



TTB Compliance Seminar for Wineries

North Carolina Winegrower's Association
Compliance Workshop
July 31, 2023



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TTB Disclaimer

- This information is being presented to help the public to understand and comply with the laws and regulations that the Alcohol and Tobacco Tax and Trade Bureau (TTB) administers
- It is not intended to establish any new, or change any existing, definitions, interpretations, standards, or procedures regarding those laws and regulations
- In addition, this presentation may be made obsolete by changes in laws and regulations
- Please consult the applicable laws and regulations for the most current requirements
- Sample documents (such as records, returns and labels) are for illustrative purposes only and contain fictitious data



TTB Overview

- We are a bureau within the Department of the Treasury
- We currently have about 480 employees
- Our headquarters are in Washington, DC
- The Office of Permitting and Taxation is in Cincinnati, Ohio
- We have field districts located across the country
- We have 3 laboratories located in Maryland



TTB's Primary Responsibilities

- Qualification of producers/importers/distributors of alcohol and tobacco products through issuance of required permits
- Collection of excise taxes related to alcohol, tobacco, firearms, and ammunition
- Ensure compliance with laws and regulations through:
 - Revenue investigations and audits (protect the revenue)
 - Product integrity investigations (protect the consumer)
 - Trade practice investigations



Primary Federal Laws

Internal Revenue Code (IRC)

(Protect the revenue)

- Tax payment
- Premises which protect the revenue
- Production
- Formulas (for some wines)

Federal Alcohol Administration (FAA) Act

(Protect the consumer)

- Basic permits
- Labeling
- Viticultural areas
- Health Warning Statement
- Trade practices



Primary Federal Wine Regulations

Internal Revenue Code

(Protect the revenue)

- 27 CFR part 24 - Wine

Federal Alcohol Administration Act

(Protect the consumer)

- 27 CFR part 1 - Basic permit
- 27 CFR part 4 - Wine labeling
- 27 CFR part 9 - American Viticultural Areas



Records - IRC

- Records must be generated for most every winery operation
- Records support tax payment
- Records support label claims
- Records inform the TTB report filed by every plant
- 27 CFR part 24 - Subpart O - Records and Reports
- Most pitfalls can be avoided with good records
- May be a compilation of source documents or a summary



Recordkeeping

Records document what it is, and what you did with it

- Materials received and used e.g., grapes, apples, pears, treatment materials
- Acid and chemical records
- Wine produced
- Wine received or transferred in bond
- Wine bottled/kegged, or removed



Recordkeeping

- Record operations as they occur
- Get and retain source documents
- Accurately identify alcohol content, quantities
- Keep the “pedigree” of the product clear
- Retain for 3 years from last required entry
- All records are subject to inspection by TTB



Records Examination

By examining your records, TTB should be able to verify if:

- Wine product is properly labeled
- All label claims are fully supported
- Only authorized materials were used
- Advertising, POS materials are appropriate



What Do We Look For?

Product integrity (consumer protection)

- Required records
- Supporting documentation for label claims



What Do We Look For?

Revenue (tax compliance)

- Required records
- Supporting documentation for excise tax return information and payments
- Timely filing of reports and returns
- Security of premises
- Bond coverage



TTB Audit

TTB audits follow Yellow Book Standards, as published by the Government Accountability Office, and all audits are completed using the same set of policies and procedures. Once a taxpayer is selected for an audit, an announcement letter is sent several weeks prior to the start of the audit informing the taxpayer of the date of the audit.



TTB Audit

Excise Tax Auditors will conduct a full-scope audit that includes the examination of many areas of a taxpayer's records to ensure compliance, including: general ledgers, inventory and production systems, and automated data processing relating to compliance with federal laws and regulations. TTB auditors also examine internal controls relating to the preparation of operating reports and tax returns.



Taxable Removals

- Federal tax **attaches** when wine is produced
- Tax is **determined** when wine is removed from bonded premises for consumption or sale
- Tax is **paid** at a later date (deferred)
- Tax **rate** is based on alcohol content, materials used, and/or production method



CBMA Wine Tax Credits Made Permanent

- Starting in 2018, domestic wineries and importers could take advantage of temporary wine tax credits under the Craft Beverage Modernization Act (CBMA) provisions of the Internal Revenue Code if eligibility requirements were met
- These tax credits were made permanent at the end of 2020
- Also made permanent:
 - Adjusted alcohol content for certain still wine tax classes from 14% to 16% alcohol by volume
 - Ability to transfer CBMA tax credits to other wineries or bonded wine cellars



