

ADI Virtual 2020

TTB Monthly Reporting & Compliance Updates

Donald Snyder
Whiskey Systems



Agenda

- Background
- Report Basics
- High Level Reporting Summary
- Daily Logs → Monthly Summaries
- When and How to File
- New Tax Law (2018)
- Recent Changes to TTB Regulations
- 2020 Cares Act: Hand Sanitizer

Disclaimer

- Donald Snyder, Whiskey Systems, and FIVE x 5 Solutions are not with or endorsed by the Tax and Trade Bureau (TTB).
- Laws and regulations are subject to change and subject to interpretation by the TTB.
- This presentation is meant as a helpful resource but is not a replacement for a deep understanding of TTB and Federal Regulations.
- Visit www.ttb.gov for the official Code of Federal Regulations (CFR)

Background

- Donald Snyder
 - Buffalo Trace
 - MGP
 - Whiskey Systems
- Whiskey Systems + FIVE x 5 Solutions
 - whiskeysystems.com
 - fx5solutions.com



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Report Basics

- Three Operations Reports (Monthly)
 - Production
 - Storage
 - Processing
- Federal Excise Report
 - Semi-monthly
 - Quarterly



Report Basics

What is a Proof Gallon?

Wine gallon (WG): Actual gallons (volume)

Proof: Alcohol by volume x 2

Proof gallon (PG): Wine Gallons x Proof ÷ 100



50 Gallons (Wine Gallons)

@ 190pf: $50 \times 190 \div 100 = 95$ PG

@ 80pf: $50 \times 80 \div 100 = 40$ PG

Report Basics

Proof Gallons & FET per Case

Proof Gallons per Case

- 6-Pack Case, 750mL @ 100pf
 - $1.1888 \text{ WG} \times 100 \div 100$
 - 1.1888 PG per Case
- 6-Pack Case, 750mL @ 80pf
 - $1.1888 \text{ WG} \times 80 \div 100$
 - 0.09510 PG per Case
- General Estimate
 - 6-Pack Case: 1 PG per Case
 - 12-Pack Case: 2 PG per Case

