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SPECIAL OCCUPATIONAL TAX

Repeal of Special (Occupational) Tax on Alcohol Occupations

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 the Act permanently repeals, effective July 1, 2008, 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.

Although the tax has been repealed for these occupations, recordkeeping and registration requirements remain for:

- Producers and marketers of alcohol beverages, and
- Manufacturers of nonbeverage products.

Regulations will require marketers of alcohol beverages to register in the following circumstances:

- Before beginning business;
- On or before each subsequent July 1, but ONLY IF there has been a change in the existing registration information;
- Upon going out of business; and
- A transition rule will require the registration of existing businesses that have not registered on or after January 1, 2007.

Distilled spirits plants, breweries, wineries, bonded wine warehouses, and taxpaid wine bottling houses that sell alcohol products fit for beverage use will be treated as alcohol beverage dealers and therefore will be subject to the same registration requirements. However, to simplify the registration process, TTB will deem these persons to have registered as alcohol beverage dealers when they file their application for registration or brewer's notice under the qualification provisions of 27 CFR parts 19, 24, or 25. Similarly, amended dealer registrations will not be required if the qualification files are kept up to date.

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Manufacturers of nonbeverage products will be deemed to have registered each year when they file their first claim for the year.

Recordkeeping requirements will remain as they are for:

- Alcohol beverage dealers,
- Manufactures of nonbeverage products,
- Users of tax-free alcohol,
- Users and dealers of specially denatured spirits,
- Distilled spirits plants,
- Breweries,
- Wineries,
- Bonded wine warehouses, and
- Taxpaid wine bottling houses.

Any past due tax liabilities that were incurred for periods before the effective date of the repeal remain and will be collected. (However, there is no liability for alcohol occupations, other than users of tax-free alcohol and users and dealers of specially denatured spirits, during the previously enacted three-year tax suspension that runs from July 1, 2005, through June 30, 2008.)

Section 11125 of Public Law 109-59 does not affect any tobacco occupations; therefore,

- manufacturers of tobacco products,
- manufacturers of cigarette papers and tubes, and
- tobacco export warehouse proprietors

must continue to register and pay the special (occupational) tax every year. The registration and tax for these tobacco occupations is due before beginning business, and on or before July 1 of every year after that.

TTB plans to issue regulations amendments to implement the repeal as soon as possible. Corresponding changes will be made throughout the TTB Web site as appropriate.

Call 1-800-937-8864 if you need additional information or forms.