Tax on Wine Removed 2018 - Present

Tax Class	Wines Gallons Per Calendar Year			
	First 30,000	Over 30,000 up to 130,000	Over 130,000 up to 750,000	Over 750,000
Still Wine				
16% and under alcohol by volume (0.392g CO ₂ /100mL or less)	\$0.07	\$0.17	\$0.535	\$1.07
Over 16 - 21% alcohol by volume (0.392g CO ₂ /100mL or less)	\$0.57	\$0.67	\$1.035	\$1.57
Over 21 - 24% alcohol by volume (0.392g CO ₂ /100mL or less)	\$2.15	\$2.25	\$2.615	\$3.15
Mead No more than 0.64g CO ₂ /100mL; derived solely from honey and water; containing no fruit product or fruit flavoring; and containing less than (not equal to) 8.5% alcohol by volume	\$0.07	\$0.17	\$0.535	\$1.07
Low alcohol by volume wine No more than 0.64g CO ₂ /100mL; derived primarily from grapes or from grape juice concentrate and water; containing no fruit product or fruit flavoring other than grape; and containing less than (not equal to) 8.5% alcohol by volume	\$0.07	\$0.17	\$0.535	\$1.07



Tax on Wine Removed 2018 - Present

Tax Class	Wines Gallons Per Calendar Year			
	First 30,000	Over 30,000 up to 130,000	Over 130,00 up to 750,000	Over 750,000
Artificially Carbonated Wine				
Over 0.392g CO ₂ /100mL - injected or otherwise added	\$2.30	\$2.40	\$2.765	\$3.30
Sparkling Wine				
Over 0.392g CO ₂ /100mL - naturally occurring	\$2.40	\$2.50	\$2.865	\$3.40
Hard Cider				
No more than 0.64g CO ₂ /100mL; derived primarily from apples/pears or apple/pear juice concentrate and water; containing no other fruit product or fruit flavoring other than apple/pear; and containing at least 0.5% and less than (not equal to) 8.5% alcohol by volume	\$0.164	\$0.17	\$0.193	\$0.226



How to Avoid Violations

- Ensure complete and accurate daily record entry of operations conducted
- Maintain source documents to support entries into operations records
- Review bond coverage, operations conducted, and permit file periodically



How to Avoid Violations (Cont.)

- Maintain summary records as required and verify that reports and tax returns match
- Consult www.TTB.gov on a regular basis for updated information
- Evaluate internal controls periodically
- Ensure that all computerized records are backed up frequently and regularly



Common Violations Disclosed

- Lack of, or insufficient, required records
- Late filing or non-filing of reports and returns
- Failure to conduct required inventories
- Failure to maintain current permit file
- Insufficient supporting documentation for label claims
- Insufficient bond coverage



Reporting Violations: TTB

- Violations disclosed during an audit/investigation will be discussed with you, as well as proposed corrective actions
- Violations will be included in the investigation/audit report
- TTB may send you a notice of violations or a letter of findings



Reporting Violations: TTB

- Violations may result in TTB taking administrative action against your permit
 - From a warning letter, up to and including, suspension or revocation
- Findings are made part of your official TTB file
 - Additional administrative actions may be taken if violations are later found to be continuing



Red Flags



- Late filed or non-filed reports and returns
- Shortage of bottled goods not taxpaid
- Removals shown on tax returns do not match reports of operation
- Excessive bulk losses reported with no claim filed
- Reports and returns signed by someone without signature authority



Reporting Violations: Proprietor

Voluntary disclosure of non-compliance

- TTB encourages industry members to voluntarily disclose violations upon discovery and take appropriate corrective action
- These disclosures may mitigate actions taken by TTB, if any, in response to violations
- See TTB Industry Circular 2004-5 for details
 - https://www.ttb.gov/images/industry_circulars/archives/2004/04-05.html
- Submit your voluntary disclosure here:
 - <https://www.ttb.gov/contact-nrc>



Formula Basics

Not all wine products require formula approval

Whether or not you need formula approval is based on:

- Ingredients
- Manufacturing methods

Formula requirements are NOT connected to:

- Alcohol content
- Eligibility for Hard Cider tax rate
- Whether or not the product will require TTB label approval

Determine whether your wine requires a formula:

[TTBGov - Do I Need a Formula - Wine](#)



Formula Basics

Formulas, when required, must be obtained:

- **Domestic:** before product is produced and before applying for label approval (if needed)
- **Imported*:** before applying for label approval and before product is removed from customs custody

Formulas are submitted by:

- **Domestic:** the producer (BW proprietor)
- **Imported*:** U.S. importer (holder of an Importer's Basic Permit)

*Only imported wines with 7% or more alc. by vol. are subject to formula requirements



Mandatory Label Information



Mandatory Labeling*

- Brand Label
- Any Label
- Top Labeling Errors (tips to avoid)
- Allowable Revisions to Approved Labels

*for wines sold interstate and containing at least 7% alcohol by volume



Mandatory Information: Brand Label

Brand label must include:

- Brand name
- Class/type designation
- Appellation of origin (if required)