Calculating FET

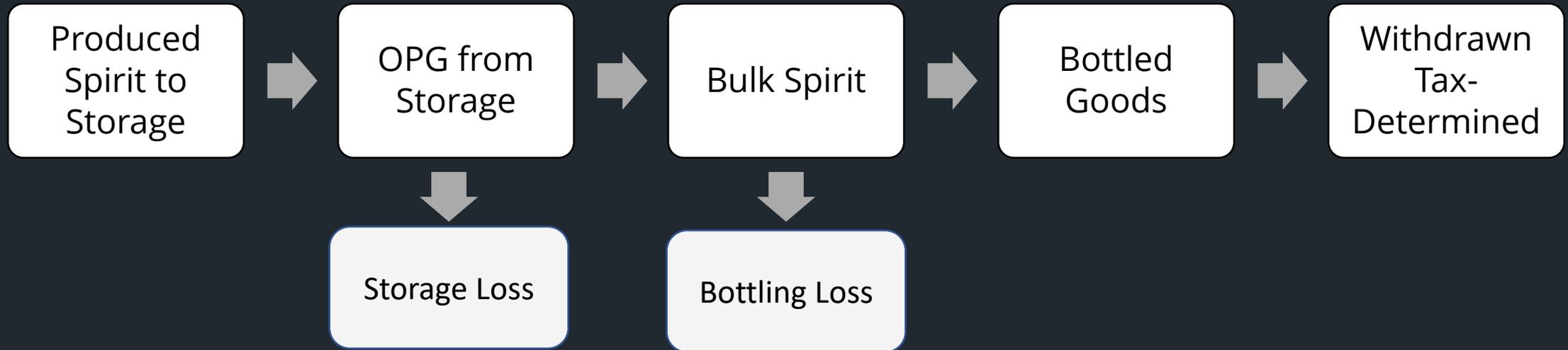
25 x 6-Pack Cases, 750mL @ 80pf

$25 \times 0.9510 \text{ PG per Case} = 23.78 \text{ PG}$

$23.78 \text{ PG} \times \$13.50 = \$321.03$

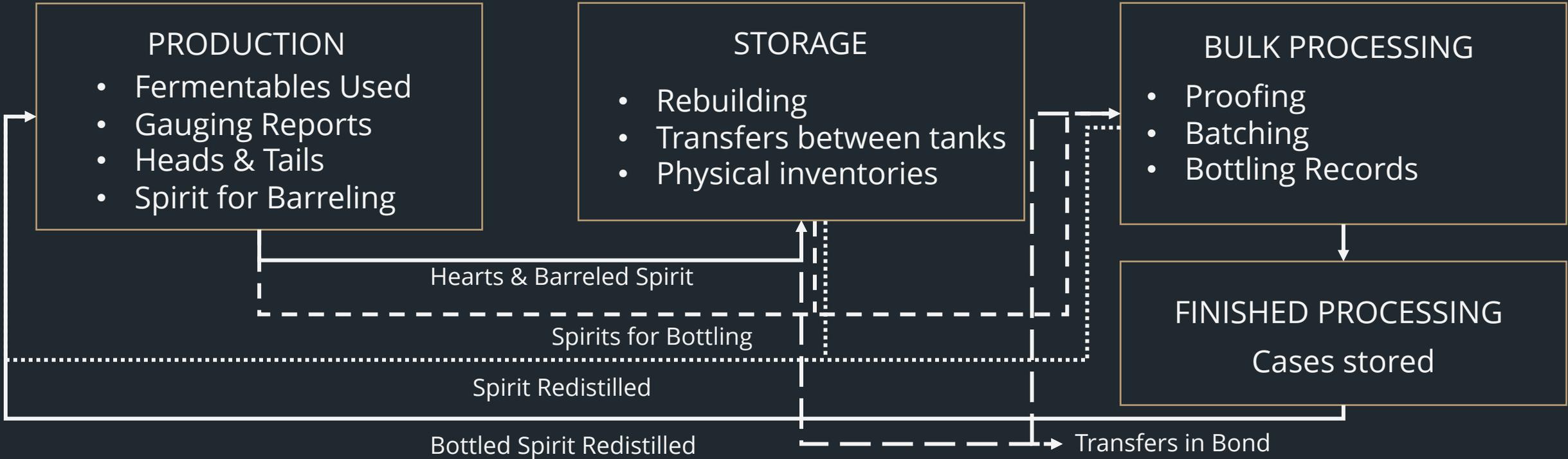
$23.78 \text{ PG} \times \$2.70 = \$64.21$

High-Level Reporting Summary



- Keep detailed records to support submitted numbers
- Record proof gallons moved between accounts + losses

