

Public Law 95-176
95th Congress

An Act

To amend certain provisions of the Internal Revenue Code of 1954 relating to distilled spirits, and for other purposes.

Nov. 14, 1977

[H.R. 4458]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5062 (b) of the Internal Revenue Code of 1954 is amended to read as follows:

“(b) **DRAWBACK.**—On the exportation of distilled spirits or wines manufactured, produced, bottled, or packaged in casks or other bulk containers in the United States on which an internal revenue tax has been paid or determined, and which are contained in any cask or other bulk container, or in bottles packed in cases or other containers, there shall be allowed, under regulations prescribed by the Secretary, a drawback equal in amount to the tax found to have been paid or determined on such distilled spirits or wines. In the case of distilled spirits, the preceding sentence shall not apply unless the claim for drawback is filed by the bottler or packager of the spirits and unless such spirits have been stamped or restamped, and marked, especially for export, under regulations prescribed by the Secretary. The Secretary is authorized to prescribe regulations governing the determination and payment or crediting of drawback of internal revenue tax on spirits and wines eligible for drawback under this subsection, including the requirements of such notices, bonds, bills of lading, and other evidence indicating payment or determination of tax and exportation as shall be deemed necessary.”

SEC. 2. (a) Section 5215 of the Internal Revenue Code of 1954 is amended to read as follows:

“**SEC. 5215. RETURN OF TAX DETERMINED DISTILLED SPIRITS TO BONDED PREMISES.**

“(a) **GENERAL.**—On such application and under such regulations as the Secretary may prescribe, distilled spirits withdrawn from bonded premises on payment or determination of tax (other than products to which any alcoholic ingredients other than such distilled spirits have been added) may be returned to the bonded premises of a distilled spirits plant. Such returned distilled spirits shall be destroyed, denatured, or redistilled, or shall be mingled as authorized in section 5234(a)(1) (other than subparagraph (C) thereof).

“(b) **DISTILLED SPIRITS RETURNED TO BONDED PREMISES FOR STORAGE PENDING EXPORTATION.**—On such application and under such conditions as the Secretary may by regulations prescribe, distilled spirits which would be eligible for allowance of drawback under section 5062(b) on exportation, may be returned by the bottler or packager of such distilled spirits to an export storage facility on the bonded premises of the distilled spirits plant where bottled or packaged, solely for the purpose of storage pending withdrawal without payment of tax under section 5214(a)(4), (7), (8), or (9), or free of tax under section 7510.

“(c) **DISTILLED SPIRITS STAMPED AND LABELED AS BOTTLED IN BOND.**—On such application and under such regulations as the Secretary may prescribe, a proprietor of bonded premises who has bottled

Taxes.
Distilled spirits
or wines.
26 USC 5062.

Claim, filing.

Regulations.

26 USC 5215.

Application.

26 USC 5234.

Application.

Supra.

Post., p. 1365.

26 USC 7510.

Application.

