

1513-0043

26 U.S.C.

**Sec. 5212. Transfer of distilled spirits between bonded premises**

Bulk distilled spirits on which the internal revenue tax has not been paid or determined as authorized by law may, under such regulations as the Secretary shall prescribe, be transferred in bond between bonded premises in any approved container. For the purposes of this chapter, the removal of bulk distilled spirits for transfer in bond between bonded premises shall not be construed to be a withdrawal from bonded premises. The provisions of this section restricting transfers to bulk distilled spirits shall not apply to alcohol bottled under the provisions of section 5235 which is to be withdrawn for industrial purposes.

(Added Pub. L. 85-859, title II, Sec. 201, Sept. 2, 1958, 72 Stat. 1362; amended Pub. L. 94-455, title XIX, Sec. 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 96-39, title VIII, Sec. 805(b)(2), July 26, 1979, 93 Stat. 276; Pub. L. 96-598, Sec. 6(d), Dec. 24, 1980, 94 Stat. 3490.)

**Sec. 5314. Special applicability of certain provisions**

(a) Puerto Rico

(1) Applicability

The provisions of this subsection shall not apply to the Commonwealth of Puerto Rico unless the Legislative Assembly of the Commonwealth of Puerto Rico expressly consents thereto in the manner prescribed in the constitution of the Commonwealth of Puerto Rico, for the enactment of a law.

(2) In general

Distilled spirits for the purposes authorized in section 5214(a)(2) and (3), denatured distilled spirits, and articles, as described in this paragraph, produced or manufactured in Puerto Rico, may be brought into the United States free of any tax imposed by section 5001(a)(10) \1\ or 7652(a)(1) for disposal under the same conditions as like spirits, denatured spirits, and articles, produced or manufactured in the United States; and the provisions of this chapter and regulations promulgated thereunder (and all other provisions of the internal revenue laws applicable to the enforcement thereof, including the penalties of special application thereto) relating to the production, bonded warehousing, and denaturation of distilled spirits, to the withdrawal of distilled spirits or denatured distilled spirits, and to the manufacture of articles from denatured distilled spirits, shall, insofar as applicable, extend to and apply in Puerto Rico in respect of--

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\1\ See References in Text note below.  
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- (A) distilled spirits for shipment to the United States for the purposes authorized in section 5214(a)(2) and (3);
- (B) distilled spirits for denaturation;
- (C) denatured distilled spirits for shipment to the United States;
- (D) denatured distilled spirits for use in the manufacture of articles for shipment to the United States; and
- (E) articles, manufactured from denatured distilled spirits, for shipment to the United States.

(3) Withdrawals authorized by Puerto Rico

Distilled spirits (including denatured distilled spirits) may be withdrawn from the bonded premises of a distilled spirits plant in Puerto Rico pursuant to authorization issued under the laws of the Commonwealth of Puerto Rico; such spirits so withdrawn, and products containing such spirits so withdrawn, may not be brought into the United States free of tax.

(4) Costs of administration

Any expenses incurred by the Treasury Department in connection with the enforcement in Puerto Rico of the provisions of this subtitle and section 7652(a), and regulations promulgated thereunder, shall be charged against and retained out of taxes collected under this title in respect of commodities of Puerto Rican manufacture brought into the United States. The funds so retained shall be deposited as a reimbursement to the appropriation to which such expenses were originally charged.

(b) Virgin Islands

(1) In general

Distilled spirits for the purposes authorized in section 5214(a)(2) and (3), denatured distilled spirits, and articles, as described in this paragraph, produced or manufactured in the Virgin Islands, may be brought into the United States free of any tax imposed by section 7652(b)(1) for disposal under the same conditions as like spirits, denatured spirits, and articles, produced or manufactured in the United States; and the provisions of this chapter and regulations promulgated thereunder (and all other provisions of the internal revenue laws applicable to the enforcement thereof, including the penalties of special application thereto) relating to the production, bonded warehousing, and denaturation of distilled spirits, to the withdrawal of distilled spirits or denatured distilled spirits, and to the manufacture of articles from denatured distilled spirits, shall, insofar as applicable, extend to and apply in the Virgin Islands in respect of--

- (A) distilled spirits for shipment to the United States for the purposes authorized in section 5214(a)(2) and (3);
- (B) distilled spirits for denaturation;
- (C) denatured distilled spirits for shipment to the United States;
- (D) denatured distilled spirits for use in the manufacture of articles for shipment to the United States; and

(E) articles, manufactured from denatured distilled spirits, for shipment to the United States.