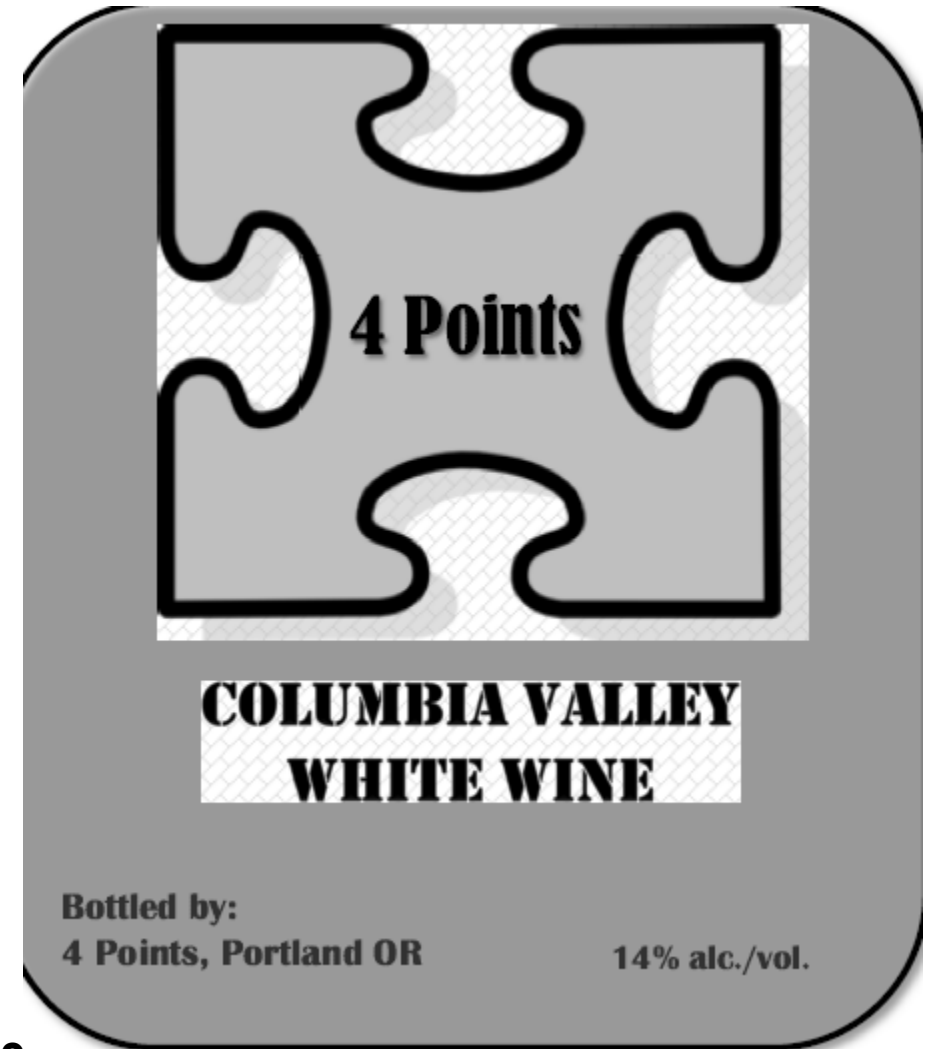
Either the front or back label may be designated as the “brand label.”

27 CFR 4.32



Mandatory Information: Brand Name

- Name under which the product is sold, usually the most prominent piece of information on the label.
- If the wine is not sold under a separate brand name, the name of the bottler, packer, or importer (if shown on the brand label) becomes the brand name.
- May not create a misleading impression.
- Must appear on the brand label.

