

INDUSTRY CIRCULAR

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



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WASHINGTON 25, D. C.

Industry Circular No. 59-25

May 1, 1959

PROPOSED AMENDMENT OF 26 CFR PART 251

Importers and others concerned:

Purpose. The purpose of this industry circular is to acquaint you with the provisions of a notice of proposed rule making, published in the Federal Register for April 21, 1959, which would affect the regulations relating to the importation of distilled spirits, wines, and beer contained in 26 CFR Part 251.

Background. The Excise Tax Technical Changes Act of 1958, Public Law 85-859, will, effective July 1, 1959, revise chapter 51 of the Internal Revenue Code. The proposed amendments are being made to conform to the statutory changes, and also for clarifying purposes.

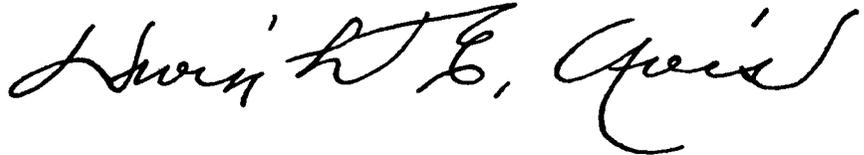
Proposed changes. Public Law 85-859 eliminates the present legal concepts under which various completely separate establishments are necessary to perform the activities relating to the production, storage, processing, and bottling of distilled spirits, and provides for a single functional distilled spirits plant. It is proposed to amend 26 CFR Part 251 to delete references to such separate establishments and employ more general terms.

Under existing law the tax on imported beer is determined on sale or removal for consumption or sale. Section 5054(a)(2), I.R.C., as amended by Public Law 85-859, provides that the tax on imported beer shall be determined at the time of its importation, or, if entered into customs custody, at the time of its removal from such custody. A conforming amendment is proposed in 26 CFR Part 251.

Under existing law and regulations, when the contents of a barrel or keg of beer exceeds the statutory tolerance, tax is computed at the next higher statutory quantity. Section 5051(a), I.R.C., has been amended by Public Law 85-859 to eliminate the above requirement, to provide that sizes of containers and permissible tolerances will be established by regulations, and to provide that where the quantity of beer in a barrel or keg exceeds the tolerance provided by regulations, the tax will be computed on the actual quantity of beer without any benefit of the tolerance. These regulations are being amended so that the basis for computing the tax on imported beer are compatible with the liberalizing amendments being made with respect to computing the tax on domestic beer.

Comments. The notice of proposed rule making provides that prior to adoption consideration will be given to any data, views, or arguments pertaining thereto which are submitted, in writing, in duplicate, to the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington 25, D. C., within 30 days from the date of publication in the Federal Register.

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



Dwight E. Avis
Director, Alcohol and Tobacco Tax Division