US Treasury Department

Industry Circular

Internal Revenue Service
Alcohol and Tobacco Tax Division
Washington, D.C. 20224

Industry Circular No. 68-15

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RECORD REQUIREMENTS FOR
NONBEVERAGE DRAWBACK CLAIMANTS

Manufacturers of nonbeverage products
and others concerned:

Purpose. This industry circular is issued to inform you of the provisions of a revenue ruling which will be published in an early issue of the Internal Revenue Bulletin. The revenue ruling, which will supersede Revenue Ruling 56-338, C.B. 1956-2, 1026, prescribes certain recordkeeping requirements for nonbeverage domestic drawback claimants respecting the receipt, use, and loss of distilled spirits.

Substance of ruling. The revenue ruling will be published substantially as follows:

26 CFR Part 197, Drawback on Distilled Spirits Used in Manufacturing Nonbeverage Products, provides in § 197.130 that every person intending to claim drawback on tax-determined distilled spirits used in the manufacture of nonbeverage products must keep permanent records showing certain specified information as to the receipt and use of distilled spirits. Though § 197.132 provides that no particular form of record is required, the information must appear on original records made at the time of the transaction by a person having actual knowledge thereof. Supporting data submitted with claims must be based on the original records.

A manufacturer shall, at the time of receipt, determine, preferably by weight, and record in the prescribed records the exact quantity of spirits received: Provided, That if spirits are received in a tank car or tank truck and the result of the manufacturer's gauge of the spirits is within 0.2 percent of the quantity reported on the Form 179, Withdrawal of Spirits Taxpaid, covering the tax-determination of such spirits, the quantity reported on Form 179 may be recorded in the prescribed records as the quantity of spirits received. In such case, the manufacturer shall also record on the Form 179 the result of his gauge of the spirits received. Losses in transit, other than those attributable to variation in gauge not exceeding the 0.2 percent limitation as provided in this paragraph, must be determined but shall not be recorded in the prescribed records as distilled spirits received.

Manufacturers must accurately weigh or measure all distilled spirits used and record immediately in the prescribed records the quantity so used. Where the quantity of distilled spirits used is determined by volume, adjustments should be made if the temperature of the spirits is substantially above or below 60 degrees Fahrenheit. Losses due to leakage, spillage, evaporation, etc., after receipt, must be accurately recorded in the prescribed records at the time such losses are determined.

Revenue Ruling 56-338, C.B. 1956-2, 1026, is hereby superseded.

Inquiries. Inquiries concerning this industry circular should refer to its number and be addressed to the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax.

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