STORAGE AND FINISHING OF WINE

##### Acids

No application for the use of citric acid for stabilizing in an amount not exceeding 5.8 pounds per 1,000 gallons of wine is required. There is no change in the provisions for the use of tannin except that no application covering its use is required. The use of acids for correcting natural deficiencies will be within the limitations of sections 240.364 and 240.404.

##### Other Materials for Treating Wines

In section 240.529 are listed materials authorized for use in treating wine. This list is similar to that previously published in IR Mim 106 with certain deletions. Filter aids and fining agents are no longer included in the list and may be used without specific limitations and without the filing of applications or notices and without maintaining records of use. Materials listed only by proprietary or trade names have been deleted. This does not mean the use of materials deleted from the list is no longer authorized but is simply a recognition of the fact that it would be impossible

to list in the regulations by proprietary names all the materials which might be used in the treatment of wine. Any proprietors of bonded wine cellars desiring to use such materials on and after January 1, 1955 must file the notice required by section 240.530.

#### SUBPART Y - TAX-FREE PRODUCTION

No action required.

#### SUBPART Z - CONTAINERS FOR REMOVAL OF WINE

The only change in the containers authorized for removal of wine from bond is that removal in uncased bottles is not permitted. All bottles of less than two gallons capacity must be placed in serially numbered cases prior to removal from bond. Proprietors desiring to sell less than two-gallon bottles or less than a standard case of wine should taxpay cases of wine and transfer them to the taxpaid room from which sales in small amounts may be made. There has been a change in the marking of the contents of containers in that the contents are to be marked to the nearest one-tenth gallon. Where the designation of the premises is changed from bonded winery or bonded storeroom to bonded wine cellar the marking of containers should be changed accordingly, but the assistant regional commissioner will authorize upon application the use of existing stocks of containers or labels already marked.

#### SUBPART AA - TAXPAYMENT OF WINE

No stamps will be attached to packages or be used for the taxpayment of wine on and after January 1, 1955. Proprietors should, therefore, plan their operations so that the inventory of stamps will be at a minimum at the close of business December 31, 1954. Any stamps remaining on hand at that time may be redeemed, if purchased within three years, upon surrender of the stamps and filing of claim on Form 843 with the District Director of Internal Revenue.

The tax on and after January 1, 1955 will be paid by return, Form 2050. The return will be on a daily basis and must be filed before the close of day following that on which the wine was removed for a taxable purpose. The bond, Form 700, covering operation of the bonded wine cellar will include coverage of deferred payment of tax not to exceed \$100. Proprietors desiring to make taxpayments in greater amounts must first file bond, Form 2053, in an amount at least equal to the tax to be deferred less the \$100 covered by Form 700. The penal sum of Form 2053 plus \$100 from the Form 700 must equal the greatest amount of tax due on wine removed but not paid at any one time. Where Form 2053 is not filed or is filed in a penal sum insufficient to cover the tax on wine removed, the tax on a portion of the wine so

removed may be prepaid by the use of Form 2052. The instructions on the forms describe fully the methods of preparing and filing them.

#### SUBPART BB - TRANSFER OF WINE IN BOND TO OTHER BONDED WINE CELLARS

Elimination of the detailed statements on Form 702 makes it necessary that an additional copy of Form 703 be prepared and forwarded to the consignee so that he may acknowledge receipt of the wine to the assistant regional commissioner of his region. The only other change in regard to transfers in bond between bonded wine cellars is relative to the marking of containers, which has been simplified, and no special marks are required on cases transferred in bond. Where wine is in transit to a bonded wine cellar on January 1, 1955 the extra copy of Form 703 may not be available to the consignee and he should attach a statement to Form 702 for the month of January showing the details of the receipt of wine shipped to him in bond which was in transit January 1, 1955.

#### SUBPART CC - REMOVAL OF WINE FOR USE AS DISTILLING MATERIAL

Since Form 701 has been discontinued and the details omitted from Form 702, Form 703 will be used to report the removal of wine free of tax for use as distilling material. In case of pipeline removals a single Form 703 may be used to show the totals of all such removals to any one premises during the month.