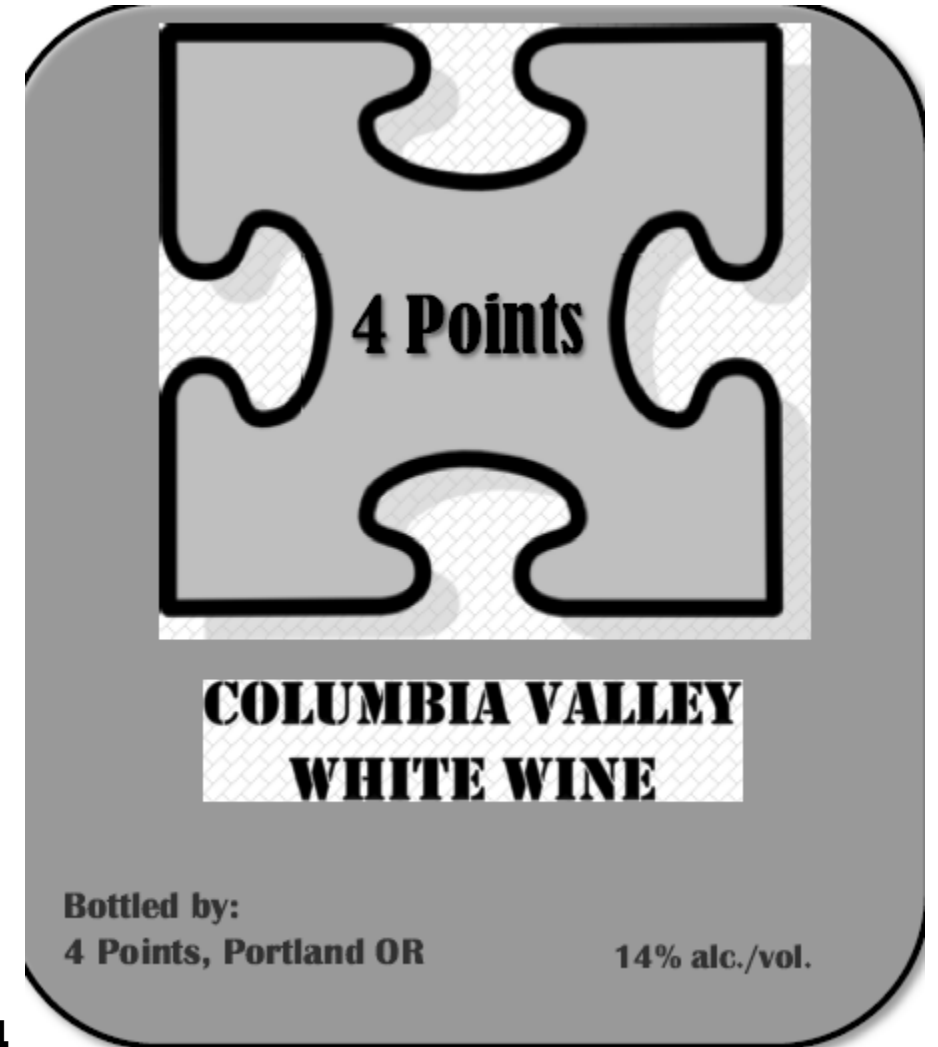


27 CFR 4.33



Mandatory Information: Class/Type

- A class/type designation is a categorical description of wine in the container, based on the defined standards of identity found in 27 CFR 4.21
- In order to label and market your wine under a particular class/type designation, the wine must meet the regulatory standards of identify for that class/type.



27 CFR 4.34



Mandatory Information: Class/Type

- Nine general **classes** of wine
- Most classes are subdivided into more specific **types** of wine
- Generally, the class and/or type designation may be used to meet the mandatory labeling requirement.

Class Example	Type Example
Grape Wine	Red Wine, Merlot, Table Wine
Sparkling Grape Wine	Sparkling Chardonnay, Sparkling Red Wine
Fruit Wine	Cider, Perry, Strawberry Dessert Wine



Mandatory Information: Class/Type

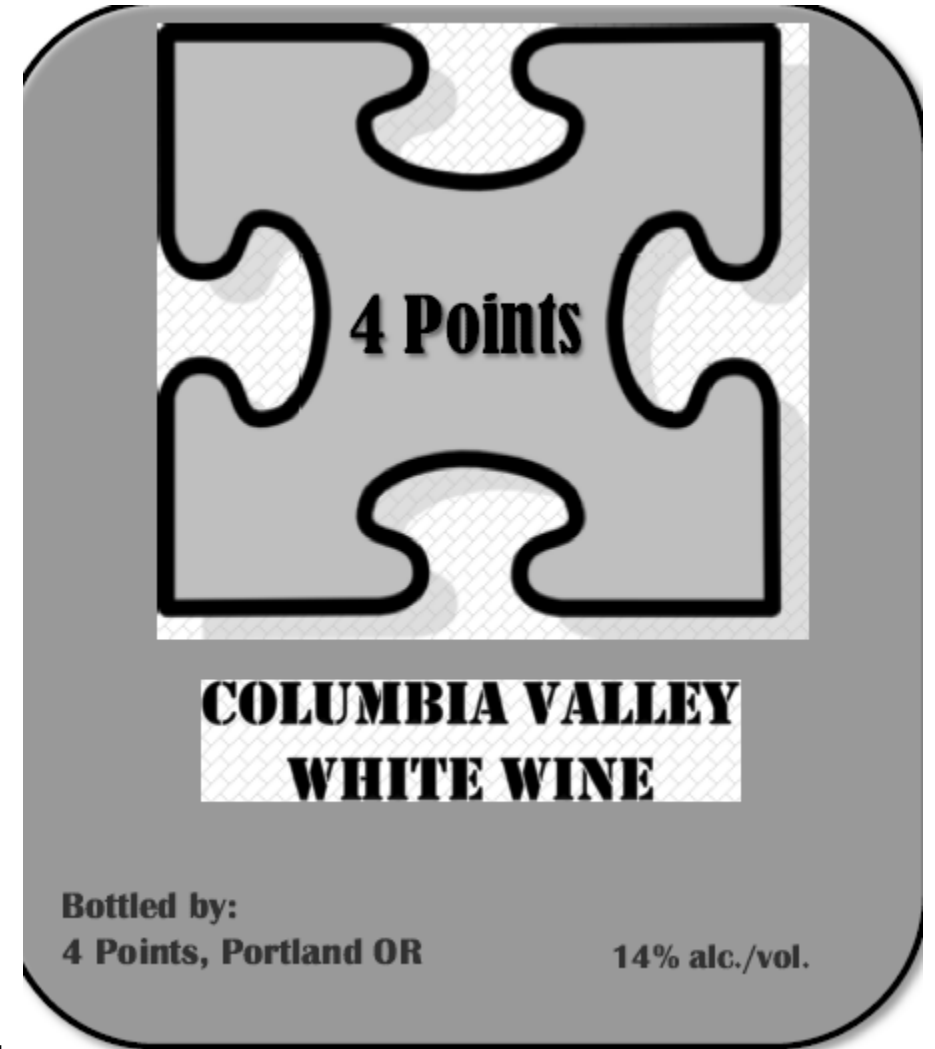
- Wines that do not meet the definition of any of the standards of identity are considered **wine specialty products**, and are subject to different class/type labeling requirements
- Adding flavors, colors, or spices to your wine will generally result in your wine being classified as a wine specialty product
- Wine specialty products must be labeled with a truthful and adequate statement of composition
- Required to appear on brand label.
- **Note:** Wine specialty products require [formula approval](#) prior to applying for a COLA!