(2) Advance of funds

The insular government of the Virgin Islands shall advance to the Treasury of the United States such funds as may be required from time to time by the Secretary for the purpose of defraying all expenses incurred by the Treasury Department in connection with the enforcement in the Virgin Islands of paragraph (1) and regulations promulgated thereunder. The funds so advanced shall be deposited in a separate trust fund in the Treasury of the United States and shall be available to the Treasury Department for the purposes of this subsection.

(3) Regulations issued by Virgin Islands

The Secretary may authorize the Governor of the Virgin Islands, or his duly authorized agents, to issue or adopt such regulations, to approve such bonds, and to issue, suspend, or revoke such permits, as are necessary to carry out the provisions of this subsection. When regulations have been issued or adopted under this paragraph with concurrence of the Secretary he may exempt the Virgin Islands from any provisions of law and regulations otherwise made applicable by the provisions of paragraph (1), except that denatured distilled spirits, articles and distilled spirits for tax-free purposes which are brought into the United States from the Virgin Islands under the provisions of this subsection shall in all respects conform to the requirements of law and regulations imposed on like products of domestic manufacture.

(Added Pub. L. 85-859, title II, Sec. 201, Sept. 2, 1958, 72 Stat. 1375; amended Pub. L. 94-455, title XIX, Secs. 1905(a)(18), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1820, 1834.)

**Sec. 7652. Shipments to the United States**

(a) Puerto Rico

(1) Rate of tax

Except as provided in section 5314, articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale shall be subject to a tax equal to the internal revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture.

(2) Payment of tax

The Secretary shall by regulations prescribe the mode and time for payment and collection of the tax described in paragraph (1), including any discretionary method described in section 6302(b) and (c). Such regulations shall authorize the payment of such tax before shipment from Puerto Rico, and the provisions of section 7651(2)(B) shall be applicable to the payment and collection of such tax in Puerto Rico.

(3) Deposit of internal revenue collections

All taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States (less the estimated amount necessary for payment of refunds and drawbacks), or consumed in the island, shall be covered into the treasury of Puerto Rico.

(b) Virgin Islands

(1) Taxes imposed in the United States

Except as provided in section 5314, there shall be imposed in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

(2) Exemption from tax imposed in the Virgin Islands

Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

(3) Disposition of internal revenue collections

The Secretary shall determine the amount of all taxes imposed by, and collected under the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States. The amount so determined less 1 percent and less the estimated amount of refunds or credits shall be subject to disposition as follows:

(A) The payment of an estimated amount shall be made to the government of the Virgin Islands before the commencement of each fiscal year as set forth in section 4(c)(2) of the Act entitled ``An Act to authorize appropriations for certain insular areas of the United States, and for other purposes'', approved August 18, 1978 (48 U.S.C. 1645), as in effect on the date of the enactment of the Trade and Development Act of 2000. The payment so made shall constitute a separate fund in the treasury of the Virgin Islands and may be expended as the legislature may determine.

(B) Any amounts remaining shall be deposited in the Treasury of the United States as miscellaneous receipts.

If at the end of any fiscal year the total of the Federal contribution made under subparagraph (A) with respect to the four calendar quarters immediately preceding the beginning of that fiscal year has not been obligated or expended for an approved purpose, the balance shall continue available for expenditure during any succeeding fiscal year, but only for emergency relief purposes and essential public projects. The aggregate amount of moneys available for expenditure for emergency relief purposes and essential public projects only shall not exceed the sum of \$5,000,000 at the end of any fiscal year. Any unobligated or unexpended balance of the Federal contribution remaining at the end of a fiscal year which would cause the moneys available for

emergency relief purposes and essential public projects only to exceed the sum of \$5,000,000 shall thereupon be transferred and paid over to the Treasury of the United States as miscellaneous receipts.

(c) Articles containing distilled spirits

For purposes of subsections (a)(3) and (b)(3), any article containing distilled spirits shall in no event be treated as produced in Puerto Rico or the Virgin Islands unless at least 92 percent of the alcoholic content in such article is attributable to rum.

(d) Articles other than articles containing distilled spirits

For purposes of subsections (a)(3) and (b)(3)--

(1) Value added requirement for Puerto Rico

Any article, other than an article containing distilled spirits, shall in no event be treated as produced in Puerto Rico unless the sum of--

(A) the cost or value of the materials produced in Puerto Rico, plus

(B) the direct costs of processing operations performed in Puerto Rico,

equals or exceeds 50 percent of the value of such article as of the time it is brought into the United States.