#### SUBPART DD - REMOVAL OF STILL WINE FOR MANUFACTURE OF VINEGAR

Form 703 will be used to report removals of wine free of tax for the manufacture of vinegar in the same way as removals of distilling material. Proprietors removing wine to a contiguous vinegar plant under consent of surety on the winemaker's bond must file a new consent of surety to continue such removals under the new bonded wine cellar bond, Form 700. Where the vinegar plant is operated under bond, Form 1676, no new bond is required.

#### SUBPART EE - EXPORTATION OF WINE FREE OF TAX

No changes have been made in the forms or procedure for the exportation of wine free of tax, except where the exportation is made by the proprietor of a bonded wine cellar, his bond on Form 700, if in sufficient penal sum, will cover the exportation of wine. Bonds on Form 186 filed by winemakers may be terminated as to future transactions. Under the new regulations Form 186 will be used only by exporters who are not proprietors of bonded wine cellars.

#### SUBPART FF - WITHDRAWAL OF WINE FREE OF TAX FOR USE ON CERTAIN VESSELS AND AIRCRAFT

No change in procedure required January 1, 1955. Bond on Form 186, if previously filed by the proprietor of a bonded wine cellar to cover such removals, may be terminated as to future transactions.

SUBPART GG - TRANSFER OF WINE TO CUSTOMS MANUFACTURING BONDED WAREHOUSE

No change.

SUBPART HH - REMOVAL OF WINE FOR FEDERAL OR STATE USE

No action required January 1, 1955.

SUBPART II - OTHER TAX-FREE REMOVALS

No action required January 1, 1955.

SUBPART JJ - TAX-FREE SAMPLES OF WINE

No action on January 1, 1955 required where the proprietor holds approved applications for the removal of wine as samples for analysis. Removals may continue under the same applications. Wines may be used for tasting after January 1, 1955 free of tax.

SUBPART KK - DESTRUCTION OF WINE

No action required January 1, 1955.

SUBPART LL - DISPOSITION OF LEES INCLUDING FILTER WASH AND OTHER RESIDUES

No change.

SUBPART MM - CHANGE OF SPARKLING AND ARTIFICIALLY CARBONATED WINE INTO STILL WINE

No action required January 1, 1955.

SUBPART NN - LOSSES OF WINE IN BOND

No action required January 1, 1955. Losses determined by inventory December 31, 1954 will be reported under the provisions of Regulations 7.

SUBPART OO - RETURN OF UNMERCHANTABLE TAXPAID WINE TO BONDED WINE CELLAR

No action required January 1, 1955.

SUBPART PP - WITHDRAWAL OF WINE SPIRITS FOR WINE PRODUCTION

Form 257 has been revised, but the handling and disposition of the form are substantially the same as before. Where Forms 257 have been approved and are in the hands of proprietors of bonded wine cellars, fruit distilleries, or internal revenue bonded warehouses on January 1, 1955, wine spirits may be shipped under such approved forms without the necessity of refiling them.

SUBPART QQ - LOSSES OF WINE SPIRITS IN BOND

No action required January 1, 1955.

SUBPART RR - DISPOSITION OF UNUSED WINE SPIRITS

No action required January 1, 1955.

SUBPART SS - TAX LIABILITY FOR WINE SPIRITS WITHDRAWN FOR WINE PRODUCTION

No action required January 1, 1955.

SUBPART TT - PRODUCTION AND STORAGE OF ALLIED PRODUCTS

The provisions of law and regulations regarding the production, storage and handling of allied products (including fruit juice and concentrated fruit juice) have been extensively changed. It is, therefore, necessary that new applications covering such activities be filed in all cases even though applications approved under Regulations 7 are on file. Where new applications are filed before January 1, 1955 the previously approved activities may be continued pending action on the new applications.

SUBPART UU - RECORDS AND REPORTS

Forms 261, 276, 427-B, 546, 546-A, 701, 702-A, 702-B, 703-A, and 1415 have been discontinued. Form 702 on and after January 1, 1955 will consist only of monthly summaries of various wine cellar operations, no details of daily transactions being reported. Vermouth and other aperitif wine, sparkling wine and artificially carbonated wine will all be reported on Form 702. Form 702 will also include some of the information previously reported on Forms 261 and 701. Detailed instructions for making opening entries as of January 1, 1955 on the various forms and records appear below.