The Detailed Process



The Common Process



PRODUCTION

- Fermentables Used
- Gauging Reports
- Heads & Tails
- Spirit for Barreling

STORAGE

- Rebuilding
- Transfers between tanks
- Physical inventories

BULK PROCESSING

- Proofing
- Batching
- Bottling Records

FINISHED PROCESSING

Cases stored

Hearts & Barreled Spirit

Spirits for Bottling

Monthly Report of Production Operations

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) MONTHLY REPORT OF PRODUCTION OPERATIONS (PREPARE IN DUPLICATE. SEE INSTRUCTIONS BELOW)		1. NAME OF PROPRIETOR Donald's Distillery	2. EIN 12-12345	3. MONTH AND YEAR 02/2019							
		4. LOCATION OF PLANT 123 Distiller's Rd Barrel Warehouse 1 Stillville, FL 41234	5. PLANT NUMBER DSP -KY-12345								
PART I - TRANSACTIONS											
TRANSACTION (a)	PROOF GALLONS										
	WHISKY		BRANDY		RUM (f)	GIN (g)	VODKA (h)	ALCOHOL AND SPIRITS		OTHER (Identify) (k)	TOTAL (l)
160° AND UNDER (b)	OVER 160° (c)	170° AND UNDER (d)	OVER 170° (e)	190° AND OVER (Distillation Proof) (i)				UNDER 190° (Distillation Proof) (j)			
1. TAX PAYMENT											
2. USE OF U.S.											
3. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE ¹											
4. EXPORT											
5. TRANSFER TO FOREIGN TRADE ZONE											
6. TRANSFER TO CMBW											
7. USE AS SUPPLIES ON VESSELS OR AIRCRAFT											
8. USE IN WINE PRODUCTION											
9. ENTERED IN PROCESSING ACCOUNT	5.00					221.90					226.90
10. ENTERED FOR TRANSFER IN BOND											
11. ENTERED IN STORAGE ACCOUNT	5.00										5.00
12. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING ²											
13.											
14. PRODUCED (Total, Lines 1 through 13)	10.00					221.90					231.90
15. RECEIVED FOR REDISTILLATION ³							528.34				528.34
16. ⁴											
17. PHYSICAL INVENTORY- END OF CALENDAR QUARTER	(a) RECEIVED FOR REDISTILLATION ³										
	(b) UNFINISHED SPIRITS										
PART II - PRODUCTION OF ALCOHOL AND SPIRITS OF 190° OR MORE OF PROOF, BY KIND OF MATERIAL USED		PART III - PRODUCTION OF WHISKY BY KIND AND COOPERAGE USED				PART IV - PRODUCTION OF BRANDY BY KIND		PART V - USED IN REDISTILLATION			
KIND OF MATERIAL (a)	PROOF GALLONS (b)	KIND (a)	PROOF GALLONS NEW COOPERAGE (b)	PROOF GALLONS USED COOPERAGE (c)	PROOF GALLONS DEPOSITED IN TANKS (d)	KIND (a)	PROOF GALLON (b)	KIND OF SPIRITS ⁵ (a)	PROOF GALLON (b)		
1. GRAIN		1. BOURBON	5.00			1. GRAPE BRANDY		1. Vodka	528.34		
2. FRUIT		2. CORN			5.00	2. ALL OTHER BRANDY		2.			
3. MOLASSES		3. RYE				3. NEUTRAL GRAPE BRANDY		3.			
4. ETHYL SULFATE		4. LIGHT				4. ALL OTHER NEUTRAL BRANDY		4.			
5. ETHYLENE GAS		5. Oat				5.		5.			
6. SULPHITE LIQUORS		6. Malt Whiskey				6.		6.			
7. FROM REDISTILLATION		7. Wheat				7.		7.			

Production & Storage Reporting

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) MONTHLY REPORT OF PRODUCTION OPERATIONS (PREPARE IN DUPLICATE. SEE INSTRUCTIONS BELOW)		1. NAME OF PROPRIETOR Donald's Distillery		
		4. LOCATION OF PLANT 123 Distiller's Lane Barrel V		
PART I - TRANSACTIONS				
	TRANSACTION (a)	WHISKY		BRANDY
		160° AND UNDER (b)	OVER 160° (c)	170° AND UNDER (d)
WITHDRAWN FOR	1. TAX PAYMENT			
	2. USE OF U.S.			
	3. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE ¹			
	4. EXPORT	10.00		
	5. TRANSFER TO FOREIGN TRADE ZONE			
	6. TRANSFER TO CMBW			
	7. USE AS SUPPLIES ON VESSELS OR AIRCRAFT			
	8. USE IN WINE PRODUCTION			
	9. ENTERED IN PROCESSING ACCOUNT			
	10. ENTERED FOR TRANSFER IN BOND			
	11. ENTERED IN STORAGE ACCOUNT	735.12		
	12. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING ²			

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) MONTHLY REPORT OF STORAGE OPERATIONS					
INSTRUCTIONS					
Every proprietor as a warehouseman must prepare this form monthly, in duplicate. Forward the original to the Director, National Revenue Center 550 Main St, Ste 8002, Cincinnati, OH 45202-5215, not later than the 15th day of the month following that for which the report is rendered.			The remaining copy must be retained by the proprietor. Reports must be prepared for domestic spirits, Puerto Rican spirits, and spirits from the United States. Operations must be reported on TTB F 5112-101.		
TRANSACTIONS (a)	WHISKY*		BRANDY		
	DISTILLED AT 160° AND UNDER (b)	DISTILLED AT OVER 160° (c)	DISTILLED AT 170° AND UNDER (d)	DISTILLED AT OVER 170° (e)	
1. On hand first of month	3829.98		270.00		
2. Deposited in bulk storage ¹	735.12				
3. Received from Customs custody					
4. Returned to bulk storage					
5. Gains	0.00				
6. TOTAL (Lines 1 through 5)	4565.10		270.00		
7. Taxpaid					
WITHDRAWN FOR	8. Use of the United States				
	9. Hospital, scientific educational use ²				
	10. Export	29.75			
	11. Transfer to foreign-trade zone				
	12. Transfer to CMBW				
	13. Use as supplies on vessels and aircraft				
	14. Transfer to bonded winery				
	15. Transfer to CBW				
	16. Research, development, or testing ³				
	17. Transferred to processing account	254.00			
18. Transferred to production account ⁴	2.24		270.00		
19. Transferred to other bonded premises					
20. Destroyed					