(2) Prohibition of Federal excise tax subsidies

(A) In general

No amount shall be transferred under subsection (a)(3) or (b)(3) in respect of taxes imposed on any article, other than an article containing distilled spirits, if the Secretary determines that a Federal excise tax subsidy was provided by Puerto Rico or the Virgin Islands (as the case may be) with respect to such article.

(B) Federal excise tax subsidy

For purposes of this paragraph, the term ``Federal excise tax subsidy'' means any subsidy--

(i) of a kind different from, or

(ii) in an amount per value or volume of production greater than, the subsidy which Puerto Rico or the Virgin Islands offers generally to industries producing articles not subject to Federal excise taxes.

(3) Direct costs of processing operations

For purposes of this subsection, the term ``direct cost of processing operations'' has the same meaning as when used in section 213 of the Caribbean Basin Economic Recovery Act.

(e) Shipments of rum to the United States

(1) Excise taxes on rum covered into treasuries of Puerto Rico and Virgin Islands

All taxes collected under section 5001(a)(1) on rum imported into the United States (less the estimated amount necessary for payment of refunds and drawbacks) shall be covered into the treasuries of Puerto Rico and the Virgin Islands.

(2) Secretary prescribes formula

The Secretary shall, from time to time, prescribe by regulation a formula for the division of such tax collections between Puerto Rico and the Virgin Islands and the timing and methods for transferring such tax collections.

(3) Rum defined

For purposes of this subsection, the term ``rum'' means any article classified under subheading 2208.40.00 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 1202).

(4) Coordination with subsections (a) and (b)

Paragraph (1) shall not apply with respect to any rum subject to tax under subsection (a) or (b).

(f) Limitation on cover over of tax on distilled spirits

For purposes of this section, with respect to taxes imposed under section 5001 or this section on distilled spirits, the amount covered into the treasuries of Puerto Rico and the Virgin Islands shall not exceed the lesser of the rate of--

(1) \$10.50 (\$13.25 in the case of distilled spirits brought into the United States after June 30, 1999, and before January 1, 2004), or

(2) the tax imposed under section 5001(a)(1), on each proof gallon.

(g) Drawback for medicinal alcohol, etc.

In the case of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume containing distilled spirits, which are unfit for beverage purposes and which are brought into the United States from Puerto Rico or the Virgin Islands--

(1) subpart F of part II of subchapter A of chapter 51 shall be applied as if--

(A) the use and tax determination described in section 5131(a) had occurred in the United States by a United States person at the time the article is brought into the United States, and

(B) the rate of tax were the rate applicable under subsection (f) of this section, and

(2) no amount shall be covered into the treasuries of Puerto Rico or the Virgin Islands.

(h) Manner of cover over of tax must be derived from this title

No amount shall be covered into the treasury of Puerto Rico or the Virgin Islands with respect to taxes for which cover over is provided under this section unless made in the manner specified in this section without regard to--

(1) any provision of law which is not contained in this title or in a revenue Act; and

(2) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this subsection.

(Aug. 16, 1954, ch. 736, 68A Stat. 907; Pub. L. 85-859, title II, Sec. 204(17), (18), Sept. 2, 1958, 72 Stat. 1430; Pub. L. 89-44, title VIII, Sec. 808(b)(3), June 21, 1965, 79 Stat. 164; Pub. L. 94-202, Sec. 10(a), Jan. 2, 1976, 89 Stat. 1141; Pub. L. 94-455, title XIX, Sec. 1906(a)(55), (b) (13)(A), Oct. 4, 1976, 90 Stat. 1832, 1834; Pub. L. 98-67, title II, Sec. 221(a), Aug. 5, 1983, 97 Stat. 395; Pub. L. 98-213, Sec. 5(c), Dec. 8, 1983, 97 Stat. 1460; Pub. L. 98-369, div. B, title VI, Secs. 2681(a), 2682(a), July 18, 1984, 98 Stat. 1172, 1174; Pub. L. 99-514, title XVIII, Sec. 1879(i)(1), Oct. 22, 1986, 100 Stat. 2907; Pub. L. 100-418, title I, Sec. 1214(p)(1), Aug. 23, 1988, 102 Stat. 1159; Pub. L. 103-66, title XIII, Sec. 13227(e), Aug. 10, 1993, 107 Stat. 494; Pub. L. 103-465, title I, Sec. 136(b), Dec. 8, 1994, 108 Stat. 4841; Pub. L. 106-170, title V, Sec. 512(a), Dec. 17, 1999, 113 Stat. 1924; Pub. L. 106-200, title VI, Sec. 602(b), (c), May 18, 2000, 114 Stat. 305, 306; Pub. L. 107-147, title VI, Sec. 609(a), Mar. 9, 2002, 116 Stat. 60.)