Form 702

Part I. Monthly summary of wines. This part is a complete accounting of all wine in storage, including vermouth, aperitif wine, artificially carbonated wine and sparkling wine. The opening figures to be reported at line 1 of the report for January 1955 will be obtained from the December reports as follows:

Column (a). - Line 23, column (1) of Part 12 of Form 702 plus line 9, column (1), Part 8 of Form 702-B plus any wine of this tax class included in column (12), Part 3, Form 702-B.

Column (b). - Line 23, column (2), Part 12 of Form 702 plus line 22, column (1), Part I of Form 702-B plus line 9, Column (2), Part 8 of Form 702-B plus any wine of this tax class included in column (12), Part 3, Form 702-B.

Column (c). - Line 23, column (3), Part 12 of Form 702 plus line 22, column (2), Part I of Form 702-B plus line 9, column (3), Part 8 of Form 702-B plus any wine of this tax class included in column (12), Part 3, Form 702-B.

Column (d). - No entry will be made at line 1, column (d), on Form 702 for January 1955.

Column (e). - Line 12, columns (6), (7), (8), (9), and (10), of Part 11, Form 702-A. Convert each of the figures to gallons by dividing by the number of bottles required to make one gallon, then take the total of all the gallons. This must be done according to the actual size of the bottles, not the heading of the column. For example, if Form 702-A shows at line 12, 1600 half pints, 2000 pints, and 5000 quarts of artificially carbonated wine, and the bottles in the pint column are actually tenths and those in the quart column are actually fifths, the number of gallons is (1600 divided by 16) plus (2000 divided by 10) plus (5000 divided by 5) equals 100 plus 200 plus 1000 equals 1300 gallons. This last figure should be entered at line 1, column (e) as the number of gallons of artificially carbonated wine on hand January 1, 1955.

Column (f). - Follow the same procedure as for column (e), except that columns (1), (2), (3), (4) and (5) of Part 11, Form 702-A should be used. If bulk sparkling wine is in process on January 1, 1955 the number of gallons in pressure tanks will be added to the gallons in bottles to give the entry for line 1, column (f), Part I of Form 702 for January 1955.

Part III. Entries for line 1 will be obtained from the corresponding column of Part 7, Form 261 for December 1954 at the line "on hand last of month." No entry will be made at line 1, column (h) on January 1, 1955.

Part IV. Entries at line 1 of the January report will be obtained as follows:

Columns (a), (b), (d), (e), (f) and (g) from the corresponding columns of Form 701 for December, Part 3, at line 5.

Columns (c), (h) and (i) from the corresponding columns of Form 261 for December, Part 8 at the line "on hand last of month."

Part VI. Entries for line 1, columns (a) and (b) of the January Form 702 will be obtained from line 8a, Part 5, Form 701, for December. No entries will be made at line 1, columns (c) and (d) on the January Form 702. If substandard wine produced expressly for vinegar stock is carried on Form 702 for December, 1954, it will not be transferred to Part VI of Form 702 for January 1955 but will be allowed to remain in Part I until removed, when the removal will be recorded on Form 2056 and reported on Form 702, Part I, in the same manner as standard wine removed to vinegar plants.

#### Form 2054 - Wine Fermentation Record

Where wine in fermenters has been ameliorated or is to be ameliorated information will be transferred from Form 701 for each lot of wine in fermenters entering the figures in column (g), Form 2054. The space in columns (b), (c), (d) and (e) will be used to identify the lot from Form 701. Any unused volume of ameliorating material will be entered in column (r). Any further amelioration will then be reported on Form 2054 in accordance with the instructions on the form. Where any wine is ameliorated with sugar or water, or both, the fermentation of all wine made from that kind of fruit must be recorded on Form 2054. In transferring figures from Form 701 it is important to note that the quantities to be recorded on Form 2054 represent liquid (i.e. juice and ameliorating material) only, skins, seeds and pulp, if present in the fermenter, being disregarded. The total of wine entered in column (g) of Form 2054 on January 1, 1955 should agree with the figure for the same kind of fruit appearing at line 9, Part 4, Form 701 for December 1954, except for differences due to the presence of skins, seeds and pulp in the fermenters. Upon transfer of wine from Form 701 to Form 2054, Forms 546 should be removed from the tanks and filed in support of the entries made on Form 2054.