Mandatory Information: Appellation

- Mandatory if any of the following appear on the label:
 - Grape Varietal
 - Vintage date
 - Semi-generic designation (if grandfathered)
 - Estate bottled
- Must appear on the brand label, if required.

27 CFR 4.34





Mandatory Information: Appellation

- **American Vitacultural Area (AVA):** A type of appellation specific to grape wines. It is a defined grape growing region having a name, distinguishing features, and a delineated boundary as established in 27 CFR part 9.

An AVA designation may not be used on wine made from other fruit or agricultural products.

27 CFR 4.25



Mandatory Information: Appellation

Estate bottled: 100% of the wine came from grapes grown on land owned or controlled by the winery, both of which must be located in the viticultural area on the label.

- The winery must crush and ferment the grapes, finish, age, process, and bottle the wine on its premise. The wine must at no time leave the premises of the bottling winery.
- Wine labeled as “estate bottled” must be labeled with a viticultural area appellation of origin.

27 CFR 4.26



Mandatory Information: Alcohol Content

Must be stated in terms of percentage of alcohol by volume.*

Examples of specific percentages:

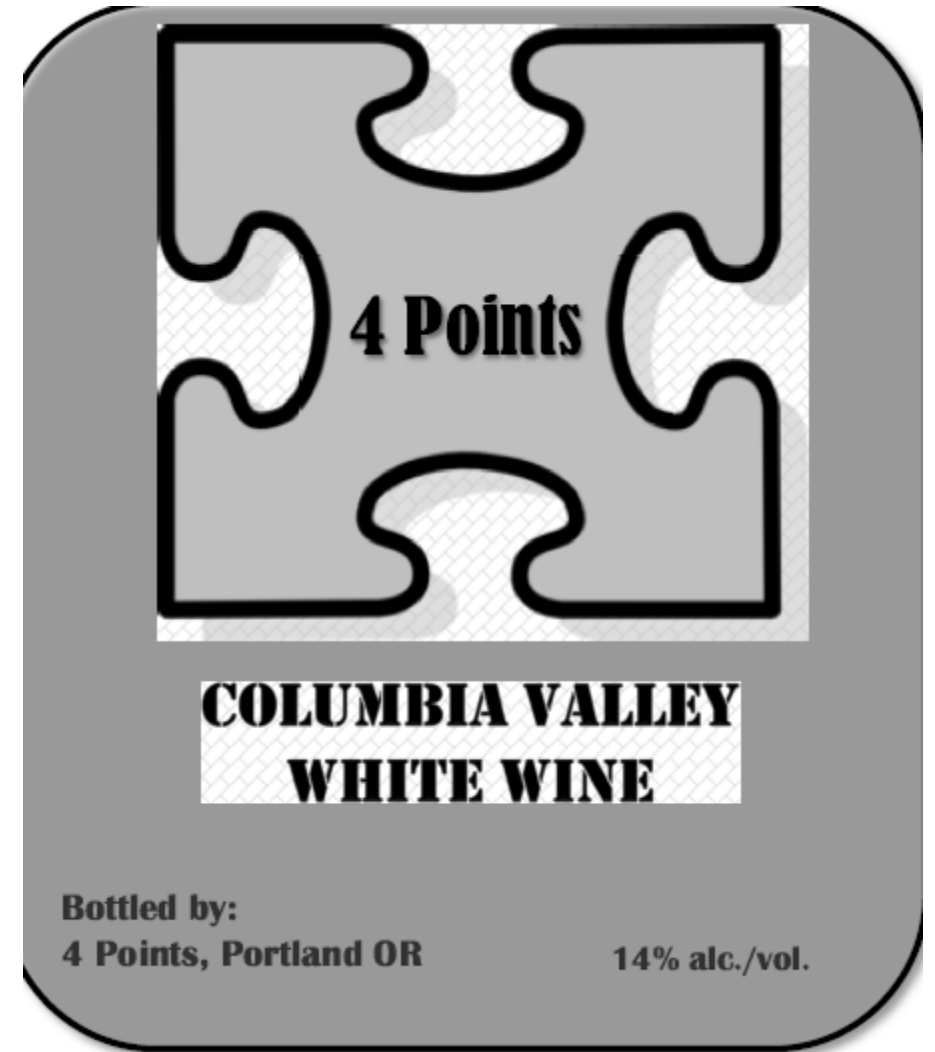
- ALCOHOL __% BY VOLUME
- ____% Alc. by Vol.