Monthly Report of Processing Operations

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) MONTHLY REPORT OF PROCESSING OPERATIONS			OMB No. 1513-0041 (01/31/2014)		
1. Every proprietor engaged in processing operations must prepare this form each month in duplicate. 2. The proprietor must forward the original to the Director, National Revenue Center, on or before the 15th day of the month following the month for which prepared. 3. The copy is to be kept on file by the proprietor. 4. LOCATION OF PLANT 123 Distiller's Lane Barrel Warehouse 1 Stillville, KY 41234			1. PLANT NUMBER	2. MONTH AND YEAR	
			DSP-KY-12345	01/2017	
			3. NAME OF PROPRIETOR		
			Donald's Distillery		
			5. Employer Identification Number (EIN)		
			12-12345		
PART I - BULK INGREDIENTS			PART II - FINISHED PRODUCTS		
TRANSACTION (a)	WINE (Proof gallons) (b)	SPIRITS (Proof gallons) (c)	TRANSACTION (a)	BOTTLED (Proof gallons) (b)	PACKAGED (Proof gallons) (c)
1. ON HAND FIRST OF MONTH	0.00	0.00	27. ON HAND FIRST OF MONTH	230.69	
2. RECEIVED (Other than line 3)		304.00	28. BOTTLED OR PACKAGED	229.67	
3. ALCOHOL FOR FUEL USE RECEIVED FROM CUSTOMS CUSTODY			29. RECEIVED		
4. ALCOHOL, FLAVOR, MATERIALS DUMPED			30. INVENTORY OVERAGES	0	
5. WINE MIXED WITH SPIRITS			31. TOTAL - LINES 27 THROUGH 30	460.36	
6. DUMPED FOR FURTHER PROCESSING			32. TRANSFERRED IN BOND ¹		
7. GAINS	0	0.0	33. WITHDRAWN TAX DETERMINED	0.39	
8. TOTAL - LINES 1 THROUGH 7	0	304.00	34. WITHDRAWN FREE OF TAX: FOR U.S. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE		
9. BOTTLED OR PACKAGED		229.67	35. WITHDRAWN WITHOUT PAYMENT OF TAX: FOR ADDITION TO WINE		
10. WINE MIXED WITH SPIRITS			36. FOR EXPORTATION, VESSELS, AND AIRCRAFT, AND TRANSFER TO C.B.W.		
11. USED FOR DENATURATION					
12. TRANSFERRED IN BOND					
13. WITHDRAWN TAX DETERMINED					

Federal Excise Tax Return

OMB No. 1513-0083 (0-100)

DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB) EXCISE TAX RETURN <i>(Prepare in duplicate - See instructions below)</i>		1. SERIAL NUMBER	
2. FORM OF PAYMENT <input type="checkbox"/> CHECK <input type="checkbox"/> MONEY ORDER <input type="checkbox"/> EFT <input type="checkbox"/> OTHER (Specify) _____		2017-5	
		3. AMOUNT OF PAYMENT \$ 2,091.15	
4. RETURN COVERS (Check one) <input type="checkbox"/> PREPAYMENT <input checked="" type="checkbox"/> PERIOD		NOTE: PLEASE MAKE CHECKS OR MONEY ORDERS PAYABLE TO THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (SHOW EMPLOYER IDENTIFICATION NUMBER ON ALL CHECKS OR MONEY ORDERS). IF YOU SEND A CHECK, SEE PAPER CHECK NOTICE BELOW.	
BEGINNING <u>3/1/2017</u> ENDING <u>3/15/2017</u>			
5. DATE PRODUCTS TO BE REMOVED (For Prepayment Returns Only)		For TTB Use Only	
6. EMPLOYER IDENTIFICATION NUMBER	7. PLANT, REGISTRY, OR PERMIT NUMBER	TAX	\$
12-12345	DSP-KY-12345	PENALTY	
8. NAME AND ADDRESS OF TAXPAYER (Include ZIP Code) Donald's Distillery 123 Distiller's Lane Barrel Warehouse 1 Stillville, KY 41234		INTEREST	
		TOTAL	\$
		EXAMINED BY:	
		DATE EXAMINED:	
CALCULATION OF TAX DUE (Before making entries on lines 18 - 21, complete Schedules A and B)			
PRODUCT (a)		AMOUNT OF TAX (b)	
9. DISTILLED SPIRITS		\$ 2,091.15	
10. WINE			
11. BEER			

Daily Logs → Monthly Summaries

Daily Records

- Fermentables used
- Distillation Inputs / Outputs (PG)
- Barrel Fills (OPG)
- Barrel Dumps (RPG + Loss)
- Tank Logs
- Batching Runs (With Formula #)
- Bottling Runs
- Any Bulk Transfers In Bond

Other Records

- Physical Inventories, Gains and Losses
- Records of Destruction
- Withdrawals from Bond + FET Tax Due (BOL, Invoices)

Daily Logs → Monthly Summaries

Reconcile all Daily Logs each month to populate monthly Operations Reports.

