

U. S. TREASURY DEPARTMENT
Internal Revenue Service
Washington 25, D. C.

Alcohol and Tobacco Tax Division
Industry Circular No. 56-38

October 11, 1956

Errors on Reports of Withdrawals From
Distilleries and Internal Revenue
Bonded Warehouses

Proprietors of distilleries, internal
revenue bonded warehouses, and
others concerned:

1. Considerable difficulty is being experienced because of errors in original tax gallons on entry and withdrawal forms prepared by proprietors and found by them after completion of the forms.

2. Distillers finding such errors have, in order that their monthly reports might reflect more accurately actual withdrawals, been reporting corrected gallonage figures on their monthly reports. In most instances, proprietors have not prepared amendments of the daily transaction reports in error and, therefore, the figures on the monthly reports are not in agreement with those appearing on the entry and withdrawal forms in the office of assistant regional commissioners. This has resulted in considerable correspondence between the assistant regional commissioner and the proprietor, with resultant inconvenience to both. A somewhat similar situation has resulted in respect of the storekeeper-gaugers' daily and monthly reports of transactions at internal revenue bonded warehouses and confusion has been created by efforts of correct forms and records at all premises concerned.

3. It is important that reports be correct to the best of the proprietor's knowledge and belief at the time of their execution, and therefore the monthly report must reflect the correction of all errors in daily transaction reports known at the time of its preparation. In the case of warehouse records, it is necessary that they be sufficiently accurate to protect the revenue and to provide reliable statistics. It is recognized that the tax gallons shown on warehouse records are not, because of leakage and evaporation losses, an exact statement of the quantity of spirits remaining in the warehouse. Further, the preparation and submission by proprietors of numerous amended daily transaction reports and monthly reports to correct minor errors may be onerous to both proprietors and the Government. Accordingly, in lieu of requiring the preparation by distillers and warehouse proprietors of amended entry and withdrawal forms and monthly reports, the following alternative procedure will be acceptable:

- (a) At the end of each month the proprietor of a distillery or an internal revenue bonded warehouse will prepare a list of errors found by him during the

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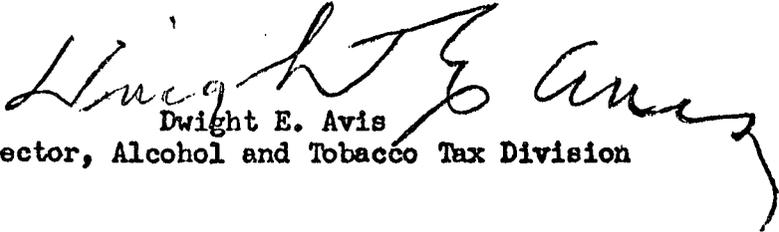
month in original tax gallon figures on completed forms covering the entry or removal of distilled spirits, where the forms were prepared by proprietors. The list will provide:

- (1) The identity of the form on which the error occurred by showing the form number and the serial number of the form or, in the case of forms not serially numbered, the date thereof. (Date of withdrawal if form represents a withdrawal from the proprietor's premises, or date of deposit if form represents a receipt of spirits).
 - (2) The identity of the error such as "package serial number 134927 and total tax gallons," or, if error is only in addition of original tax gallons, "total tax gallons," the reported figure, the correct figure, and the effect of the correction on the book inventory of the warehouse or the total production or withdrawals from the distillery such as $\frac{1}{2}$ (plus) 0.2 t.g. or - (minus) 1.2 t.g.
- (b) Distillers will show the totals of production or withdrawals on their current monthly reports on the basis of the daily reports adjusted for such errors regardless of whether the form on which the error occurred was for a prior or the current month. Each entry on the report reflecting such adjustment will be identified by an asterisk and a footnote as having been adjusted pursuant to errors shown on the attached list.
 - (c) Proprietors of registered distilleries will deliver the original of the list to the storekeeper-gauger with their monthly report, Form 1598, delivered to him at the end of the month as required by regulations in 26 CFR 220.756.
 - (d) Proprietors of fruit distilleries will submit the original of the list to the assistant regional commissioner with Form 15, Part 3, rendered as required by regulations in 26 CFR 221.772.

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- (e) Proprietors of internal revenue bonded warehouses will deliver the original and one copy of the list to the storekeeper-gauger at the close of the month in which the errors are discovered.
- (f) Copies of such lists will not be supplied nor will notification be given by storekeeper-gaugers to storekeeper-gaugers at other premises concerned. The need for notification of consignee or consignor proprietors of such errors will be a matter for decision by the proprietors concerned. In any case, correction at the premises concerned will be pursuant to the respective proprietor's separate listings of the errors.

4. It is believed that the procedure outlined will be advantageous both to the Internal Revenue Service and to proprietors. Information in regard to this industry circular should refer to the number thereof and should be directed to the appropriate assistant regional commissioner (alcohol and tobacco tax).


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