- 26 USC 5178. distilled spirits under section 5178(a)(4)(A)(ii), which are stamped and labeled as bottled in bond for domestic consumption, may return cases of such bottled distilled spirits to appropriate storage facilities on the bonded premises of the distilled spirits plant where bottled for storage pending withdrawal for any purpose for which distilled spirits bottled under section 5178(a)(4)(A)(i) may be withdrawn from bonded premises.
- “(d) **APPLICABILITY OF CHAPTER TO DISTILLED SPIRITS RETURNED TO BONDED PREMISES.**—Except as otherwise provided in this section, all provisions of this chapter applicable to distilled spirits in bond shall be applicable to distilled spirits returned to bonded premises under the provisions of this section on such return.
- “(e) **CROSS REFERENCES.**—
- “(1) **For provisions relating to the remission, abatement, credit, or refund of tax on distilled spirits returned to bonded premises under this section, see section 5008(d).**
- “(2) **For provisions relating to the establishment of an export storage facility on the bonded premises of a distilled spirits plant, see section 5178(a)(3)(D).**”
- Bonded warehousing facilities, export storage. 26 USC 5178.
- (b) Section 5178(a)(3) of such Code is amended by adding at the end thereof the following new subparagraph:
- “(D) A proprietor who has established facilities for the storage on bonded premises of distilled spirits under subparagraph (C) may establish a portion of such premises as an export storage facility for the storage of distilled spirits returned to bonded premises under section 5215(b).”
- Ante, p. 1363. Stamps. 26 USC 5205.
- (c) Section 5205(c)(2) of such Code is amended by adding at the end thereof the following new sentence: “This paragraph shall also apply to every container of distilled spirits returned to the bonded premises under the provisions of section 5215(b).”
- Distilled spirits, foreign embassy use. 26 USC 5066.
- (d) The heading and the first sentence of paragraph (1) of section 5066(a) of such Code are amended to read as follows:
- “(1) **BOTTLED DISTILLED SPIRITS WITHDRAWN FROM BONDED PREMISES.**—Under such regulations as the Secretary may prescribe, distilled spirits bottled in bond for export under the provisions of section 5233, or bottled distilled spirits returned to bonded premises under section 5215(b), may be withdrawn from bonded premises as provided in section 5214(a)(4) for transfer to customs bonded warehouses in which imported distilled spirits are permitted to be stored in bond for entry therein pending withdrawal therefrom as provided in subsection (b).”
- 26 USC 5233.
- 26 USC 5214.
- Records and reports. 26 USC 5207.
- (e) Section 5207(a) of such Code is amended—
- (1) by striking out “and” at the end of paragraph (9),
- (2) by redesignating present paragraph (10) as (11), and
- (3) by inserting after paragraph (9) the following new paragraph:
- “(10) the kind and quantity of distilled spirits returned to bonded premises, and”.
- Abatement, remittance, credit or refund. 26 USC 5008.
- (f) Section 5008(d) of such Code is amended to read as follows:
- “(d) **DISTILLED SPIRITS RETURNED TO BONDED PREMISES.**—
- “(1) **GENERAL.**—Whenever any distilled spirits withdrawn from bonded premises on payment or determination of tax are returned to the bonded premises of a distilled spirits plant under section 5215(a), the Secretary shall abate, remit, or (without interest) credit or refund the tax imposed under section 5001(a)(1) (or the tax equal to such tax imposed under section 7652) on the spirits so returned.
- 26 USC 5001.
- 26 USC 7652.

“(2) **DISTILLED SPIRITS RETURNED TO BONDED PREMISES FOR STORAGE PENDING EXPORTATION.**—Whenever any distilled spirits are returned under section 5215(b) to the bonded premises of a distilled spirits plant, the Secretary shall (without interest) credit or refund the internal revenue tax found to have been paid or determined with respect to such distilled spirits. Such amount of tax shall be the same amount which would be allowed as a drawback under section 5062(b) on the exportation of such distilled spirits.

Credit or refund.
Ante, p. 1363.

Amount.

Ante, p. 1363.

“(3) **DISTILLED SPIRITS STAMPED AND LABELED AS BOTTLED IN BOND.**—Whenever any distilled spirits are returned under section 5215(c) to the bonded premises of a distilled spirits plant, the Secretary shall (without interest) credit or refund the tax imposed under section 5001(a)(1) on the spirits so returned.

Credit or refund.

26 USC 5001.

Claim, filing.

“(4) **LIMITATION.**—No allowance under paragraph (1), (2), or (3) shall be made unless a claim is filed under such regulations as the Secretary may prescribe, by the proprietor of the distilled spirits plant to which the distilled spirits are returned within 6 months of the date of return.”

SEC. 3. (a) Section 5214(a)(9) of the Internal Revenue Code of 1954 is amended to read as follows:

26 USC 5214.

“(9) without payment of tax, in the case of distilled spirits bottled in bond for export under section 5233 or distilled spirits returned to bonded premises under section 5215(b), for transfer (for the purpose of storage pending exportation) to any customs bonded warehouse from which distilled spirits may be exported, and distilled spirits transferred to a customs bonded warehouse under this paragraph shall be entered, stored, and accounted for under such regulations and bonds as the Secretary may prescribe; or”.

26 USC 5233.

(b) Section 5175(a) of such Code is amended to read as follows: Export bonds.
26 USC 5175.

“(a) **REQUIREMENTS.**—No distilled spirits shall be withdrawn from bonded premises for exportation, or for transfer to a customs bonded warehouse for storage therein pending exportation, without payment of tax unless the exporter has furnished bond to cover such withdrawal under such regulations and conditions, and in such form and penal sum, as the Secretary may prescribe.”