If audited, **source documentation** for reported numbers will be required.

When and How to File

When

- Monthly Operations Reports are due by the 14th of the following month.
- Federal Excise Tax is due:
 - If paying < \$50,000 per year: Quarterly
 - If paying > \$50,000 per year: Semi-Monthly

How

- By mail
 - Operations reports to Cincinnati, OH
 - FET payments to St. Louis, MO
- Online: via Pay.gov (one day early)

New Tax Rate (Jan 2018)

Tax Rates per PG for Tax Years 2018-2020

Up to 100,000 PG	100,000 < PG > 22,230,000	Over 22,230,000
\$2.70	\$13.34	\$13.50



2017

1,000 x 6-Pack Cases, 750mL @ 85pf
~1,000 PG x \$13.50/PG
\$13,500 FET Due

2020

1,000 x 6-Pack Cases, 750mL @ 85pf
~1,000 PG x \$2.70/PG
\$2,700 FET Due

Savings per 1,000 Cases: \$10,800

New Tax Rate

Without Congressional action, the lower FET rate will expire on December 31, 2020.

What can you do?

Connect with your Congressperson to request a permanent extension.

Follow ADI's Government Affairs activity at www.distilling.com

TTB Updates

Effective May 4, 2020

- Spirit Age Statement can include time in the original barrel + time in a finishing cask
- Spirit Age Statements are allowed for all spirit except neutral and vodka (example: Barrel-Aged Gin)
- Does not limit the definition of an oak barrel as 50 gallons
- Removes the requirement that vodka be without distinctive character, aroma, taste, or color

TTB Updates

Effective May 4, 2020

- Allows distillers to count distillations, including those required to meet a specific standard of identity.
- Incorporates a definition for distillation.
- Adds standards of identity for agave spirit.

2020 Cares Act

Hand Sanitizer Guidance

- TTB is **exempting beverage DSPs from the requirement to obtain additional permits** or bonds to manufacture hand sanitizer or to supply ethanol for use in the manufacture of hand sanitizer to other TTB permittees who are authorized to receive such distilled spirits.
- Non-beverage products made with ethanol, including hand sanitizer, **are not subject to federal excise tax**. Please note that the FDA guidance referenced above specifies the use of denaturants when compounding hand sanitizer.

2020 Cares Act

Hand Sanitizer Guidance, Cont.

- During the period covered by this guidance, for transfers of either denatured or undenatured distilled spirits between domestic DSPs, TTB is exempting DSPs from the requirements to request approval from TTB to receive denatured or undenatured distilled spirits from another DSP and to obtain additional bond coverage.
- Hospitals, blood banks, sanitariums, certain pathological laboratories, non-profit clinics, and qualifying educational institutions may obtain alcohol free of tax for their own non-beverage purpose use and not for resale or use in the manufacture of any product for sale.

2020 Cares Act

Reporting Hand Sanitizer

On May 18, TTB confirmed how to report hand sanitizer production on Monthly Reports of Operations

Operational Report	Line to be Used
Monthly Report of Production Operations	Line 13
Monthly Report of Storage Operations	Line 21
Monthly Report of Processing Operations	Lines 21 and 41

2020 Cares Act

90-Day FET Extension

- TTB postponed several filing and payment due dates for 90 days where the original due date falls on or after March 1, 2020 through July 1, 2020.
- FET due after July 1, 2020 is due on the original due date.

Additional Resources

CARES Act

- <https://www.ttb.gov/coronavirus>
- <https://www.ttb.gov/public-guidance/ttb-pg-2020-1a>
- <https://www.fda.gov/media/136289/download>
- <https://www.ttb.gov/public-guidance/ttb-pg-2020-4>

90-Day FET Extension: <https://www.ttb.gov/industry-circulars/ttb-industry-circulars-2020-2-attachment-a>

Thank you!



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