Example of ranges:

- __% to __% alcohol by volume
- ALC. __% to __% BY VOL.

***Table Wine** may be used in place of a percentage for wine 7-14% alcohol by volume.

*May appear on any label.

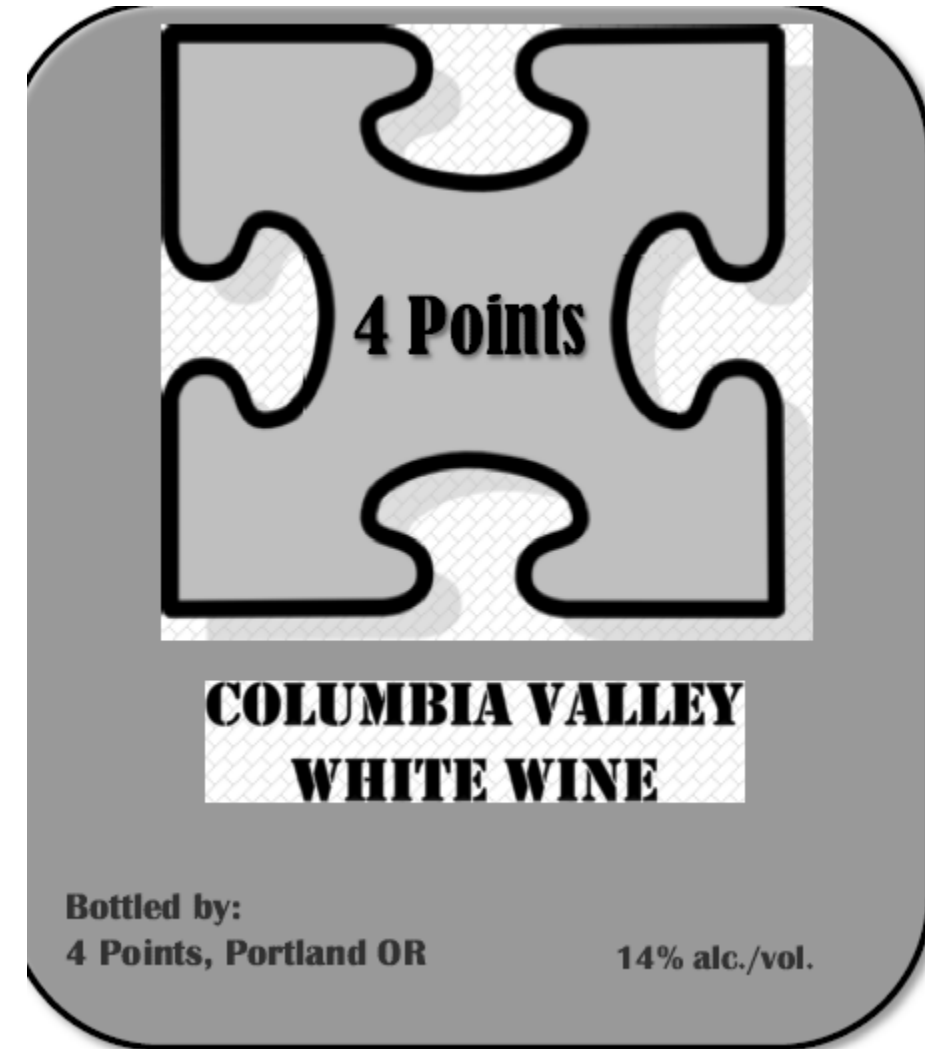


27 CFR 4.36



Mandatory Information: Name and Address Statement

- Name or Trade name of Bottler/Importer as listed on the permit, preceded by the phrase **bottled by, packed by, canned by, or imported by**, as appropriate
- Address (City and State) of the permit
- May appear on any label



27 CFR 4.35



Mandatory Information: Net Contents

Metric standards of fill - authorized sizes per 27 CFR 4.72

- “ml” on containers of less than 1 liter and “L” on containers of one liter or more
- May be on label or etched /blown into the container (which would be stated under Special wording on the application)
- May appear on any label



27 CFR 4.37



Three new standards of fill were added effective 12/29/2020

27 CFR 4.72 Metric standards of fill

- (a) Authorized standards of fill. The standards of fill for wine are as follows:

3 liters.	355 milliliters
1.5 liters.	250 milliliters.
1 liter.	200 milliliters.
750 milliliters.	187 milliliters.
500 milliliters.	100 milliliters.
375 milliliters.	50 milliliters.