#### Form 2055 - Wine Reserve Inventory Record

Ameliorated or partially ameliorated wine carried on Form 702 December 31, 1954, identified by Forms 546, and to which it is desired to add wine spirits, or to sweeten the wine (except as provided in section 240.368 for grape wine or section 240.406 for fruit wine, or except if the wine is to be used in the production of specially sweetened natural wine) must be entered into reserve inventory as of January 1, 1955. The wine so entered will be recorded in column (c), Form 2055, and in column (b) the lot number from Form 701 or other means of tracing the wine back to Form 701 or Form 546 will be entered. The unused ameliorating credit as shown by Form 546 or other record will be converted to pounds of sugar in accordance with the instructions on Form 2055. Wine so transferred from Form 702 to Form 2055 will be shown on Form 702 for January 1955 at line 24 at the appropriate tax class as "transferred from storage to reserve" and at line 8 in the reserve column as "transferred from permanent storage." It is important to note that no water may be

added to wine in reserve inventory. If it is desired to add water to partially ameliorated wine previously transferred to Form 702 the water must be added prior to transferring the wine to reserve inventory. If any proprietor has partially ameliorated wine carried on Form 702 for December 1954 and does not wish to complete the amelioration with water during the month of January 1955 he should file a statement with the assistant regional commissioner identifying the wine and explaining the circumstances under which he will desire to transfer the wine from permanent storage to reserve inventory at a later date. Upon transfer of wine to reserve inventory Forms 546 should be removed from the tanks and filed in support of the entries on Form 2055. Section 240.372 has been modified to allow the use of an alternate method for the reserve account. Form 2055 will have to be modified by the proprietor, under the provisions of section 240.913, to serve the purposes of the alternate method.

Form 2056 - Record of Still Wine

This form takes the place of Parts 1 through 11 of the old Form 702. No opening entries are required January 1, 1955.

Form 2057 - Record of Effervescent Wine

This form replaces the detailed statements on Form 702-A. All unfinished sparkling wine on hand January 1, 1955, whether in pressure tanks or in bottles, will be entered in column (g) and finished sparkling wine on hand will be entered in column (i). Opposite these entries in column (b) write "transferred from Form 702-A January 1, 1955." The total of column (g) and column (i) must equal the amount entered at line 1, column (f) of Part I, Form 702 for January 1955, or, in the case of artificially carbonated wine, line 1, column (e). Use separate Forms 2057 for sparkling wine fermented in bottles, sparkling wine fermented in bulk containers, and artificially carbonated wine, and for each kind of fruit.

Form 2058 - Special Natural Wine Production Record

This form replaces the detailed statements on Form 702-B. No opening entries are required January 1, 1955. Vermouth or aperitif wine in process January 1, 1955 should not be transferred to Form 2058 but any vermouth or aperitif wine entered into process on or after that date will be recorded on Form 2058 in accordance with the instructions on the form.

Form 2059 - Record of Distilling Material or Vinegar Stock

No opening entries required on January 1, 1955.

Form 2060 - Record of Wine Cases Filled

No opening entries required on January 1, 1955.

Separate record of herbs, essences, or other flavoring materials. Proprietors engaged in the production of special natural wine will open the separate record required by section 240.910 with the entries taken from Form 702-B, Part I, line 22, columns (4) through (11), and from line 9 of the essence summary in the same part of Form 702-B.

Sugar record. The record required by section 240.914 will be opened with entries in agreement with those in columns (h) and (i) at line 1, Part IV, Form 702 for January 1955. If different kinds of dry sugar or sugar solutions are on hand they will be shown separately.

Separate record of materials. The record required by section 240.915 will be opened with entries in agreement with those in columns (a) through (g) at line 1, Part IV, Form 702 for January 1955.

Other records required by subpart UU do not require opening entries, but proprietors should study carefully all requirements of the subpart to be sure that any records necessary to reflect the operations conducted are accurately maintained commencing January 1, 1955.

#### SUBPART VV - MISCELLANEOUS PROVISIONS

No action required January 1, 1955.

#### SUBPART WW - EXAMINATION OF PREMISES

No action required January 1, 1955.

#### SUBPART XX - CALCULATIONS FOR WINE PRODUCTION

No action required January 1, 1955. Section 240.978 contains a new table which will prove useful to producers of fruit wine desiring to adjust the sugar content of juice as provided in section 240.407.