(c) Section 5003 of such Code is amended by striking out “manufacturing” in paragraph (9) and inserting before the period at the end of paragraph (9) “and section 5214(a)(9)”. 26 USC 5003.
Supra.

(d) Section 5214(b) of such Code is amended by adding at the end thereof the following new paragraph:

“(7) **For provisions relating to distilled spirits for use of foreign embassies, legations, etc., see section 5066.**”

SEC. 4. (a) Section 5214(a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new paragraph: *Supra*.

“(10) without payment of tax by a proprietor of bonded premises for use in research, development, or testing (other than consumer testing or other market analysis) of processes, systems, materials, or equipment, relating to distilled spirits or distillery operations, under such limitations and conditions as to quantities, use, and accountability as the Secretary may by regulations require for the protection of the revenue.”

Liability.
26 USC 5005.

(b) Section 5005(e) (2) of such Code is amended to read as follows:
“(2) RELIEF FROM LIABILITY.—All persons liable for the tax on distilled spirits under paragraph (1) of this subsection, or under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall be relieved of any such liability at the time, as the case may be, the distilled spirits are exported, deposited in a foreign-trade zone, used in the production of wine, deposited in customs bonded warehouses, laden as supplies upon, or used in the maintenance or repair of, certain vessels or aircraft, or used in certain research, development, or testing, as provided by law.”

Liens.
26 USC 5004.

(c) (1) Section 5004(a) (2) (B) of such Code is amended by striking out “(9), or” and inserting “or” after “(2),”.

(2) Section 5004(a) (2) (C) of such Code is amended to read as follows:

“(C) exported, deposited in a foreign-trade zone, used in the production of wine, laden as supplies upon, or used in the maintenance or repair of, certain vessels or aircraft, deposited in a customs bonded warehouse, or used in certain research, development, or testing, as provided by law.”

(d) (1) Section 5005(d) of such Code is amended by striking out “(3), or (9)” and inserting “or (3)” after “(2),”.

(2) Section 5005(e) (1) of such Code is amended by striking out “section 5214(a) (4), (5), (6), (7), or (8),” and inserting “section 5214(a) (4), (5), (6), (7), (8), (9), or (10),”.

26 USC 5008.

(e) (1) Section 5008(f) (3) of such Code is amended by striking “and” at the end thereof.

(2) Section 5008(f) (4) of such Code is amended by striking out the period at the end thereof and inserting in lieu thereof “; and”.

(3) Section 5008(f) of such Code is amended by adding at the end thereof the following:

“(5) the customs bonded warehouse in the case of withdrawal under sections 5066 and 5214(a) (9).”

Ante, pp. 1364,
1365.

The provisions of subsection (a) shall be applicable to loss of distilled spirits withdrawn from bonded premises without payment of tax under section 5214(a) (10) for certain research, development, or testing, until such distilled spirits are used as provided by law.”

26 USC 5003.

(f) Paragraph (14) of section 5003 of such Code is amended to read as follows:

“(14) For provisions authorizing the withdrawal of distilled spirits without payment of tax for use in certain research, development, or testing, see section 5214(a) (10).”

Mingling and
blending.
26 USC 5234.

SEC. 5. (a) (1) Section 5234(a) (2) of such Code is amended by striking from the heading “FOR FURTHER STORAGE IN BOND.”.

(2) So much of the first sentence of section 5234(a) (2) of such Code as follows subparagraph (C) thereof is amended to read as follows:

“(D) which have been stored in internal revenue bond in the same kind of cooerage for not less than 4 years (or 2 years in the case of rum or brandy),

may, within 20 years of the date of original entry for deposit of the spirits, be mingled on bonded premises.”

Rectification tax,
exemption.
26 USC 5025.

(b) Section 5025(e) (7) of such Code is amended by striking out “for further storage in bond”.

SEC. 6. Section 5025(b) of the Internal Revenue Code of 1954 is amended by inserting “, or the extracted oils of such,” after “other natural aromatics”.

26 USC 5025.

SEC. 7. The amendments made by this Act shall take effect on the first day of the first calendar month which begins more than 90 days after the date of the enactment of this Act.

Effective date.
26 USC 5003
note.

Approved November 14, 1977.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 95-761 (Comm. on Ways and Means).
CONGRESSIONAL RECORD, Vol. 123 (1977):

Oct. 31, considered and passed House.
Nov. 1, considered and passed Senate.