Mandatory Information: Sulfate Declaration

- Must declare if 10 ppm of total sulfites or more; generally stated as **Contains Sulfites**
 - If less than 10 ppm, may be omitted if:
 - Obtain lab analysis from a TTB lab
 - Submit analysis with COLA

NOTE: TTB does not permit statements such as “**sulfite free,**” but other statements are allowed such as “No sulfites added” or “Contains naturally occurring sulfites.”

May appear on any label.



27 CFR 4.32(e)



Mandatory Information: Health Warning Statement

- Words “**GOVERNMENT WARNING**” must be in capital letters and bold type; remainder of statement may not appear in bold type
- “S” in Surgeon and “G” in General must be capitalized
- It must appear as a continuous paragraph, separate and apart from other information
- May appear on any label



27 CFR part 16



Mandatory Information: Health Warning Statement

GOVERNMENT WARNING: (1) ACCORDING TO THE SURGEON GENERAL, WOMEN SHOULD NOT DRINK ALCOHOLIC BEVERAGES DURING PREGNANCY BECAUSE OF THE RISK OF BIRTH DEFECTS. (2) CONSUMPTION OF ALCOHOLIC BEVERAGES IMPAIRS YOUR ABILITY TO DRIVE A CAR OR OPERATE MACHINERY, AND MAY CAUSE HEALTH PROBLEMS.



Top Label Errors (Q1 2023)

- Multiple varietals on the brand label without percentages listed (varietal percentages must be listed and equal 100%).
- The appellation is missing from the brand label, and there is a grape varietal or vintage date, which makes the appellation mandatory.
- Class/type designation is missing from the brand label.
- Government Warning Statement contains a punctuation error, or “Government Warning” does not appear in bold.
- The label contains information that conflicts with the formula.



Common Application Errors

- Class/type conflict (example: Red Wine vs. White Wine).
- Organic certification is required with an accredited certifying agent (ACA) signature on the labels.
- Name/Address Conflict: The bottler/importer statement address does not match what is on the application.
- Grape Varietal appears on the label but is missing from the application.



Allowable Revisions to Approved Labels



Allowable Revisions - Commonly Used

- Deleting non-mandatory information
- Repositioning
- Change color/font
- Percentage of blend
- Vintage date
- Change name or trade name to reflect another name listed on your permit
- Change “Produced” to “Vinted” or “Cellared” (cannot be used in reverse)
- Net contents
- Alcohol content



Allowable Revisions: Example

YOU MAY...	REVISION APPLIES TO			COMMENTS
	WINE	DISTILLED SPIRITS	MALT BEVERAGE	
1. Delete any non-mandatory label information, including text, illustrations, graphics, etc.	YES	YES	YES	

Approved COLA



Allowable revision





Allowable Revisions: Example

YOU MAY...	REVISION APPLIES TO			COMMENTS
	WINE	DISTILLED SPIRITS	MALT BEVERAGE	
2. Reposition any label information, including text, illustrations, graphics, etc.	YES	YES	YES	The repositioning must comply with any placement requirements applicable to mandatory information. For example, some types of mandatory information must appear on the brand label or must appear together with other label information.

Approved COLA



Allowable revision





Allowable Revisions: Example

YOU MAY...	REVISION APPLIES TO			COMMENTS
	WINE	DISTILLED SPIRITS	MALT BEVERAGE	
10. Change the net contents statement.	YES	YES	YES	Revisions must comply with all applicable regulations governing net content statements and standards of fill. Please ensure that all applicable type size requirements are met for each container size.

Approved COLA



Allowable revision

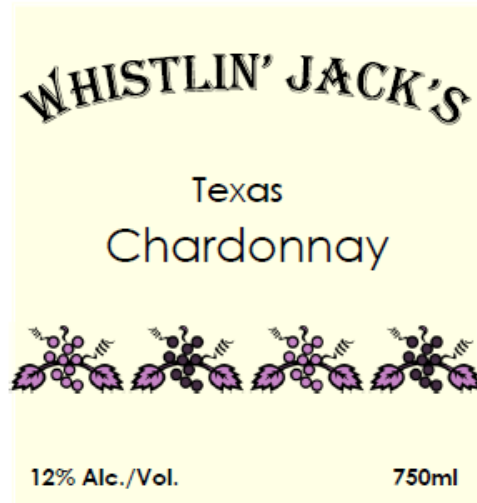




Allowable Revisions: Example

YOU MAY...	REVISION APPLIES TO			COMMENTS
	WINE	DISTILLED SPIRITS	MALT BEVERAGE	
11. Change the mandatory statement of alcohol content, as long as the change is consistent with the labeled class and type designation, and all other labeling statements.	YES	YES	YES (Flavored Malt Beverages Only)	For example, you may change the alcohol content of a grape wine labeled with a varietal designation from 13 percent to 15 percent alcohol by volume, even though it results in a change to the product's tax classification. However, if the product was designated and labeled as a "table wine," an alcohol content of 15 percent alcohol by volume would be inconsistent with the rules for use of that designation, so this change would not be permitted. Similarly, a label bearing a "rum" designation may not be changed to state an alcohol content of less than 40 percent alcohol by volume. The revised alcohol content statement must be consistent with all other mandatory or optional labeling statements.

