

Special Occupational Tax Frequently Asked Questions (FAQs)

On October 22, 2004, President Bush signed H.R. 4520, the "American Jobs Creation Act of 2004," into law as Public Law 108-357. In addition to several other changes to the Internal Revenue Code, Public Law 108-357 provides for a three-year suspension of the annual Special (Occupational) Tax (SOT) on persons in the business of selling, manufacturing, importing or wholesaling of beverage alcohol products or manufacturing nonbeverage alcohol products for tax drawback.

On August 10, 2005, President Bush signed into law the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users," Public Law 109-59. Section 11125 of that act repeals the Special (Occupational) Taxes on producers and marketers of alcohol beverages, manufacturers of nonbeverage products, users of tax-free alcohol, and users and dealers of specially denatured spirits, effective July 1, 2008.

Questions and Answers regarding new legislation on Federal Special Tax and Registration

Q: I heard that the Special Occupational tax has been eliminated and there is no longer a requirement to file and pay this tax; is this true?

A: The repeal of this tax has not yet taken effect. The tax liability on most alcohol occupations has been reduced to zero for three years starting from July 1, 2005, until June 30, 2008, but the registration requirement remains. Tax-free alcohol users and specially denatured spirits users and dealers must file and pay the tax at the normal rates until June 30, 2008. Beginning July 1, 2008, the tax is repealed for all alcohol occupations, but the registration requirement will continue. Tobacco occupations are not affected by the legislation and must continue to file and pay the tax at the normal rates.

Q: Will I still be required to register my business and when will I register?

A: Even though there is no tax due, you are still required to send in the registration with a zero tax liability starting with the renewals going out for the 2006 tax year.

Q: I receive a Federal Tax Stamp as receipt for filing and paying each year, and I am required to have this Stamp in order to receive my State license. Will I still receive this Stamp each year?

A: You will receive a Federal Tax Stamp **only** if you are required to file and **pay** the tax. If you are only engaged in retail or wholesale beverage alcohol sales, you will **not** receive this stamp; however, as proof of registration your State or local alcohol beverage control agency will receive a list of businesses registered

in your State.

Q. I file a claim for drawback of excise tax I pay for alcohol used to manufacture cough syrup, mouthwash, etc. Do I still have to file and pay SOT and obtain a Federal Tax Stamp in order to continue filing these claims?

A. You are still required to register in order to file a claim for drawback of excise tax paid for these products; however, you will not have to pay the tax during the suspension period.

Q. If I purchase or sell specially denatured alcohol, am I still liable for the tax?

A. Yes, the 2004 legislation does not suspend the tax on specially denatured alcohol users or dealers. You must continue to file and pay the tax at the current rate until June 30, 2008. This also applies to tax-free users such as qualifying universities and hospitals.

Q. I have a balance due on current and/or prior Special Tax, am I still liable for these taxes?

A. If you owe tax Special Tax on the current year and/or a prior year, including penalties and interest or have a lien or levy imposed, you are still liable for the tax and no claim for refund will be accepted based solely on this change in legislation.

Q. I manufacture cigars and other tobacco products, do I still have to pay Special Tax?

A. Yes, this legislation only applies to persons in alcohol manufacturing, importing, and wholesaling operations and retail beverage alcohol sales. If you manufacture tobacco products, you will continue to file and pay the tax at the applicable rates. There is still no requirement for filing and paying on retail sales or wholesale operations of manufactured tobacco products or importation of manufactured tobacco products.

Q: Who do I contact if I have questions on this tax?

A. If you have questions on how TTB will regulate this law, please contact the Alcohol and Tobacco Tax and Trade Bureau (TTB), National Revenue Center at 1-877-882-3277 or the Special Occupational Tax toll-free number at 1-800-937-8864.