

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION



Industry Circular No. 58-18

August 14, 1958

## CONSOLIDATION OF PACKAGED DISTILLED SPIRITS UNDER THE EXCISE TAX TECHNICAL CHANGES ACT OF 1958 (H.R. 7125 - 85th CONGRESS)

To proprietors of internal revenue  
bonded warehouses and  
others concerned:

**Purpose.** Because it now appears that the Excise Tax Technical Changes Act of 1958 (H.R. 7125 - 85th Congress) has a very good chance of being enacted into law, this industry circular is issued for the purpose of advising you of the action you must take to become qualified to consolidate packages of certain spirits for further storage in bond as permitted under the provisions of the act, in the event it does become law. The following instructions are accordingly supplied in anticipation of its probable enactment. On enactment, a Treasury decision covering this subject will be promulgated.

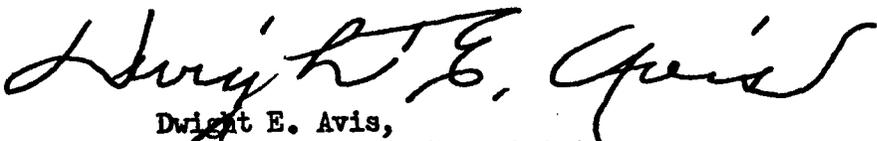
**Background.** Provisions having the effect of section 5234(a)(2) of the Internal Revenue Code of 1954 (as such section is included in chapter 51 of such Code as amended by section 201 of the act) will be deemed to be effective on the day following the date of enactment of the act. Section 5234(a)(2) itself becomes effective on July 1, 1959. The Treasury decision mentioned above will cover, in detail, procedures to be followed during the interim period. Briefly, the section provides for the mingling of spirits on bonded premises within 8 years from the date of the original entry for deposit, for further storage in bond in packages, by consolidation of packaged 4-year-or-older spirits of the same kind, distilled at the same distillery by the same proprietor, and packaged in the same kind of cooperage. In respect of rum or brandy, the minimum age for consolidation is only 2 years. The law specifies certain restrictions but provides that such operations will not be considered taxable rectification.

**Procedure to Qualify for Activity During Interim Period.** The Treasury decision will provide that where a proprietor desires to consolidate eligible spirits under the provisions of the proposed law during the interim period, he shall first file with the assistant regional commissioner a properly executed consent of surety, Form 1533, which shall identify the bond affected and contain the following statement:

"To extend the terms of the bond to cover any tax liability with respect to spirits mingled in accordance with provisions having the effect of the provisions of section 5234(a)(2), of the Internal Revenue Code of 1954 (as such section is included in section 201 of the Excise Tax Technical Changes Act of 1958 (H. R. 7125 - 85th Congress))."

Since we may not be able to issue a Treasury decision coincident with the date of enactment, it is suggested that you may wish to anticipate passage of the proposed legislation and initiate steps leading to the securing and filing of the necessary consent.

Inquiries. Inquiries regarding this industry circular should refer to its number and be addressed to your assistant regional commissioner (alcohol and tobacco tax).

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