Approved COLA



Allowable revision





TTB Procedures for Destruction of Wine



Procedures on Destruction of Wine

Step 1: The destruction of untaxpaid wine is provided for in 27 CFR 24.294. In accordance with § 24.294, a bonded wine premises proprietor can submit an application to TTB's National Revenue Center requesting permission to destroy the lot of wine.

Step 2: You may destroy the wine if you are notified by TTB that you may proceed with the destruction without supervision. If you are informed that TTB will supervise the destruction, we will notify you when the destruction may take place. The wine must be destroyed in compliance with your local environmental and waste disposal rules.



Procedures on Destruction of Wine

Step 3: Show the amount destroyed on TTB F 5120.17, “Report of Wine Premises Operations” for the period in which the product was destroyed. The volume of bulk wine destroyed will be entered in the write-in entry Lines 24-28 of Part I, Section A. The volume of bottled wine destroyed will be entered in the write-in entry lines 15-17 of Part I, Section B. The volume of wine spirits destroyed will be entered on line 7 of Part III.



Application for Destruction of Wine

Required information:

- Date of letter
- Name and Address of Bonded Wine Premises
- Registry Number of Bonded Wine Premises (“BWN/BWC/BW-State-xxxxx”)
- Kind of wine
- Alcohol Content
- Approximate volume in gallons
- Where wine will be destroyed
- Proposed date of destruction
- Reason for destruction
- Printed Name
- Signature (Person signing must have signing authority)
- Telephone Number



Application for Destruction of Wine

Your application should be mailed to:

TTB National Revenue Center

Attention: Wine Tax Unit

550 Main St., Suite 8002

Cincinnati, OH 45202

Or faxed to the Wine Tax Unit at (202) 453-2338



Resources



Resources on TTB.gov

Wine FAQs

- <https://www.ttb.gov/wine/wine-faqs>

Subscribe to Automatically Receive the Weekly TTB Newsletter (via Email)

- <https://public.govdelivery.com/accounts/USTTB/subscriber/new>

Secure Email Communication with TTB

- <https://www.ttb.gov/about-ttb/email-security>



Resources on TTB.gov

2023 Schedule of Semi-Monthly Tax Due Dates

- <https://www.ttb.gov/tax-audit/2023-semi-monthly-due-dates>

2023 Schedule of Quarterly Tax Due Dates

- <https://www.ttb.gov/tax-audit/2023-quarterly-due-date>

Current Wine Tax Rates

- <https://www.ttb.gov/tax-audit/tax-and-fee-rates#wine>

Due Dates for Operational Reports

- <https://www.ttb.gov/tax-audit/due-dates-for-operational-reports>

Sign up for Email Reminders for Tax Return and Operational Report Due Dates

- <https://www.ttb.gov/news/automated-reminders-for-filing>



Resources on TTB.gov

Wine Labeling

- <https://www.ttb.gov/wine/labeling>

Allowable Revisions to Previously Approved Labels

- <https://www.ttb.gov/labeling/allowable-revisions>

COLAs Online Customer Page

- <https://www.ttb.gov/labeling/cola>



Current Processing Times for Label Applications

- <https://www.ttb.gov/labeling/processing-times>



Resources on TTB.gov

Permits Online Tutorial

- <https://www.ttb.gov/ponl/ponl-launch>

Permits Online Customer Page

- <https://www.ttb.gov/ponl/customer-support>



Average Permit Processing Times

- <https://www.ttb.gov/nrc/statistics-original-applications-to-operate>



Resources on TTB.gov



Alcohol Beverage Formula Approval Home Page

- <https://www.ttb.gov/formulation>

Which Alcohol Beverages Require Formula Approval?

- <https://www.ttb.gov/formulation/which-alcohol-beverages-require-formula-approval>

Formulas Online Customer Page

- <https://www.ttb.gov/formulation/customer-support>



TTB Contacts

Office of Permitting and Taxation	
Email	https://www.ttb.gov/contact-nrc
Telephone	Toll-free at 877-TTB-FAQS (877-882-3277)
Address	National Revenue Center 550 Main Street, Suite 8002 Cincinnati, Ohio 45202
TTB Tip Line	Report suspected fraud, diversion, and other illegal activity: Toll-Free: 855-882-8477 Email: https://www.ttb.gov/contact-id



TTB Contacts

Alcohol Labeling and Formulation Division	
Telephone	(202) 453-2250 or Toll-Free at (866) 927-ALFD (2533)
Email	https://www.ttb.gov/contact-alfd
Regulations and Rulings Division	
Telephone	(202) 453-2265
Email	https://www.ttb.gov/contact-rrd
Tax Audit Division Western II Field Office (Los Angeles)	
General Telephone	202-508-0266