## **27 CFR**

### **Sec. 26.199a Action by revenue agent.**

(a) Gauge. Puerto Rican spirits to be withdrawn for shipment to the United States as provided in this subpart shall be gauged by the revenue agent prior to withdrawal from the consignor premises. The revenue agent shall record the quantity and proof of the spirits gauged on TTB Form 5110.31. If the spirits are in packages, the revenue agent shall prepare in sextuplicate a package gauge record according to Sec. 26.164a, attach the package gauge record to TTB Form 5110.31, and dispose of the form (and any attachments) according to the instructions thereon.

(b) Sealing bulk conveyances. When a shipment is made in a tank, van, or other bulk conveyance (other than barrels, drums, or similar packages that are not containerized), all openings affording access to the spirits shall be sealed by the Puerto Rican revenue agent in such manner as will prevent unauthorized removal of spirits without detection.

(Approved by the Office of Management and Budget under control number 1513-0056)

[T.D. ATF-198, 50 FR 8551, Mar. 1, 1985. Redesignated and amended by T.D. ATF-459, 66 FR 38550, 38551, July 25, 2001]

### **Sec. 26.199b Issuance and disposition of permit.**

When the Secretary receives an application on TTB Form 5110.31 and he finds that the applicant is in compliance with law and regulations, he will execute the permit to ship on all copies of TTB Form 5110.31, retain one copy, and any accompanying package gauge record as provided in Sec. 26.164a, and return the remaining copies to the consignor who shall distribute them in accordance with the instructions on TTB Form 5110.31.

(Approved by the Office of Management and Budget under control number 1513-0056)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985. Redesignated and amended by T.D. ATF-459, 66 FR 38550, 38551, July 25, 2001]

### **Sec. 26.199c Action by carrier.**

The carrier of the spirits specified on the TTB Form 5110.31 shall, at the time of unloading at the port of arrival in the United States, segregate and arrange the containers of spirits of convenient customs examination and shall assume any expense incurred in connection therewith.

### **Sec. 26.199d Customs inspection and release.**

On receipt of a properly executed TTB Form 5110.31 from the consignor, the customs officer at the port of arrival in the United States shall inspect the corresponding shipment of spirits:

- (a) If a shipment is in a bulk conveyance, and:
  - (1) The seals are intact, he shall release the shipment; or



(2) If the seals are broken, he shall, before release of the spirits, affix customs seals.

(b) If a shipment in packages does not arrive in a sealed conveyance, the packages shall be inspected, and if it appears that any package has sustained a loss, the package shall be weighed and its new gross weight shall be entered in contrasting color on the package gauge record attached to the related TTB Form 5110.31. The serial numbers of any seals affixed by the customs officers shall be reported on TTB Form 5110.31 under remarks with an explanation and description of any evidence of loss. After completing his inspection, the customs officer shall execute his certificate on each copy of TTB Form 5110.31 and show thereon any exceptions found at the time of his release for transfer of the spirits to internal revenue bond. Missing packages should be reported separately from packages which have sustained losses. The customs officer shall then release the spirits to the consignee's representative and distribute all forms in accordance with the instructions on TTB Form 5110.31.

(Approved by the Office of Management and Budget under control number 1513-0056)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

**Sec. 26.199f Consignee premises.**

(a) General. When Puerto Rican spirits are received from customs custody under the provisions of this subpart, the consignee proprietor shall execute the certificate of receipt on TTB Form 5110.31 and examine all containers for evidence of loss. If it appears that spirits were lost by theft or unusual event, the proprietor shall determine the quantity of spirits lost and report the loss according to 27 CFR 19.562.

(b) Packages. Packages shall be received on bonded premises by the proprietor on the basis of the most recent official gauge.

(c) Distribution of forms. The proprietor shall keep and send copies according the instructions on the form.

(Approved by the Office of Management and Budget under control numbers 1513-0043 and 1513-0056)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985, as amended by T.D. ATF-451, 66 FR 21670, May 1, 2001]